

Advisory
People and change

Meeting tomorrow's workforce needs*

Flexible workforce arrangements

*connectedthinking

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The heart of the matter

Productivity—anytime, anywhere

The demographics of the workforce are changing. For the first time ever, we have four generations working side by side—Traditionals born before 1946, Baby Boomers, Generation X, and Generation Y—each with its own set of values, expectations and demands. As we move into the future, a growing number of older workers are moving out of the employment arena and more young people will be moving in. That means companies will need to adjust not only organizational structure, but the way the work gets done, and how the organization collaborates and communicates. These adjustments need to be made if companies want to maintain an engaged and robust employee base.

Younger workers crave connection—connection to both their team and the organization. They desire feedback, more access and closer proximity to superiors. But they also demand flexibility, a creative environment and personal freedom. The two do not have to be mutually exclusive, but the methods, tools and culture around feedback, coaching and proximity need to enable the desire for flexibility and freedom. Leading companies will be the ones that can satisfy the needs and wants of the newer generations without alienating the others.

There is a growing desire among employees for access to various forms of flexible work arrangements (FWAs). But, despite what is often broad leadership support, at least in concept, there is a discernible hesitancy among some in management to support a greatly enhanced flexible work arrangement initiative. This resistance is often due to their uncertainties and concerns around how they will continue to engage leadership, manage and minimize management's resistance, and how they can support, manage, and track the FWAs.

From where we stand, flexibility is the key to remaining competitive in the talent arena. To help companies remain agile and stay ahead of the changing demographics, this paper describes some key flexibility solutions. We've also included some implementation considerations and tips for measuring and tracking success.

Studies have shown that employees with access to FWAs tend to be more satisfied, committed and engaged with their jobs, which leads to increased innovation, quality, productivity, and growth. The benefits can go far beyond work-life balance improvements. They can give companies the ability to fundamentally change the way work gets done.

Nearly 80% of workers say they would like to have more flexible work options and would use them if there were no negative consequences at work.

When Work Works, Galinsky E., Bond, J.T. & Hill, E.J and Hill

An in-depth discussion

Building flexibility today to meet tomorrow's workforce needs

A dynamically changing workforce. Today, four different generations are working shoulder-to-shoulder in the workplace—each with its own mindset, needs and wants—and workforce demographics continue to evolve.

Staying ahead of the pace of change to meet the needs of all of these varying factions requires organizational agility. Management must look ahead to anticipate what the workplace of the future will look like for their particular company and begin now to create an environment that is flexible enough to attract and retain the right people. Each of the four generations brings its own challenges and adds its own value to the mix—talents and skills that companies will need to drive future success.

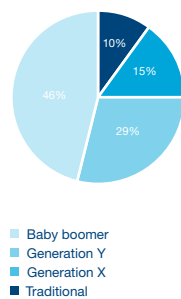
Newer generations of the workforce have emerging values and different perceptions of both their jobs and their careers. As older workers move out of the workforce and the number of younger workers increases, companies will need to adjust not only the organizational structure, but the way the work gets done, how the organization collaborates, and communicates. These adjustments need to be made if companies want to maintain an engaged and robust employee base.

What younger workers need. As depicted in the graphic below, younger workers crave connection to both their team and the organization. They desire more feedback, more access and closer “proximity” to superiors.

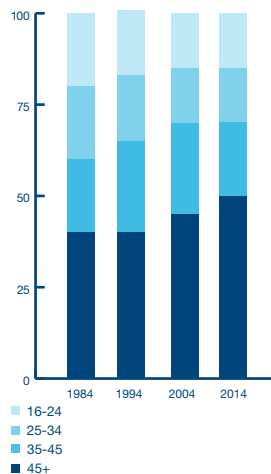
Generations in the workforce

Generation	Traditional	Baby boomers	Gen-X	Gen-Y
Population	27 million	76 million	60 million	74 million
Birth date	Before 1946	1946-1964	1965-1978	1979-1997

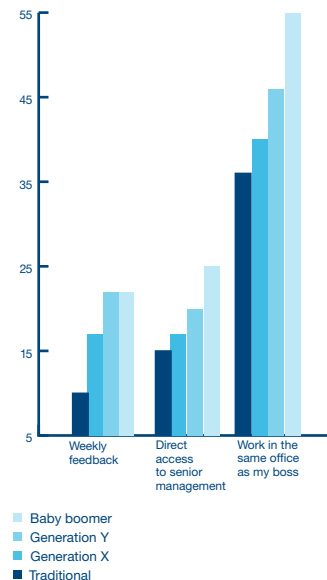
The four generations in the workforce



US population growth: 1984-2010



Younger workers crave connection



At the same time, they demand flexibility, a creative environment, and personal freedom. These two do not have to be mutually exclusive. Rather, to enable the desires for flexibility and freedom, the methods, tools, and culture around feedback, coaching and proximity must change along with the workforce.

The leading organizations of tomorrow will be those with the agility to satisfy the needs and wants of the newer generations without alienating the others which requires a high degree of flexibility.

Building flexibility in the workplace today for a competitive edge down the road. As we see it, implementing FWAs today is a great way to create the flexible workforce of tomorrow. However, while leadership typically “gets it” and supports implementation of FWAs, there is a discernable hesitancy among some in management to support a greatly enhanced FWA initiative. Concerns center around whether management will be able to continue to engage leadership over the long term; how they can manage and minimize resistance; and what it will take to support, manage and track the FWAs.

Since delayed/phased retirements and the success of other FWA programs will likely mean that the multi-generational workforce will be a factor to be considered for some time to come, we are taking this opportunity to address some of the challenges and solutions around establishing a flexible workforce to carry your company into the future—beginning with why you should bother.

The facts

Research shows that there is a growing desire among employees for access to various forms of FWAs.

- Nearly 80% of workers said they would like to have more flexible work options and would use them if there were no negative consequences at work. However, close to 40% of workers surveyed believe they would be less likely to advance in their career if they were to use flexible scheduling options.¹
- Among employees who do not work any regularly scheduled hours at home (89% of wage and salary workforce), 43% would like to be able to do so.² In another survey³, 90% of telecommuters reported the opportunity to telecommute better enables them to balance work and family. Moreover, half of these telecommuters, 46%, indicate they are more productive working from home.

¹Galinsky, E., Bond, J.T. & Hill, E.J. (2004) When work works: A status report on workplace flexibility. Who has it? Who wants it? What Difference does it make?

²Ibid.

³University of Connecticut and Rutgers University, Center for Survey Research and Analysis and John J. Heldrich Center for Workforce Development (1999) Work and Family: How employers and workers can strike the balance, New Brunswick, NJ: Author.

- Among full-time employees, nearly 20% would prefer to be working part-time. When asked why they don't work part-time, 70% indicated they couldn't afford to do so, and 44% said they would not be allowed to by their employers.⁴
- Identifying business objectives is just one part of the equation; the more difficult part is developing the appropriate strategy that enables the workforce to meet those objectives. The benefits of FWAs can go far beyond work-life balance improvements. These arrangements, properly planned, implemented and measured, give companies the ability to fundamentally change the way work gets done.

The business case for FWAs

- Employees with access to FWAs tend to be more satisfied, committed and engaged with their jobs. Studies have shown that this leads to increased innovation, quality, productivity, and growth.⁵ FWAs that including telework can also have a positive impact on a company's carbon footprint by reducing emissions produced by commuting and energy and real estate costs savings. In general, findings indicate that the better a firm is doing in managing its employees, the better its returns for shareholders.

Why FWAs?

Balancing the need for mobility and collaboration

Need for mobility	Need for collaboration
<p>Mobile work</p> <ul style="list-style-type: none"> • Work from multiple locations throughout the work day. • Majority of the time is spent on independent tasks and small group collaboration. • Uses corporate office for service and access to special tools. 	<p>Virtual collaboration</p> <ul style="list-style-type: none"> • Works from the business facilities or other "office" environments. • Needs access to others to be productive. • Majority of time spent online. Uses "fixed" tools to connect with other individuals and groups.
<p>Independent work</p> <ul style="list-style-type: none"> • Work from the same space in the business facility. • Performs focused tasks that requires the individuals input to be productive. 	<p>Face to face collaboration</p> <ul style="list-style-type: none"> • Works primarily in the business facilities in group/team areas. • Needs high level of real-time interaction with others in order to be productive.

⁴Galinsky, E., Bond, J.T. & Hill, E.J. (2004) When work works: A status report on workplace flexibility. Who has it? Who wants it? What Difference does it make?

⁵Corporate Voices; Baltes, B. B., Briggs, T. E., Huff, J. W., Wright, J. A., and Neuman, G. A. (1999). Flexible and compressed workweek schedules: A meta-analysis of their effects on work-related criteria. Journal of Applied Psychology.

In the 2001 study, Watson Wyatt sought to quantify exactly which HR practices and policies impact the bottom line, and by how much. In this study, they found that a flexible workplace is associated with a 9% increase in market value.⁶ Research by the Corporate Leadership Council concluded that every 10% improvement in “commitment” can increase an employee’s level of discretionary effort by 6% and performance by 2%; highly committed employees perform at a more advanced level than non-committed employees. Providing FWAs and time off to take care of personal and family needs can also help limit unscheduled absences.⁷ Studies show that employees using FWAs report less work-life stress, and, as a result, have less unscheduled absences and increased productivity.⁸ Finally, studies show that FWAs can directly impact financial performance and operational and business outcomes.

For example:

One large news and information company that implemented FWAs through a team approach in its facilities engineering and mail room departments found that work orders were closed at a faster rate, reducing backlogs by 70-80% while maintaining quality standards (e.g., the number of lost packages and customer complaints did not increase).⁹

A Fortune 500 insurance company that implemented various forms of FWAs through a team approach in its Claim Services Department found that it experienced an 18% increase in the number of claim files handled without a decrease in quality, a 7% increase in calls handled directly (rather than sent to voicemail), a 4% increase in claims payment processed within 24 hours, a 7% increase in claims files closed, a 50% reduction in unscheduled paid time off, and a 40% reduction in overtime hours.¹⁰

The operations center of a large financial services company dramatically reduced cycle time for processing payments, settlements, and inquiries, and increased customer service hours by implementing—on a pilot basis—a compressed workweek program.¹¹

⁶ Watson Wyatt (2006). Watson Wyatt human capital index: Human capital as a lead indicator of shareholder value, survey highlights. Rochelle Park, NJ: Author.

⁷Ibid

⁹Halpern, D.F. (2005, May). How time-flexible work policies can reduce stress, improve health, and save money. Stress and Health Retrieved June 2005 from <http://berger.claremontmckenna.edu/Publications/Papers/StressHealth.pdf> Corporate Voices

A company with a large telework program currently saves \$20 million in operating costs annually and over 5,000,000 square feet of real estate.¹²

A study on telecommuting found that for each percentage point increase in employees working from home, a company's profit rate increased by an additional six-tenths of one percent.¹³

Key flexibility solutions

Several FWAs are generally accepted across Program, Technology, and Workspace arenas. Each of these options provides different opportunities that serve to optimize the quality of personal time and work goals. Following is a snapshot of how we define these options, broken out by programs, technology and workspace:

Programs

- Compressed workweek is a standard workweek of 40 hours that is compressed into fewer than the normal five workdays. For example, staff may work four ten-hour days instead of five eight-hour days. In the case of a compressed schedule, staff continues to receive full-time salary.
- Flextime is an arrangement where staff may start the workday earlier or later than the "normal" hours of the office and end the workday earlier or later than the "normal" close of business. Individuals continue to work a full-time schedule, working eight hours per day and 40 hours per week, and continue to receive full-time salary.
- *Job sharing* allows two people to jointly fulfill the responsibilities of one full-time position. Since this option includes a reduction in full-time hours, there will be adjustments in salary and benefits commensurate with the joint schedule that has been approved.

^{9a}"Workplace Flexibility Improves Performance and Increases Business Productivity, CEOs of Fortune 500 companies say they will scale-up pilot programs" The BOLD Initiative Press Release, July 18, 2005; Workplace Flexibility Initiative Case Study: Gannett Co. Inc. (June 15, 2005)

¹⁰"Chubb Workplace Flexibility Initiative Boosts Employee Productivity," Chubb Press Release, July 18, 2005.

¹¹Corporate Voices

¹²Colman, R. (2004). Telecommuting transitions. CMA Management

¹³Meyer, C.S., Mukerjee, S., Sestero, A. (2001). Workfamily benefits; Which ones maximize profits? Journal of Managerial Issues.

- *Reduced hours* is an option which involves reducing hours to less than a normal full-time workweek. This arrangement involves a reduction in salary and applicable benefits, commensurate with the reduced-hours schedule that individuals pursue.
- *Seasonal employment* allows staff to work only a portion of the year on a special project or to fulfill a specific need of the organization. Since this is a reduced-hours option, this arrangement also involves a reduction in salary and applicable benefits.
- *Phased retirements* generally mean a phased change in the job responsibilities and/or work schedule of staff at or nearing retirement age that provides a gradual transition towards full retirement, however defined in the particular circumstances.
- *Phased returns* generally means a gradual return to full work responsibilities from either a leave of absence or suspension of employment to full time employment. The phasing can be done in terms of hours, job responsibilities, or both. Such phased returns are often part of a broader “on ramp /off ramp” program.
- *On ramp/off ramp* programs allow people who have decided to separate from a company for an extended period of time (beyond any leave of absence or sabbatical policies) to stay formally connected with the company for a specified period of time (often up to five years). While away, they can take advantage of numerous company resources, examples of which might include, learning and development programs, coaching and mentoring, fees for license and other credentials, subscriptions, connectivity. However, they do not receive compensation and are not considered benefits eligible in the traditional sense. Such programs message that there are circumstances where leaving a company is not only acceptable, but that the company will do everything possible to help the employee successfully return at a later point.

Technology

- *Telework* is a formal telecommuting program for staff that is able to continue to meet job responsibilities working several days per week at home. This option usually requires staff to complete a telework application and therefore requires approval of essential business equipment for the home office, i.e., printer, fax, phone line, DSL and the like.
- *Periodic telework* is a telecommuting option in which staff work in the office the majority of time, but may routinely work one or two days per week from home. This specific telecommuting option generally does not include providing office equipment for the employee's home office because their primary work site is still at the office.
- *Other options in this category include:* Hoteling; Mobile Technology and Software; Technology architecture and related infrastructure; Portals; Standard PC platforms; Electronic documentation management (storage, retention, retrieval); High-speed broadband; Data security; Risk management; Mobility and collaboration technologies and tools; Virtual employee support; and Customer relationship management

Workspace

Other workspace considerations include the following:

- Workplace standards
- Desk-sharing
- Work migration–outsource/offshore capacity
- Portfolio alignment with current & future space needs
- Home office guidelines
- Workplace management application

Measuring and tracking success

A successful benefits management process includes the establishment of key performance indicators (KPIs) and the development of systems to monitor and manage them. The size and scope of the transformation dictates the level of sophistication needed and the particular methodologies and tools to be employed. Typically, there are three sequenced areas where measurement and tracking will be key enablers for success.

- *Employee engagement profiling.* This analysis will help to identify what is currently working for companies, what the employees see as critical interfaces (point-of-contacts, face-to-face discussions, etc.), what needs to stay versus what can ultimately go away. The survey will provide the data to identify exactly where in the work-flow processes the impacts of the FWAs will occur so that you can proactively develop mitigation strategies to minimize or avoid disruption to business operations and continually motivate, develop and retain pivotal employees.
- *Strategic workforce planning and tracking.* This ongoing process will enable you to identify and respond to internal and external talent constraints to more effectively achieve business objectives. With a strategic workforce planning and tracking system, the company can develop a pipeline of talent, performance-measurement metrics, comprehensive data and real-world knowledge, and focused recruitment, development and learning efforts.
- *Quantitative analysis.* Leading companies often turn to firms such as PwC Saratoga for help in establishing a current baseline, measuring changes to that baseline, comparing results to selected comparator groups, managing and maximizing the value of the workforce. Saratoga can apply a rigorous, evidence-based approach to decision making that can result in a significant impact on the company's overall corporate value. Rigorous metrics will be applied to measure performance and productivity; labor and workforce structural costs; responsiveness and agility; market focus; employee engagement; turnover trends; and sourcing, recruiting, hiring and onboarding.

Following are several metrics you can use to identify, track, and maintain a flexible workforce. Assuming appropriate "tagging" in underlying systems, many of these metrics can draw comparisons between employee populations on FWAs and those who are not. This will enable the tracking of success and remediation of problem areas. It will also provide data you can use to respond to ongoing management and/or employee concerns about the impact of FWAs.

Metrics for identifying a flexible workforce

- *Profit per FTE*—The pre-tax profit generated for each FTE
- *Revenue per FTE*—Revenue generated for each FTE
- *Human capital ROI*—The pre-tax profit for each dollar invested in employee pay and benefits
- *Career path ratio*—Percent of employee movement (transfers and promotions) within an organization that is upward (promotions)
- *Average tenure*—The average length of service for all active employees

Metrics for tracking the flexible workforce

- *Compensation cost per FTE*—Average compensation per FTE
- *Pay for performance ratio*—Difference between high and average performer compensation per FTE
- *Promotion rate*—Percent of headcount that was promoted during the survey period
- *Average time to promotion*—The average number of months required for an employee to be promoted
- *Average time to first promotion*—The average number of months required for an employee to be promoted for the first time

Metrics for maintaining the flexible workforce

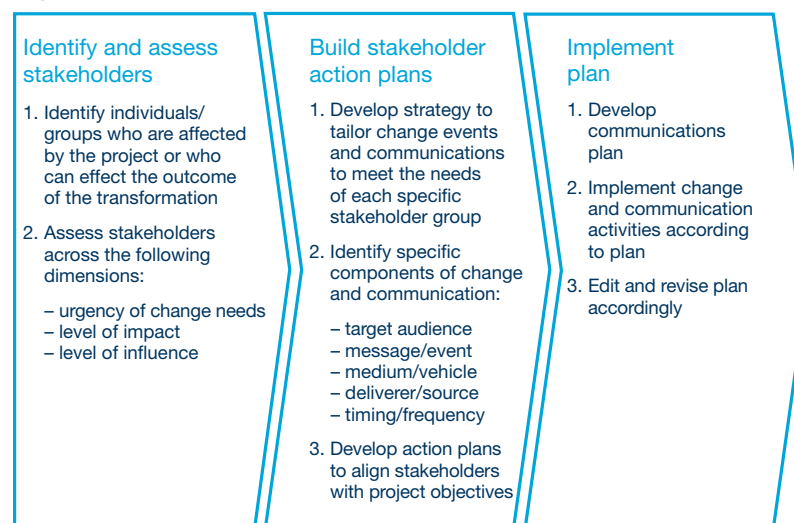
- *HR talent management systems costs per employee served*—amount invested directly in systems focused on workforce strategy and program design, succession strategy and program design, performance management design, and organizational development
- *Learning & development investment per employee*—Amount invested directly in employee Learning & Development for each employee
- *Voluntary separation rate*—percent of employees that voluntarily left the organization during the survey period. Also, segmenting this outcome by generational attributes
- *Operating cost per FTE*—Operating costs generated for each FTE

Things to consider before implementation

Making change stick. The number one reason for the failure of any large-scale transformation is because a range of people factors get in the way. Leading companies are smart about change management. They continuously learn about the organization in order to progressively manage and sustain the changes associated with this type of transformation. Leading practices include:

- *Rigorous leadership alignment*—Creating a shared set of project goals and priorities among leadership to build strong project support, thus ensuring long-term success of the organizational transformation
- *Project stakeholder assessment and engagement*—Assessing and addressing roles and participation of key project influencers across all stakeholder groups
- *Strategic communications planning*—Identifying, developing and delivering key messages to address information needs and concerns of each stakeholder group at the appropriate time
- *Formal Project Management Office (PMO)*—Providing overall day-to-day management and oversight of people and resources assigned to the project; managing project scope, quality of output, work effort, risk and project schedule; developing and managing to the implementation plan, maintaining status report and process, and identifying/mitigating project risks on an ongoing basis

Implementation considerations



Implementation considerations

When scoping and designing the future workplace, several considerations should be top-of-mind. Ask yourself:

- Will the programs be voluntary or involuntary?
- Will programs be framed as a “benefit” or “job assignment”?
- What types of technology and/or equipment will be made available to employees?
- Will the FWAs be job-type specific?
- Will there be a minimum performance requirement or tenure requirement?
- Which types of office equipment will be supplied?
- Will there be a talent assessment conducted beforehand? A habit/psychometric analysis for individual suitability?
- Will there be satellite/drop-in facilities made available? Will there be a minimum geographic proximity?
- What internal changes will need to be made to accommodate a more virtual workplace (IT support, employee services, etc.)?
- How will real estate need to be reconfigured to accommodate workplace transformation?
- What legal, regulatory and compliance areas need to be addressed (tax compliance, OSHA, ADA, EEOC, ADEA, insurance, etc.)?
- What are the security/confidentiality/privacy ramifications (e.g., possible home theft of corporate collateral)?
- Will there be a HRS/Payroll system feature/compatibility/need for separate database tracking system?

Paying attention to considerations such as these will help to ensure that the company achieves the expected return on its investment and reaps the benefits inherent in establishing a flexible work environment where all people can thrive and deliver their best work.

What this means for your business

Flexible work arrangements—Delivering sustainable benefits

To compete effectively in the marketplace of the future, companies must be agile enough today to stay ahead of the pace of change as workforce demographics continue to evolve. That means taking stock of your existing talent. It means looking ahead to anticipate how your workforce will change going forward, how that will impact your workplace and the way you do business. It means determining what it will take to establish a flexible environment that will allow all of your people to work together harmoniously to meet the organization's critical goals. Who are the pivotal talent with the right knowledge and skill sets to drive the company forward? Who must you attract to fill any existing gaps? What will the right mix look like? And how will you meet the varying needs and expectations of the diverse generations that will ultimately make up your workforce of the future?

Reaping the benefits. As we related at the outset, studies have shown that employees with access to FWAs tend to be more satisfied, committed and engaged with their jobs, which leads to increased innovation, quality, productivity and market share. Going beyond improving work-life balance and collaboration, FWAs can give companies the ability to fundamentally change the way work gets done.

Leading companies will be the ones that can satisfy the needs and wants of the newer generations without alienating the others. We trust the information presented in this paper will help you to position your organization as a winner in the marketplace of the future.

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