

Working outside the box: Changing work to meet the future



Executive summary

Interim report of the EOC's investigation into the Transformation of Work



EUROPEAN UNION
European Social Fund



Women. Men. Different. Equal.
Equal Opportunities Commission

About this investigation

The EOC is conducting a General Formal Investigation into the Transformation of Work, according to its statutory powers under section 57(1) of the Sex Discrimination Act, 1975. These allow the Commission to make recommendations for changes to policies and procedures and even to the law.

This report contains the interim findings of this groundbreaking investigation. Our aim has been to look to the future and to identify how work organisation can be changed to better meet both the changing aspirations of individuals for their working and family lives, and the business challenges facing employers in the increasingly global workplace of the 21st Century.

Our investigation has involved innovative working with employers and others to design new types of work. We have commissioned a range of new research including new surveys of individual and employer attitudes to work in the future, and future work trends. We have conducted focus groups with individuals and interviews with employers, including employer 'pioneers' in transforming work organisation. Our evidence and emerging findings so far have been discussed at a 'virtual think-tank' of leading academics and thinkers and by our Investigation Advisory Group comprised of employers and policy-makers.

In the next phase of the investigation, we will be looking, with employers, at ways of re-designing the model of work itself, using investigation evidence of what types of flexibility people are looking for and what works best for business. Later this year we will be publishing practical guidance for employers facing different challenges to help them consider the way forward for the transformation of work. Our final investigation report will be published in April 2007.

Working outside the box: Changing work to meet the future



The Chief Executive's Statement

Executive summary

The way we work no longer fits the world we live in. If it is changed, we could all win. If it isn't, we will all face a bleaker future: wasted potential, less time for caring, more stress-related problems and illnesses, continuing low pay for women and their families, reduced competitiveness for individual businesses and for the economy and, even, greater traffic congestion and environmental damage. In the most extensive, innovative investigation of its kind, this reports looks at the changing workforce, considers the other drivers of change faced by employers, and concludes that a transformation of work itself is needed if we are to face up to our future.

That's because the way we work is still largely designed around a mid-20th century lifestyle - sole breadwinner men, with stay-at-home wives. This is a 'thing of the past' for new generations. Individual lifestyles and aspirations are changing dramatically. Nowadays, it is not just women but also men who want to work flexibly and for many different reasons. This trend looks set to grow as more people study, as more women work, as the population ages and the retirement age is extended. Moreover, it's not just men who look forward to a career and women who are prepared to sacrifice career for family.

Young people of both sexes want to combine work and family life successfully and new fathers want to be active parents. 60% of people support the extension of the right to request flexible working to all employees. Half of adults we surveyed, a higher proportion of men than women, said they would like to work more flexibly (Holmes et al., 2007).¹ Flexible working itself is changing. It's not just 'reduced hours', with reduced annual pay, that many people want - and they certainly don't want the reduced hourly rate of pay and poor career prospects that are often associated with part-time female workers today. Increasingly, people of both sexes are seeking spatial and time flexibility - doing the same work but at different times and in different places, for the same pay. And with incentives and rewards re-designed around new ways of working and no longer determined by long hours and presenteeism.

The way we work is also failing to catch up quickly enough with the changing economic environment - 24/7 services, rapidly advancing technology, global workforces and activities, with global competition. Britain is falling behind key competitors in productivity, especially productivity per hour. We are rightly investing more in education and skill levels to help close the productivity gap. But workplace cultures and practices are preventing many people from using those skills. We have uncovered evidence that 6.5 million people are 'leaking away'. 4.8 million people are not fully using their skills and experience at work and say they would have made different job choices if flexible working had been available. A further 1.7 million people out of work say that flexible working would encourage them back into employment (EOC, 2007).² Despite continuing graduate skill shortages, a minority of female graduates are now in high-level jobs and the trend is getting worse - 45% of women qualified to level 4+ compared with 65% ten years ago (Jones and Dickerson, 2007).³ Unless these barriers are tackled, a significant part of our public and personal investment in education and skills will continue to be wasted.

The most forward-looking employers have already seen the future. They are responding and the results are exciting. Innovation and technology provide the potential to re-define the way we work so that businesses can operate longer and achieve better results faster in more varied ways - and with a modern, flexible and productive workforce. Innovative employers are increasingly moving away from simply flexing time to re-designing work around business objectives as part of a new dialogue with employees. New and exciting models of work are appearing for different types of businesses in different sectors. These pioneering employers are transforming work today and are finding that it's not just good for their employees and for wider society. It brings significant bottom-line benefits too.

Change is happening, just not fast enough. Many employers say that flexible working is available but employees seem far less aware of this: an implementation gap. 60% of people in our survey had not seen any information about jobs where flexible working practices were available (Holmes et al., 2007). Flexibility is sometimes seen as an employee benefit, particularly for parents, and the business benefits as simply a side effect. Middle managers often lack the skills and confidence to move from managing hours to managing outputs. The importance of flexibility to Britain's economy is not widely understood.

Britain's way of working is looking increasingly unsustainable as we look to the future. On the one hand, endemic long hours, particularly for men and increasing work intensification, particularly for women, are squeezing out time for caring and increasing illness and stress and leading to wider social costs. On the other hand, employers in key sectors face a challenge for the future to recruit and retain highly-skilled people because their ways of working are increasingly unattractive to their workforce. New ways of working are the key to a more sustainable economic model.

A step change is needed if we are to make the most of our future and bring the benefits to individuals, to businesses and to Britain as a whole that this report identifies. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain's productivity. Transforming work organisation needs to move from the sidelines to the mainstream in business thinking and economic policy. This interim report from the EOC's two-year investigation makes recommendations about how this could be achieved. The final investigation report in April 2007 will look at how different models of work can be opened up. These points are covered in more depth in the next section.

The workplace of the future for the future workforce



The Staff Car Park

A workplace of the future?

"We run as a virtual firm, all our lawyers and typists/support staff work from home on total flexi-time and flexi-holidays. We have no offices.

We get incredibly high-quality lawyers from top firms joining us because of the lifestyle they can achieve. We would never attract those lawyers to a small firm like ours without this flexibility. We have never had any issue with trust or how long people have worked etc. Good professional people know what hours to work and don't need it enforced."

Woolley & Co, Solicitors

During this investigation, we asked people in focus groups to think outside the box and imagine their ideal world of work of the future. Overwhelmingly, they wanted not set hours but to choose which hours they work, provided the job is done, with a combination of workplace and home working, with less or faster commuting and flexibility to enable parents to work around school hours. These were endorsed by the findings in our review of people's aspirations (Holmes et al., 2007).

This isn't a pipe dream. It is already beginning to happen: for example, between 2002 and 2005 the proportion of fathers working from home doubled from 14% to 29% (Smeaton and Marsh, 2006). While 70% of women with children aged under six identified part-time work as ideal, for women and men with older children, around 70% said they would ideally like full-time fixed or full-time flexible working (Work Foundation, 2005). It isn't a minority who want change: 50% of adults (52% men and 48% women) said they would like to work more flexible hours (Holmes et al., 2007).

Aspirations are changing and are getting closer between the two sexes. In a survey of 15 year olds, 86% of boys and 88% of girls said that choosing a career with long-term prospects was important and 83% of girls and 68% of boys wanted a job that would enable them to combine work and family life (Fuller et al., 2005). In the Working in Britain survey (2000), women rated 'use of abilities' second only to 'work you enjoy' in a list of what aspects of their jobs they regarded as essential or very important, ranking this higher than men.⁴

People want flexibility for different reasons - from parenting, caring for older relatives, studying, reducing hours around retirement, to work in the community and wider interests. Looking to the future, it is clear that the social revolution we are seeing is likely to continue and demand for flexible working is likely to grow:

- » More women will be working. It is expected that women will occupy a significant proportion of the new jobs, with more returning to work sooner after childbirth and more dual-earner householders (Holmes et al., 2007).
- » By 2010, nearly 10 million people will have caring responsibilities for an older relative due to the ageing population (DWP, 2001).
- » Men are likely to be more active fathers. EOC surveys of new parents show that the majority of new fathers no longer see their key role as breadwinner and four out of five say they would be happy to stay at home alone to look after the baby (Thompson et al., 2005).
- » The Government's target of getting 50% of young people into higher education by 2010 will mean that even more young people are likely to want to work and study at the same time.
- » The planned extension of the state retirement age is likely to lead to more older people wanting to work reduced hours around retirement (Holmes et al., 2007).

Transforming work works for employers



The Production Line

It's not just the changing requirements of their workforce that are making employers look at spatial and time flexible working as well as finding new ways for people to work reduced hours. Technological change is opening up opportunities, including work across the globe from different sites, and making it easier to provide goods and services globally across all hours. Customers in Britain are increasingly looking for 24/7 services.

The environment is also becoming increasingly competitive. In the global market place, our competitive advantage in high-skill jobs in the knowledge economy is increasingly coming under threat from the emerging economies of India and China. Britain as a whole already faces a productivity gap with our competitors, with output per hour currently almost 30% higher in France and 16% higher in Germany and in the USA (DTI, 2006). This is forcing employers to look at ways to increase productivity and cut costs as well as to recruit and retain the best people.

Some employers are already innovating in the way they work and finding that it helps them provide what customers want and other bottom line business benefits. Our investigation has found a strong business case for increasing flexibility and innovative ways of working. Wide scale evidence is not always available because improvements are not consistently measured. However, employers have reported a positive impact on:

- » Premises costs, which currently run at approximately one tenth of employer outgoings (Smeaton et al., 2007).⁵
- » Customer service and satisfaction. A 2005 DTI report also charted the benefits enjoyed by a number of case study firms, which established innovative working patterns to deliver services over more hours.
- » Employee engagement. British businesses are experiencing growing levels of employee disengagement and are in the bottom 25% compared to other countries (Towers Perrin, 2006). Research shows a strong link between high employee satisfaction and superior job performance (PSI/LSE 2001).
- » Absenteeism, which is on the rise. The CBI estimates that it cost £13 billion in 2005. 66% of organisations responding to a Work Foundation survey in 2002, said that they found flexible working helped reduce absenteeism.
- » Well-being. Since the 1970s, seven times more people are suffering from minor health problems. In 2002, an average of 10 sick days per year per employee were taken. (Work Foundation, 2002). A CIPD survey reported that on average, sickness absence costs employers £601 per employee per annum, equating to an average 8.4 days lost per employee (CIPD, 2006). Research suggests that workers who have higher levels of control and autonomy in their work are much less likely to suffer from health problems than those with less control.
- » Recruitment and retention. Our survey of employers found that 38% had experienced difficulties in recruiting staff in the previous eighteen months (Smeaton et al., 2007). Over 50% of the employers surveyed by the Association of Graduate Recruiters said that their retention rates needed improving (AGR, 2006). Research in 2000 found that some small businesses saved up to £250,000 through reducing staff turnover, simply by using flexible working policies (DfEE, 2000).

Moreover, the DTI's Second Work-Life Balance Survey (2003) said that the majority of employers who provide work-life balance practices reported that they had a positive impact on employee relations (71%), employee commitment and motivation (69%) and labour turnover (54%). Nearly half stated that these practices had a positive effect upon recruitment (47%), absenteeism (48%) and productivity (49%) (Woodland et al., 2003). Other studies have similarly found that flexible policies lead to superior recruitment, retention and performance levels and lowered absenteeism (Savage, 2000; Knell and Savage, 2001).

For some employers, introducing flexibility is daunting with the demand unknown - though consultation will help - and with the beneficial outcomes uncertain. Sharing of the wide range of business benefits, uncovered in our investigation, will help to support employers facing this challenge.

McDonald's Family Contract

The family contract is a new innovation in flexible working being piloted by McDonalds, enabling two people from the same family to cover each other's shifts, with no prior notice. McDonalds see this as a UK first which could re-define flexible working as we know it. By giving employees the freedom to manage their shift commitments, McDonalds believe this will increase staff motivation and enjoyment of work.

An unsustainable workplace



The Rush Hour

“There is today a global market for skilled people. China and India are turning out 4 million graduates a year, Britain 250,000, and these people are not only raising skills in their countries, but challenging us in Britain and other advanced countries in a race to the top. If we are to succeed in the global economy, it is clear that we will have to make more of the potential of our people.”

Rt Hon Gordon Brown, MP, Chancellor of the Exchequer, in a speech to the CBI November 2006

If we don't change more radically now, the future not only looks bleak, it looks increasingly unsustainable for individuals, for employers and for society, with wasted potential and talent, low pay for women, lack of time for caring, increased stress and illness, and even environmental consequences.

First, inflexibility is creating a massive waste of talent and potential, with talent draining away as if through leaky pipes at a time when more and more investment is being made in skills and global competition is increasing.

Our new research has found that 6.5 million people in Britain today could be using their skills more fully if more flexible working were available, either by working or working at a level at which they used to work. Three million of these 6.5 million people are parents of under 16s, but the majority are not. 35% of people not working could be encouraged back into work if flexible working were available (EOC, 2007).

At a time when graduate skill shortages have been increasing, the proportion of women graduates in low-level jobs - the bottom 25% of all jobs - has almost trebled, from 5% in 1995 to 13% in 2005. (Jones and Dickerson, 2007). One in 10 women with degrees work in low-level jobs throughout their working lives. A minority of female graduates are now in high level jobs - 45%, compared to 65% ten years ago (Jones and Dickerson, 2007). This under-use of skills is happening despite 22% of AGR employers anticipating that they would not be able to fill all graduate vacancies for 2006 (AGR, 2006).

Some women leave work altogether. The fact that there is a different pattern between the public and private sectors suggests things could be changed: a recent EOC statistical analysis has shown, for example, that among women who were working full-time before childbirth with supervisory or managerial responsibilities, 20% of those who had been working in the private sector were no longer in the labour market in the year after the birth. In contrast, only 9% of the women in this group who had previously been working in the public sector had left the labour market (Johnes, 2006).

Second, our way of working is leading to low pay for women, stress, illness and wider social costs, including lack of time for caring. Instead of looking toward flexibility, many employers, faced with the productivity gap with other countries, seek longer hours or work intensification. There remains a time/pay gender divide. Men are more likely to work long hours than women - and men in full-time work are working among the longest hours in the EU (Eurostat, 2007). Women, in contrast, tend to work part-time but face an hourly pay gap, of nearly 40%, compared to men working full-time, almost the same as 30 years ago, and with poor career prospects too (EOC, 2006). Work intensification hits them particularly. In 2006, two-thirds of employers were working their managerial and professional staff harder than three years previously. Employers were particularly likely to do so in the public sector, and in workplaces where women dominate (Smeaton et al., 2007). Both long hours and work intensification increase pressures on individuals and may well be linked to wider social breakdown and human costs, including illness and stress, that impact not just on employers but on the wider society.

People are straining at the seams, finding it difficult to cope with work and caring. The importance of good parenting is increasingly recognised as key to children's outcomes, yet working parents are increasingly struggling to spend quality time with their children (Stanley et al., 2006). Unsurprisingly, 70% of people in polling commissioned by the EOC in 2006, were concerned about what family life will be like for their children and grandchildren in the future, with nearly half very concerned.

Third, current ways of working could even damage the environment. In response to the challenges set by the Stern and Eddington reports in 2006, another potential benefit of flexible hours and home-working is staggering the rush hour and reducing traffic congestion and pollution, With the added business benefit of improving the speed of transporting goods to meet consumer demand.

In the end, the way we work now may prove unsustainable even for businesses, as the legal profession, for example, is beginning to find...

The legal profession: a case study

Recent research has revealed that 64% of legal employees surveyed are already planning a medium-term end point to their career, potentially creating a talent drought for future employers.

The majority of legal professionals claim to be fatigued with the long hours culture of the profession, while over a quarter of those surveyed expressed concern that the legal profession's innate culture of working long hours is acting as a major deterrent for potential new recruits, as well as encouraging those within it already to consider their exits...

The fact that so many employees are already considering how they exit the profession is cause for concern and the emergence of this 'burn-out' mentality poses a real danger to employers and to the legal industry's talent pool. To attract new recruits and retain those already working in the profession, legal employers will need to adopt more flexible working practices and consider the benefits of attracting an increasingly diverse workforce to meet their recruitment needs.

Legal Estates Journal, January 2005

What needs to change? Key recommendations



The Board Room

Fundamental change is needed in workplace culture and practice if these problems for individuals, employers and society are to be avoided, and the full benefits of flexibility realised. There is still a tendency to see flexible working, particularly part-time working, as a deviation from the norm, justifying lower pay and prospects. Employers surveyed considered the career prospects of part-time staff to be as good as those of full-time staff in only 52% of male dominated workplaces (Smeaton et al., 2007). This is likely to continue to be the case while flexible working is only available to certain groups, particularly women.

Change will only happen if it happens in individual workplaces. To support that process, the EOC, with employers, is looking at ways that work can be re-designed and we will be developing practical guidance, to be launched at the end of the investigation. This section focuses on helping to set a wider framework to enable transformation of working practices to happen.

Some change could be achieved simply by tackling the 'implementation gap' and better publicising the flexible working that is currently available. While flexible working is reported to be widely available by employers, and growing, many employees are still unaware of this. 60% of people in our survey had not seen any information about jobs where flexible working practices were available. People told us in focus groups that they had limited knowledge, understanding, support or guidance on opportunities to work differently at any point in their lives (Holmes et al., 2007). This implementation gap presents a big cultural and leadership challenge in organisations.

It is clear that many managers are struggling to catch up with change and need support and training in order to manage flexibility effectively. For example, a survey by the Future Laboratory for Standard Life Bank, in 2005, found that up to 2.8 million managers in the UK were pushed to the limits by changes such as flattened management structures, self negotiated hours and remote working. In an EOC 2005 survey of HR professionals, virtually everyone said that managers needed to be trained for flexible working to work effectively - but only one in eight said that their own organisation provided sufficient training in how to manage flexible working (IFF Research, 2005).

At the same time, it is clear from our research that many people would like to work flexibly but may not have the confidence to talk about it with their existing - or future - employers. This may be partly because they feel it could signal 'career death' and partly because what they want is not currently available. A positive, simple step that all employers could take would be to open up a conversation with their employees about flexible working.

The right to request flexible working was introduced in 2003 for parents of young children and is being extended to carers from April 2007. This too has helped to give more people the confidence to start that conversation; and, while knowledge of it could be more widespread, it has also been widely used. It is already having a positive effect: the proportion of mothers changing their employer after childbirth fell from 41% to 20% between 2002 and 2005 (Smeaton and Marsh, 2006). In our recent survey, 60% of people said that the right to request should be extended to all employees (Holmes et al., 2007).

MSN - turning around the long-hours culture

A staff survey at MSN revealed that a massive 64% were considering leaving because of the company's long-hours culture. Their MD led an extensive culture change programme to try and turn around this low staff satisfaction. Various options were put forward including working from home, flexible working, compressed week, and compressed fortnight. Managers were then asked to pilot the scheme, and tailor a programme to meet both their work-life balance needs and the business objectives. For example, the Sales Director leaves each day at 4:45pm and works from home on Fridays. A key component of this programme was management 'leading by example', to demonstrate the organisation's commitment to transforming the mode of working. The scheme was then rolled out across the organisation with great success. The increased flexibility has been used in a variety of ways. 75% of staff don't have children, and many have used the opportunity to pursue an interest or hobby - one person learned how to play polo! Productivity has increased by 60% and customer service levels have improved by 80%. 90% of staff now want to stay with the company and their work environment is the envy of others in their sector.

A number of employers have recognised confining flexible work options to parents could cause resentment in other workers and so have allowed or encouraged the possibility of flexible working to all employees. Most of the employers with formal policies are corporate organisations such as BT, LTSB and Prudential, but some smaller businesses are also offering flexible working to the full range of staff.

These companies are reporting business benefits as well as increased staff satisfaction as a result of opening up flexibility in innovative ways to all staff.

“Women are already transforming the British economy. But women could achieve so much more if we could break down those barriers that hold them back. It is the failure of past Governments, Labour and Conservative alike, and a failure of the Treasury in the past. For too long the equality issue has been marginalised and seen as part of social policy, not macro-economic policy.”

Rt Hon Gordon Brown, MP, Chancellor of the Exchequer at the EOC’s Gender and Productivity Summit October 2004

Government emphasis on increasing skills in the economy is welcome but its value is diminished while lack of flexible working is preventing people from using their skills. Providing flexibility needs to be at the heart of economic policy, seen as a key tool for improving Britain’s productivity. To achieve this, public policy needs to provide more support for everyone to find ways to use their skills when they want to work flexibly. Careers advice at all stages would be of considerable advantage, together with more support through Jobcentre Plus for people looking for flexible options.

We are therefore making the following three key recommendations, with more detailed recommendations set out in the full report.

- » Greater acknowledgement across Government that flexibility can reduce leakages of skilled workers and is therefore a key strategy for improving productivity, with targets to reduce under-use of skills and support for people to work flexibly through public policy, including adult careers advice and Jobcentre Plus action to match people and flexible work.
- » Employers to tell their staff about flexible working options, discuss what kind of flexible working they’d like, and train their managers in delivering it.
- » Extension of the current statutory right to ask for flexible working to everyone to help open up that conversation.

Next steps

The EOC will be working with government and employers to progress the interim investigation recommendations. In response to investigation evidence of what types of flexibility people are looking for and what works best for business, we will be looking with employers at ways of re-designing the model of work itself. We hope to publish later this year practical guidance for employers facing different challenges to help them consider the way forward for the transformation of work. Our final investigation report will be published in April 2007.

Endnotes

- 1 From forthcoming research commissioned by the EOC, Holmes et al (2007) *Work in the future: individuals and workplace transformation*. The survey was representative of the general population.
- 2 EOC additional analysis of data from forthcoming research, Holmes et al (2007) *Work in the future: individuals and workplace transformation*. It is estimated that a total of 6.5 million people with level 2 or above qualifications are not fully using their skills and are or have been influenced by the availability of flexible work. This includes 4.8 million people that have traded down by working in jobs that do not use the skills or experience they have demonstrated in previous jobs and who say that they would have made different job choices if better flexible working options had been available. A further 1.7 million people are not in work and say they would be encouraged back into work if flexible working was available. The analysis excludes people over retirement age, full-time students and those combining full or part-time study with part-time work.
- 3 From forthcoming research commissioned by the EOC. Jones, P. and Dickerson, A. (2007) *Poor returns: winners and losers in the job market*.
- 4 Cited in Holmes et al (2007)
- 5 Cited in forthcoming research commissioned by the EOC, Smeaton et al (2007) *Work in the future: employers and workplace transformation*.

For a full bibliography, please see the final report.

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