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## Flexible working in a challenging economic climate

### Introduction

**With the current turbulence within the economy, should organisations look at how work is organised in a positive way to help them pull through? Difficult times call for bold thinking: now, more than ever, flexible working is a vital tool for business survival and longer term success. How can those responsible for flexible working in organisations build a convincing case for flexible working practices, and how can they answer those voices who call for a return to a more inflexible culture. And for SMEs, who may face unique challenges, can flexible working succeed for them as well for as ‘big business’?**

### Convincing people of the business case

The business case for flexible working arrangements can be built from many pieces: retention of staff, recruitment, increased loyalty and commitment, high performance, reduced absenteeism. Additionally, there are increasingly signs that flexible working, corporate citizenship and sustainability are linked together in the way organisations operate and are perceived. Most organisations would like to harness some or all of these benefits if they can, and a successful business case which clearly illustrates how the organisation will benefit from flexible working is more likely to succeed in winning hearts and minds. But does the business case need to be changed in the face of a recession, or can HR people sing the same song to their board and expect to continue without a challenge? Making a link between flexible working and organisational requirements is key. At a time when productivity and increased competition are a priority, it is important to recognise and leverage the benefits that flexible working can add. As Paul Lee, Senior Partner at Addleshaw Goddard points out, “the qualities required to achieve a work-life balance – flexibility and nimbleness – are also essential during these uncertain times. There has never been a better time to embrace change”. For small and medium size enterprises (SMEs), this can be a process which will probably be more direct. Research<sup>1</sup> has shown that SMEs are often good at flexible working, even if they prefer to call it accommodating needs or similar. The fundamentals remain the same.

“Does the business case need to be changed in the face of a recession?”

<sup>1</sup> Pregnant Women at Work, University of Glamorgan (P Leighton, R Evans) 2004



## Make the crucial link: business need and flexible working

To better understand the deployment of flexible working in tough times, it is necessary to first understand some of the main issues where economic pressure affects the business. Common concerns are: a declining order book; pressure to cut costs; pressure to reduce headcount; extracting maximum value from all 'assets' and cutting dead wood. Where does flexible working fit into this picture?

It might not be enough to pitch flexible working at the general level – linking flexible working to specific areas of concern is much more likely to see it seriously considered. Two interrelated areas are important. Where flexible working is already in place, how can its 'value' be captured and demonstrated? And what creative solutions can be used to deploy *more* flexible working to help organisations cope?

## Assessing the worth of flexible working arrangements

Understanding what your flexible workers bring to the business is vital. Having data on things like the performance of flexible workers, their absenteeism rates, the quality of their work and contribution is invaluable if you can demonstrate a positive relationship.

There is a growing body of evidence which shows that flexible working enhances organisational performance and quality of life (through enhanced work-life balance) for employees. Research from Working Families<sup>2</sup> has found improved levels of employee motivation, commitment and performance for flexible workers. Additionally, flexible working has also been shown to have a positive relationship with lower stress, and better health and wellbeing. Time, Health and the Family<sup>3</sup> found that unhealthy behaviour (such as overeating, smoking, consuming alcohol) fell when people felt that their work and 'outside work' lives were balanced, that they felt more motivated and productive in their jobs if they achieved a good balance. Other research<sup>4</sup> has shown that there is a virtuous circle where satisfaction with work-life balance achieved through flexible working methods positively affects employee enjoyment of work and productivity.

“Rather than shed jobs, many employees would rather take a pay cut.”

Ant Donaldson, a senior specialist in employee benefits at E.ON, the energy company, says that flexible benefits and choice help the firm to compete in the employment market. “[In this economic climate] voluntary benefits schemes come into their own,” he says. The company offers childcare and supermarket vouchers, deals on insurance and the option to sell back or buy holiday. (The Times 17 July 2008)

[http://www.timesonline.co.uk/tol/life\\_and\\_style/career\\_and\\_jobs/graduate\\_management/article4339305.ece](http://www.timesonline.co.uk/tol/life_and_style/career_and_jobs/graduate_management/article4339305.ece)

According to a survey of 1,200 business leaders (Leaders in London), most bosses intend to offer flexible working hours rather than pay rises to help retain their staff during the current economic downturn (Channel 4 News 11 August)

<sup>2</sup> Flexible Working and Performance, Working Families and Cranfield,

<sup>3</sup> Time Health and the Family, Working Families C Cooper, JSwan (2003)

<sup>4</sup> Is less more? Working Families 2005



2008)[http://www.channel4.com/news/articles/business\\_money/flexible+hours+replace+pay+risers/2392012](http://www.channel4.com/news/articles/business_money/flexible+hours+replace+pay+risers/2392012)

And what of employees themselves? Employees themselves have identified flexible working as a top 10 benefit when their companies are facing tough times.

<http://www.personneltoday.com/articles/2008/10/07/47780/staff-suggest-ways-to-boost-engagement-during-economic-downturn.html>. The true level of flexible working within organisations may be higher than estimated by employers. Recent research <sup>5</sup> from Working Families and Cranfield School of Management uncovered a substantial number of employees who had made informal flexible working arrangements without resorting to 'official' channels. This would indicate that flexible working has been spreading its roots in organisations under the radar, with a corresponding acceptance that this is the way that work is successfully done. It might be worth trying to capture this activity, but perhaps more importantly, any decisions taken about reorganising work to get through tough times needs to recognise and exploit that fact that many people are open to flexible working methods already.

## The reduced hours solution

Cutting headcount is a common response for struggling organisations, however it is achieved. But although it may deliver immediate and highly visible changes, it may not always be the best solution and may carry with it hidden costs which damage the organisation in the longer term.

Redundancy may not work. Anecdotal evidence suggests that recent voluntary redundancy rounds in some large organisations have seen applicants withdraw their applications at the 11<sup>th</sup> hour as they fear that their job prospects may be poor in a declining labour market. But should an organisation go down the route of redundancy, especially compulsory redundancy, without exploring other options? Flexible working here, in the form of reduced hours working in its many different forms (part-time hours, job share, v-time, term time working etc.) can be used to redistribute work across more reduced-hours posts. Andrew Walker, a business director at Croner Reward, the pay and benefits consultancy suggests that flexible working will be one solution to reducing billable hours without slashing headcount.

This solution also has the advantage of retaining talent within the organisation in readiness for a return to business as usual. For example, electronics and audio company Richer Sounds encourages their staff to move to four-day week when business is slower and will do so again to ride out any recession. Of course, any such arrangements will need to be carefully negotiated, but it is a proven method of navigating tougher times without cutting posts. Avoiding the costs of redundancy, and the subsequent recruiting costs to staff up again when business improves are achievable goals. The retention of knowledge and skills, along with the likely reciprocal commitment which employees will feel for an organisation which has actively sought to keep them on, will be of benefit in eliciting high performance, which is crucial. As Linda Holbeche, CIPD director of research and policy points out, "People are usually prepared to go the extra mile if they believe in what they're doing, if they feel it's worthwhile, if they feel fairly treated and have the opportunity for personal growth". And it also makes business sense not to get rid of your most valuable assets, your staff where your

**"It makes business sense to not get rid of your most valuable assets, your staff"**

<sup>5</sup> Working Families and Cranfield School of Management, as before



competitors can pick them up and add value to their businesses. As Deborah De'Ath, a Director at PriceWaterhouseCoopers points out, "In a difficult job market, some people would rather keep their job under a different arrangement, such as with reduced hours, rather than be unemployed. Strategies like this also mean that when the market picks up it is easier, cheaper and quicker for companies to react."

Reduced hours workers can also be a more attractive proposition. Women Like Us, a social enterprise set up to help women with children find flexible work at their appropriate skill level, recorded a 121 per cent increase in employer enquiries regarding part-time positions last month compared with July the previous year. It has also recruited for twice as many employers on a monthly basis over the past year compared with 2007. "Employers were being more cautious about recruitment in light of limited budgets in the economic downturn. Taking on high-calibre part-time workers was a less risky strategy than employing experienced hires full time." <http://www.peoplemanagement.co.uk/pm/articles/2008/08/downturn-means-more-demand-for-women-who-work-part-time.htm>

It is also worth considering the effects of cutting headcount on the employees left behind in terms of morale, increased workloads and insecurity. Where an organisation gains its competitive edge from its people, cutting into the workforce might put any hard won gains in peril. Be sure to acknowledge that a particular challenge is likely to be how to manage the same or increased workloads with fewer people, who are probably feeling unhappy. Flexible working can be used here as a tool to handle more work, and also to keep employees balanced and focussed, and keep them feeling valued.

## Reward the right things

Operating in continual crisis mode is damaging. Although the inclination may be to operate on "red alert" to stay ahead of the game, this is counterproductive, burning out employees and causing them to operate at less efficient levels. Replacing hands on, crisis mode with a planning and problem anticipation and prevention ethos can help organisations work efficiently. They should aim to reward this kind of behaviour, rather than high visibility crisis management. Allocate time properly, taking into account flexible needs, to allow employees to do their jobs. CIPD evidence<sup>6</sup> shows that long hours and stress have a negative impact on health, relationships and job performance. The temptation to load up on hours to get out of a crisis may be strong, but long hours can put your employee health at risk<sup>7</sup>, with a corresponding spike in sickness absence.

## SMEs

SMEs have, in some respects, a unique relationship with flexible working. Some thrive on flexible working, and build their business upon it, for example using the incentive of work-life balance as a way to attract employees who otherwise would be out of their range. Other SMEs, however, view flexible working at best as annoying red tape, and at worst an impediment to business success. However, research has shown that SMEs are often very good at flexible working, even if they don't call it this themselves. So how can SMEs

<sup>6</sup> Living to Work, CIPD 2003

<sup>7</sup> Long Working Hours – the Scientific Basis for Concern. Univ of Mass, A. Dembe (2005)



successfully leverage flexible working to the mutual benefit of business and employees when times are tough?

Value the people. Even more so than in a large enterprise, SME's competitive edge often lies in their people. Each employee is a key part in a machine in a way which is very unlike large organisations with high numbers of employees. In an SME, when one person leaves, for example, it has a much larger effect than in a bigger company. Using working methods which increase loyalty and motivation, like flexible working, should have a positive effect on performance. Conversely, limiting these will have a negative effect.

Work smarter. Don't assume that innovative work practices are out of reach. For example, remote working technology, for example, has come a long way and for little expenditure robust communication systems can be put in place. Do your staff really need to spend time travelling? In a recession clients and customers might be equally glad of a way of shaving costs and agree to remote or virtual meetings instead of face to face ones. Research into SME 'smart working' has recently demonstrated solid business benefits, including productivity gains and reduced business costs.<sup>8</sup>

Reduce existing staffing levels. A good 'people strategy' is more important than ever if you are reducing the size of your workforce. Remaining staff will be under pressure to do more and may need new motivation. Focusing on work-life balance could be an important morale booster.

Don't be afraid to reject requests to work flexibly initially, but don't dismiss them out of hand. The way that legislation around flexible working is talked about can make it feel like a bureaucratic imposition on SMEs. But the way that the Right to Request is structured offers a good template for getting flexible working to work for all sides. If, for example, an employee wants to work flexibly in a way which a business owner thinks won't work, sit down and try and work out a solution. Ask employees to think about how it can work, based on their knowledge of their own role, how it will work with colleagues and customers and how it will affect the business. In a recession, when a collective pulling together is vital, using flexible working as a catalyst for smarter ways of working can make sound business sense.

## Time for a redesign?

When organisations are under economic pressure, then there will be a certain amount of reactive adjustment, as outlined above. But this doesn't mean that strategic thinking about the longer term should be put on hold. In fact, this may be an opportunity to think more radically about adjusting approaches to work and work measurement.

Reducing hours and redistributing work may provide an opportunity to redesign work in a way which is beneficial to the business. Inefficient work practices, unmanageable workloads, the shape of teams and the way work is done might be examined. Conflicts between work and 'life' for employees may have been hampering performance, and this may be the opportunity to try and resolve these conflicts to mutual advantage. Initiatives like team-based self-rostering (from the NHS) could prove to be a successful approach; the team themselves looks at the work it does and the way it relates to other parts of the business and proposes new ways of carrying out their function more efficiently, whilst taking into account the work arrangement needs of individual team members. Obviously there will need to be careful management of this process, but using the impetus of work reorganisation to free the creative potential of teams can be a powerful tool.

<sup>8</sup> Cornwall Enterprise actnow flex project, 2008



## Promote efficiency, save costs, go green

The green agenda is one that is increasingly prominent in organisational thinking. But rather than dismissing it as a 'soft' issue that goes on the back burner in tough times, now could be the time to link green issues with a strategy to work smarter .

Looking for more efficient ways of working must embrace available technology, and here flexible ways of working can really make a difference. Looking at business costs for premises, energy costs and travel from a flexible working perspective can suggest many ways in which tweaking work arrangements can make a real bottom-line difference. There are situations where flexible working can be used either as a permanent or temporary measure. For example, as a way of cutting their property portfolio and reducing estate costs, BT developed a home-based working programme which took people out of their offices and based them at home, linking team members through hardware and software tools. They estimate that savings in property costs approach £450m per year. In addition, absenteeism is reduced and retention has increased dramatically.<sup>9</sup> BT say that 10,000 of its workers are contractually employed to work from home.

Obviously, not all organisations will want to operate remote working on such a large scale. Nor may organisations wish formally to require people to work from home. However, some kind of remote working is possible in many organisations, and it is worth exploring as a response to both employee demand and the quest for organisational efficiency.

“It is important to recognise that work organisation may require different thinking about the way that work is quantified and measured. “

Focusing on outputs rather than face time and visibility is key, and managers will need to spend time developing an appropriate method of ensuring that they are able to manage remote workers effectively. Although this may sound like a time-consuming and potentially costly exercise, it should be a one-off procedure/investment and the organisation should be able to harness and retain these new skills. This in turn should enable them in the future to be able to more easily deploy remote working as a responsive business tool to changing circumstances.

Remote working methods and systems may also be useful when looking at operating more efficiently in terms of business travel. This might either be travel to see colleagues, or journeys to and from work. Where meetings with colleagues in different offices, which might be located globally, are necessary, it is worth exploring whether the use of techniques like phone and video conferencing can be extended. It might even be worth exploring the issue with clients who may, as they seek to be as efficient as possible, welcome any reduction in the need to take expensive and time-consuming trips.

Another application of remote working can be to reduce the need for employees to physically come into the office. This is likely to lead to less stressed and tired employees, and, where travel time is used to work in (for example on a laptop on a train or plane) travelling at non-peak times is more conducive to actually achieving more. A further benefit of reducing travel is that of reduced carbon emissions. This may become more important as organisations are

<sup>9</sup> BT <http://www2.bt.com/>



encouraged, both through legislation and public perception, to behave in a 'green' and sustainable way.

Finally, growing numbers of American cities, companies and schools are adopting four day weeks. The rewards are not just in saving energy, a shorter working week boosts morale and productivity and at the same time cuts overtime, absenteeism, staff turnover and utility bills. Other companies are also exploring shorter working weeks. (New Statesman, 28 August 2008)  
<http://www.newstatesman.com/life-and-society/2008/08/cities-working-utah-costs>

## Summary

Challenging economic times can be used as an opportunity to promote a dual agenda of enhancing workplace effectiveness and promoting equitable and sustainable ways of combining paid work and personal life<sup>10</sup>. Opportunities are presented to address the way work is structured within organisations and to look at the way work gets done, thus transforming work rather than responding with short term, quick fix solutions.

Instinctive reactions to challenging economic times such as reversion to 'default' employment models of the past (full-time, inflexible) should be examined closely. Will such a move be strategically beneficial? Retrenching from a position where flexible working is acceptable and encouraged may damage workplace cultures, and revoking flexible working arrangements may have consequences which outweigh any putative gains anticipated by such a move. What will be the effect on morale, on loyalty and commitment, on the trust between employers and employees? Will such a move damage an employers reputation, and where will this position the business when the upturn comes and new recruits are needed? Is it really the time to abandon flexible 'smart' working practices in favour of more fixed ones at a time when a flexible workforce might be a useful tool to navigate choppy waters.

## Case studies

Recruitment company, Equals One, has used flexible working to adapt to harder economic times. To deal with a change in demand, two employees agreed to reduce their hours and job share, rather than face possible redundancy. MD Viv Duke said that move made good business sense: "when we came to a tough decision, we all discussed what possible solutions we could use. The idea of using a flexible arrangement meant that we could keep our team together, to keep skills and knowledge in the company and all pull in the same direction to weather the storm".

A London based CD production company has recently used flexible working to handle a drop in orders. When the possibility of redundancies was raised, the team first went away and discussed it amongst themselves and came back with the proposal to all reduce their hours by a day a week so everyone could keep their job. The managers were happy to agree as it meant keeping a successful team together, and trusted the employees to work out a schedule amongst themselves which took into account business need. The company hadn't

<sup>10</sup> The Myth of Work-Life Balance, 2006, Gambles, R, Lewis, S and Rapoport, R



previously used flexible working in a team-based way, but are now going to use it as one way to respond to changes over the coming months.

A small firm of City solicitors recently called together eight of its associates and broke to them the bad news that, due to declining workloads and reduced partner drawings, at least one of them would have to be “let go”. Later, the associates returned to the partners to say that they would rather work fewer hours - perhaps four days a week each - and accept proportionately lower pay, than for any of them to lose their jobs.

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