

## Flexible working: The business case

*Introducing a greater degree of flexible working to your organisation will require you to win leadership buy-in, overcome any negative attitudes, and effectively communicate the benefits flexible working can bring to your organisation and its workers. This overview from The Flexible Working Taskforce draws together wider research and practice evidence that will help you make a convincing case for adopting flexible working.*

Flexible working is defined as working arrangements in which the amount, timing, or location of work,<sup>1</sup> can be varied to suit the individual employee in the role. The creation of more flexible jobs and workplaces can play an important role in supporting economic growth and productivity by helping to capitalise on the full potential of the UK's workforce.

At a time when the labour market is tight, flexible working can help tackle skill and labour shortages by enabling organisations of all sizes to employ a more diverse workforce and maximise productivity. The provision of flexible working can help firms attract and retain a wider range of workers, including parents, people with caring responsibilities, younger and older workers<sup>2</sup> and those with a disability or a health condition. Flexible working may also amount to a reasonable adjustment under the Equality Act 2010.<sup>3</sup>

Just as importantly, flexible working can contribute to efforts to raise workplace productivity and job quality through its potential to support employee motivation, innovation, wellbeing and overall business flexibility.

However, in too many workplaces, obstacles such as a lack of knowledge about different flexible working practices and even negative attitudes of leaders and line managers towards flexible working can prevent its benefits being realised, either for individuals or the business. Line managers and senior leaders that are informed and proactive can act as role models and create inclusive workplace cultures where individuals feel able to have discussions about flexible working.<sup>4</sup>

It is important therefore to make the case for employers to invest in creating more flexible working opportunities across their workforce, to help in attracting people from different backgrounds and experiences, as well as training for leaders and managers to put it into practice. This, together with an enhanced day-one right for employees to request flexible working, can encourage and enable more businesses to boost their adoption of flexible working practices with benefits for both organisational performance and workers.

### **Attraction and retention of talent**

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#### **Attraction**

There is a strong, unmet demand for more flexible jobs; 9-in-10 employees want to work flexibly, but only 3-in-10 jobs are advertised with flexible working.<sup>5</sup>

Advertising jobs as flexible can help organisations access a wider and more diverse talent pool – so they can get the best person for the job.<sup>6</sup> By not advertising jobs as flexible, employers are cutting themselves off from potential applicants.<sup>7</sup> This is especially true for roles with skill shortages and hard-to-fill vacancies.<sup>8</sup>

The CIPD's Resourcing and Talent Planning Report, produced in partnership with Omni RMS (2022),<sup>9</sup> shows that 30% of employers who had recruited in the past 12 months say that advertising roles as 'open to flexible working' was among their most effective recruitment methods. 54% of organisations who have had recruitment difficulties are offering greater work flexibility to address these challenges.

- Flexible working is cited as the most important consideration for older workers (58%) [aged 50–65] who left or lost their job at the start of the pandemic and would consider returning to work, ahead of pay (32%) and being able to work from home (12%).<sup>10</sup>
- Eight out of ten disabled workers surveyed for a 2022 Work Foundation<sup>11</sup> study said that working from home would be essential or very important if they were looking for a new job.
- Flexible working can also help employers attract younger workers according to research – 92% of young people want to work flexibly<sup>12</sup> and flexible working is also central to understanding why many workers choose temporary work.<sup>13</sup>

## **Retention**

Flexible working practices are a key reason staff at all career stages feel satisfied with their work and are staying with their employer: flexibility can reduce staff turnover.<sup>14</sup>

A paper by Bloom et al (2022)<sup>15</sup> evaluated a randomised control trial of hybrid working on 1,612 graduate engineers, marketing and finance employees of a large technology firm. Hybrid working was highly valued by employees on average, reducing attrition by 33% and improving job-satisfaction measures.

CIPD research shows that 6% of employees changed jobs in 2022 specifically due to a lack of flexible options and 12% left their profession/sector altogether due to lack of flexibility within the sector. This represents almost 2m and 4m workers respectively.<sup>16</sup>

Flexibility over work schedules can help employers retain staff as evidence suggests that this is linked to lower levels of reported turnover intentions among workers.<sup>17</sup>

- For senior and managerial staff, flexible working arrangements are pivotal for being able to continue to work and develop as professionals,<sup>18</sup> particularly if they become parents.
- For entry-level employees, flexible working reduces work–life spillover which, in turn, improves retention and commitment.<sup>19</sup>
- Higher levels of engagement, experienced by working flexibly, can reduce staff turnover by 87%.<sup>20</sup>

## **Improved engagement, job satisfaction and loyalty**

Employees are more likely to recommend their employer, stay loyal to their organisation, and go the extra mile if their employer offers flexible working.

- Flexible workers have a higher level of job satisfaction, commitment, and are more likely to increase discretionary effort compared to those who do not work flexibly.<sup>21</sup>

- Flexible workers are also more likely to be engaged<sup>22</sup> which yields significant advantages for employers – potentially generating 43% more revenue and improving performance by 20%, compared with disengaged employees.<sup>23</sup>

## **Reduced absenteeism and improved wellbeing**

Evidence suggests that flexible working arrangements can support employee wellbeing, through better work–life balance, greater autonomy and more effective communications.<sup>24</sup>

- Flexible working can reduce absence rates<sup>25</sup> as it allows employees to manage disability and long-term health conditions,<sup>26</sup> caring responsibilities,<sup>27</sup> as well as supporting their mental health and stress levels.<sup>28</sup>
- Parents and carers (especially those on low incomes) benefit the most – they tend to have increased wellbeing and are less troubled by stress when given access to flexible work.<sup>29</sup>

## **Productivity**

A study analysing the impact of flexible working across seven European countries including the UK found a positive association between employee-driven flexible working arrangements and performance.<sup>30</sup> There is also a positive link between flexible working practices and innovation associated with the additional amount of control and self-management over working time that is transferred to employees.<sup>31</sup>

A recent experimental study looked at how working-time flexibility affects workers' productivity in a routine job. It found that flexible arrangements that allow workers to decide when to start and stop working increased global productivity by as much as 50%.<sup>32</sup>

Research (2022)<sup>33</sup> by the Equal Parenting Project at Birmingham and York universities found that three-quarters of managers across the UK believe flexible working increases productivity and 62.5% believe that it boosts motivation.

CIPD research (2023) shows that almost two-fifths (38%) of organisations say that more home/hybrid working has increased their organisation's productivity/efficiency<sup>34</sup> and research from Bupa (2022)<sup>35</sup> shows that 35% of UK business leaders say implementing hybrid working has boosted productivity in their organisations.

- Managers and co-workers also report a positive or neutral impact on individual performance, in terms of quality and quantity of work, when flexible working practices are adopted.<sup>36</sup>
- When it comes to working with others, flexible work schedules help employees, including parents and carers,<sup>37</sup> balance their work and life responsibilities and boost performance,<sup>38</sup> increasing average labour productivity for large and small businesses.<sup>39</sup>

## **Improved business outcomes**

- When flexible working arrangements are supported and become a normal part of how an organisation operates, this can help businesses to reduce their gender pay gap<sup>40</sup> and enable more women to progress into leadership positions.<sup>41</sup>
- Flexible working supports more diverse talent pipelines within organisations and helps improve board-level diversity. As some global analysis shows, companies with diverse boards outperform their rivals and have an opportunity cost equivalent to around 3% of UK GDP.<sup>42</sup>
- Gender diverse leadership teams also deliver an 18% return on equity premium, and McKinsey have calculated that improving diversity could add £150 billion a year to the UK economy by 2025.<sup>43</sup>

Following on from successful pilot programmes in five frontline sectors (retail, construction, social care, teaching and the NHS), Timewise commissioned the Institute for Employment Studies to undertake a break-even analysis of investing in flexible working. IES calculated how quickly the benefits of improved retention and reduced sickness absence could offset the costs of a typical programme. The findings make a strong case: within only a few years, savings begin to outweigh the costs of implementing flexible working and begin to deliver financial returns.<sup>44</sup>

## **Agility and responsiveness to market change**

Flexible working allows companies to adapt to fluctuating market demand to boost responsiveness and competitiveness. The CBI Employment Trends survey<sup>45</sup> found that 99% of all businesses surveyed believe that a flexible workforce is vital or important to competitiveness and the prospects for business investment and job creation.

Tesco and Ford Motor Company are two examples of a number of organisations using flexible working to increase responsiveness to customer demand:

- A Tesco superstore uses part-time working and multi-skilling practices to meet customer demand more effectively, generating value equivalent to approximately 13% of total workforce costs.
- A Ford Motor Company Ltd manufacturing plant saves the equivalent of about 3% of total plant costs by using outsourcing, flexible absence cover and alternative maintenance shifts to achieve cover in line with plant needs.<sup>46</sup>

Quality flexible working could also help the NHS deliver a 24/7 environment which works for all staff and enhances overall attraction, development and retention of employees.<sup>47</sup>

CIPD research (2022) also shows that employers cite improved business flexibility as one of the top three benefits of offering more remote/hybrid working.<sup>48</sup>

## Endnotes

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