



WORK-LIFE BALANCE AND THE ECONOMICS OF WORKPLACE FLEXIBILITY

The Council of Economic Advisers

June 2014



Executive Summary

American society has changed dramatically over the past half century. Women have entered the labor force in growing numbers and families have increasingly relied on more than one earner to make ends meet. And yet, children still need to be taken to the doctor and elderly parents still need care. Because these changes have caused many workers to face conflicts between their work and their personal lives, they also create a need and desire for more flexibility in the workplace.

Flexible workplace arrangements refer to a broad set of firm practices that touch on when one works, where one works, or how much one works (including time off after childbirth or other life events). They include a variety of arrangements such as job sharing, phased retirement of older workers, telecommuting, and schedule shifting or flexible schedules. Workplace flexibility can be short-term, such as allowing workers to shift their workday to end an hour earlier than usual to take a parent to a doctor's appointment. They can also be long-term, like allowing a reduced schedule of four and a half days per week so that a father can participate in therapy for his autistic son.

The Council of Economic Advisers first published "Work-Life Balance and the Economics of Workplace Flexibility" in March 2010. This report updates that report with insights from the most recent research on the economics of flexible workplace policies and practices. The first section reports some of the changes in the U.S. workforce that have increased the need for flexibility in the workplace.

- Women comprise nearly one-half of the labor force, and in more than 60 percent of households with children, all adults are working.
- Almost two-thirds of people providing unpaid eldercare have jobs, with about half of caregivers working full-time in addition to their caregiving duties.

The second section examines the current state of flexible work arrangements and reports that many employers have adapted to the changing realities of American workers.

- Overall, more than three-fourths of employers report allowing at least some workers to periodically change their starting and quitting times, however only around a quarter of employers say that they allow most of their employees to do so. Overall, 56 percent of full-time workers report having flexible work hours, and only 47 percent of part-time workers do.
- Fewer workers have the flexibility to change their location: 22 percent of workers report having access to flexibility in where they work.
- Less-skilled workers have less workplace flexibility with their scheduled hours or location than do more highly-skilled workers.
- Most employers offer at least some workers the ability to return to work gradually after a major life event such as the birth or adoption of a child, although job sharing appears less widespread.

The report concludes with a discussion of the economic benefits of workplace flexibility arrangements.

- Almost one-third of firms cite costs or limited funds as obstacles to implementing workplace flexibility arrangements. However, the benefits of adopting such management practices can outweigh the costs by reducing absenteeism, lowering turnover, improving the health of workers, and increasing productivity.
- In a larger study of over 700 firms in the United States, United Kingdom, France and Germany, researchers found a significant positive relationship between work-life balance practices and total factor productivity. The authors argue that this correlation could be driven by a third factor—good management. Well-managed firms both have higher productivity and tend to embrace flexible workplace practices.
- Because many employers may not have full information about the costs and benefits of workplace flexibility practices and because some of the benefits may extend beyond the individual employer and its workers, wider adoption of such policies and practices may well benefit more firms and workers, and the U.S. economy as a whole.

Introduction

American society has changed dramatically over the past half century. Women comprise nearly one-half of the labor force and all adults are working in more than 60 percent of households with children. And yet, children still need to be taken to the doctor and elderly parents still need care. These and other changes have caused many workers to face conflicts between their work and personal lives. These changes also inspire the need and desire on the part of workers for more flexibility in the workplace. Flexibility can be in terms of when one works, where one works, or how much one works (including time off after childbirth or other life events). “Workplace flexibility” generally refers to arrangements—such as job sharing, phased retirement of older workers, flexible hours, and telecommuting policies—that allow workers to continue making productive contributions to the workforce while also attending to family and other responsibilities.

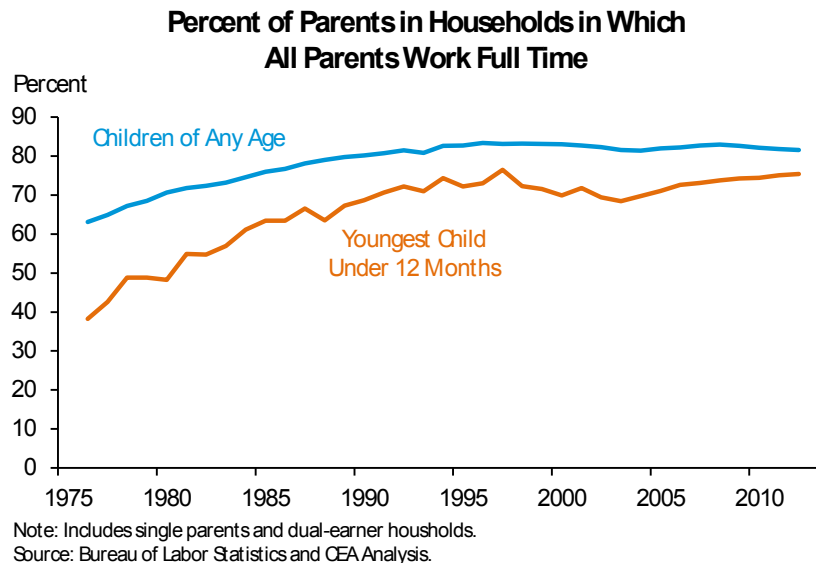
This report presents an economic perspective on flexible workplace policies and practices. The first section looks more closely at some of the changes in the U.S. workforce that underlie the need for increased flexibility in work arrangements. More and more families have all parents working, and caregiving needs will continue to increase as the Baby Boomers enter retirement. These trends raise the value of flexibility in the workplace as it helps workers balance work and family responsibilities.

The second section examines the current state of flexible work arrangements. It finds that although the majority of employers report allowing at least some employees flexibility in their work schedules, there is variation across the workforce. Notably, less-skilled workers report the least workplace flexibility. A majority of employers are also willing to accommodate a gradual return to work after a major life event, such as the birth or adoption of a child. In contrast, it is less common for workers to be able to shift where they work (by, for example, working from home) and only about one-third of firms report allowing some of their employees to job share.

The report concludes with a discussion of the economic benefits of such practices and policies. One can think of accommodating flexibility in the workplace as a component of a worker’s total compensation package, along with other benefits such as health insurance and retirement benefits. If employees value flexible arrangements more than the costs to the employer of providing them, flexibility can be a cost-effective tool for attracting and retaining workers. The costs to firms of adopting such management practices can also be outweighed by reduced absenteeism, lower turnover, healthier workers, and increased productivity. Because many employers may not have accurate information about the costs and benefits of workplace flexibility practices and because some of the benefits may extend beyond the individual employer and its workers, wider adoption of such policies and practices may well offer benefits to more firms and workers, and for the U.S. economy as a whole.

The Evolving Needs of American Workers

The structure of American society has changed significantly over the last half century. In 1968, 52 percent of children were raised in households where the father worked full-time, the mother was not in the labor force, and the parents were married; by 2013, only 20 percent of children lived in such households. The result: children are increasingly raised in households in which all parents work in the labor market (for single-parent households, this means that the one parent works; for two-parent households, both parents work). This trend also holds among families with a child younger than 12 months.¹



The changing environment in which children are raised reflects in part a shift in the nature of the workforce. In 1950, women constituted about 30 percent of the labor force; today, they comprise nearly half. The share of parents in full-time working families (defined as families with children where all parents work full-time) increased to 82 percent in 2012, up almost one-third since 1976.²

At the same time, life expectancy has increased over the past century, and people born around 1940 have a life expectancy over 10 years longer than those of the previous generation (born in 1910), producing added responsibilities for the care of older family members as well. The percentage of households with both children under 18 and adults over the age of 64 has been rising for the past 30 years. This trend will likely continue as the Baby Boomers enter retirement and more workers are included in the “sandwich generation” - those caring for both elderly relatives and young children at the same time.

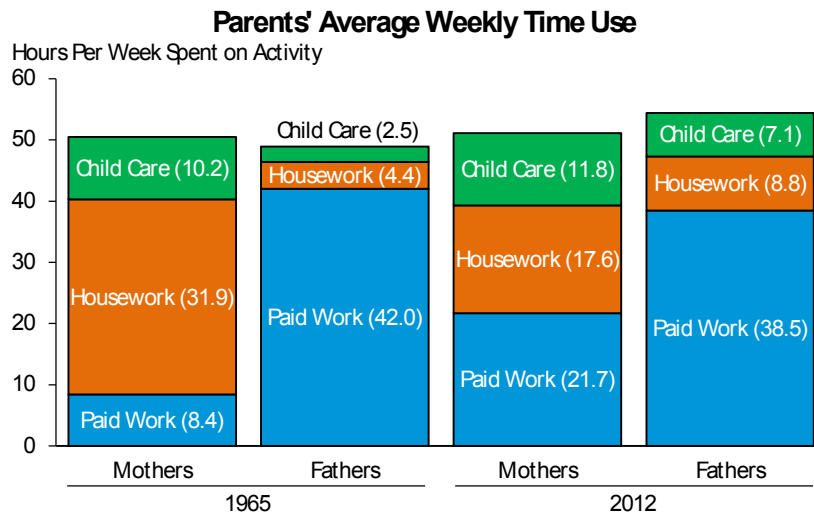
Evidence suggests that, on average, workers may not need to reduce the number of hours they work to balance these new family responsibilities and other activities. Technological

¹ These changes have caused both men and women to report that work interferes with family (King 2005). For example, in 2010, 46 percent of working men and women reported that their job demands interfered with their family life sometimes or often, up from 41 percent in 2002.

² CEA calculations based on the Current Population Survey.

gains have helped to decrease the intensity of some previously time-consuming tasks at home, such as cooking and cleaning, which is estimated to have more than offset the increase in working and commuting time for women.³ Relative to the 1965, on average Americans spend less time on housework and more time on childcare.⁴ Both mothers and fathers of all education levels spend more time today engaged in childcare than parents did several decades ago, and these increases in childcare have been especially pronounced among college-educated parents.⁵

In part, the need for flexibility derives from the fact that the gap between the time spent on market and non-market work for men versus women has narrowed. As shown below, compared with 1965, in 2012 women spent more time on paid work and significantly less time on housework work such as food preparation, kitchen cleanup, and washing clothes. For men, the patterns were reversed; between 1965 and 2012, men spent slightly fewer hours on market work and more hours engaged in child care and housework.⁶ Today, among families with a working mother, fathers are now the primary caregiver for one in five preschool-age children.⁷ In the last 25 years, the number of families with a stay-at-home dad and a working mom doubled.⁸



Note: Parents defined as adults ages 18-64 with children under 18.
 Source: Bianchi et al. (2006); American Time Use Survey.

While women continue to do more home work and less paid work, with men and women increasingly performing similar amounts of non-market and market work, often one or both of them need the ability to attend to family responsibilities such as taking children and parents to doctors' appointments. It is perhaps not surprising, therefore, that both mothers and fathers in

³ For example, evidence from the Residential Energy Consumption Survey shows that the percentage of households with dishwashers increased from 35 percent in 1978 to 50 percent in 1997. See Greenwood, Seshadri, and Yorukoglu (2005) for review of the evidence of the effect of technology on female labor force participation.

⁴ Aguiar and Hurst (2007).

⁵ Ramey and Ramey (2010).

⁶ See Table II in Aguiar and Hurst (2007).

⁷ Survey of Income and Program Participation, 2011.

⁸ Census Table MC1 from 2013 Current Population Survey.

dual-earning couples increasingly report work-family conflict. In 2008, 60 percent of fathers and 47 percent of mothers in dual-earner couples reported work-family conflict compared to 35 percent and 41 percent in 1977, respectively.⁹

The Prevalence of Workplace Flexibility in the United States

American workers increasingly need to balance employment with other responsibilities, but to what extent does the workplace accommodate these needs? While drawing on many sources, this section primarily relies on two nationally representative surveys to better understand the prevalence of different types of workplace flexibility in the United States. The first survey, the National Study of Employers, provides the perspective of employers, and is one of the most comprehensive and detailed sources of firm-level data on programs and policies related to work-life balance.¹⁰ As an employer's perspective on workplace flexibility may differ from that of its employees, the discussion also includes analysis of a supplement to the 2011 Annual Time Use Survey (ATUS), a household survey that included a module asking respondents specifically about work scheduling and leave policies. These ATUS data can be linked to the Current Population Survey, enabling an in-depth analysis of worker characteristics. This analysis provides the perspective of the average American worker on the extent to which their job provides flexibility and are the most recent available at the national level. Wherever possible, this report presents findings from the National Study of Employers from comparable periods to the ATUS data, as well as trends from the employer's perspective.

The discussion focuses on flexibility in the scheduling of hours, the place of work, and the numbers of hours worked, as well as those that cut across these categories.¹¹ It also considers the special circumstances of small businesses and firms in the manufacturing sector.

⁹ Galinsky et al (2011) and Family and Work Institute (2002).

¹⁰ The 2014 sample includes 1,051 employers with 50 or more employees. These data are helpful both because of the relatively large sample size and because most other data sources, such as the Current Population Survey, do not contain detailed information on the prevalence of many of these practices.

¹¹ Workplace Flexibility (2010a).

*BOX 1: WHY IS THERE SUCH A LARGE DIFFERENCE IN REPORTED
PREVALENCE BETWEEN THE TWO SURVEYS?*

One important reason for the difference between the two surveys is that in the employer-based surveys, employers report that they provide flexibility for “some” or “most” workers but do not otherwise indicate the prevalence. If many employers only provide a benefit to a minority of their workers, the percent of workers with a benefit will be smaller than the percent of firms offering the same benefit. In addition, there may be a difference between an organization’s policies and their implementation. The National Study of Employers attempted to address this issue by asking if the organization “allows employees to...” or “provides the following benefits or programs...” rather than if it has “written policies.” However, if workers are unaware that their managers would be willing to implement such practices, are unaware of such policies, or fear negative consequences from exercising such options, they will report less availability of such arrangements than will their employers.

Second, the National Study of Employers is a survey of employers in which the respondent is an organization rather than an individual. As a result, the data describe the formal benefits provided by a typical employer or how they are interpreted at the organizational level, rather than how they are experienced by a typical employee. Given that, by definition, larger employers represent more workers than do smaller firms, statistics about the average employer may not be representative of the

Flexibility by Worker Characteristics

The 2011 ATUS enquired about specific types of workplace flexibility workers can access. If respondents indicated they could vary their work schedule or location instead of taking (either paid or unpaid) leave or if they could vary their work schedule or location despite not having access to leave, they were asked if they could vary their schedule by hours worked, days worked, or location worked. Respondents could indicate access to multiple forms of workplace flexibility. Table 1 shows differences in reported workplace flexibility by worker characteristics and type of flexibility. Overall, men and women have relatively similar access to workplace flexibility. Non-Hispanic white and Asian workers are more likely to report access to flexible policies than are black and Hispanic workers. While much of the difference in access to flexible days and work location is driven by differences in average educational attainment across race and ethnic groups, after accounting for differences in education, black and Hispanic workers report lower access to flexible hours than white and Asian workers.

Table 1				
Access to Workplace Flexibility by Demographic, Educational, and Worker Characteristics				
Policy Type	Flexibility in the Scheduling of Hours	Flexibility in Days Worked	Flexibility in the Place of Work	Any Flexibility
Total	49%	40%	22%	56%
Demographic Characteristics				
Male	49%	38%	23%	56%
Female	48%	42%	21%	56%
White, non-Hispanic	51%	41%	24%	58%
Black, non-Hispanic	43%	38%	18%	50%
Asian, non-Hispanic	54%	44%	31%	60%
Hispanic	39%	34%	15%	48%
Educational Attainment (Workers 25 and Older)				
Less than high school	38%	41%	13%	50%
High school	40%	34%	13%	50%
Some college	51%	44%	18%	59%
Bachelor's degree or higher	55%	41%	35%	60%
All Workers				
Full-time workers	56%	59%	19%	66%
Part-time workers	47%	35%	23%	53%
Note: Sample excludes self-employed workers. Full-time workers usually worked 35 or more hours each week at their principal job (or usually worked 35 hours at all jobs if hours at their principal job varied). Part-time workers usually worked less than 35 hours each week. Source: American Time Use Survey, 2011; CEA Analysis.				

The ATUS data also reveal substantial cross-industry differences in the flexibility of scheduling. As shown below, less than one-third of full-time workers in construction and transportation and utility industries reported having the flexibility to change their working hours in 2011, compared to about 65 percent of workers in the information services industry. These differences may reflect the potential difficulties that construction and transportation companies have in adopting policies and practices that result in a more flexible workplace, a point further discussed at the end of this section.

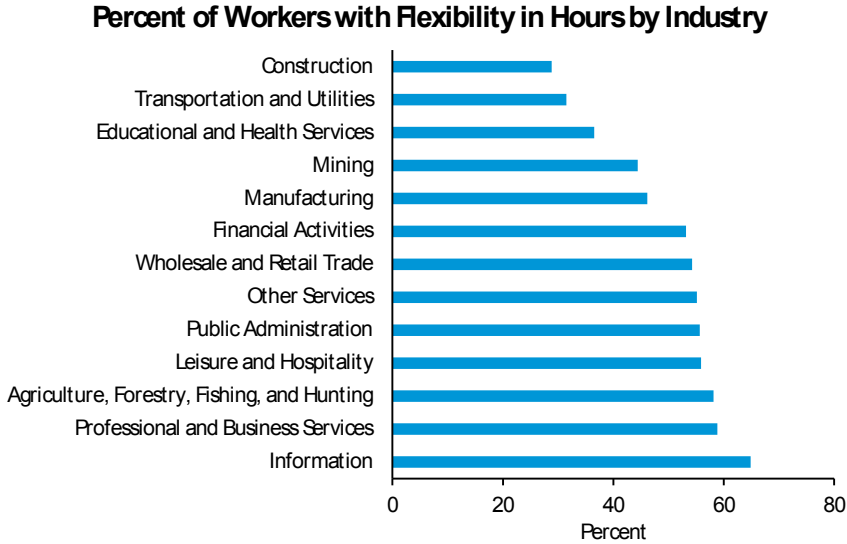
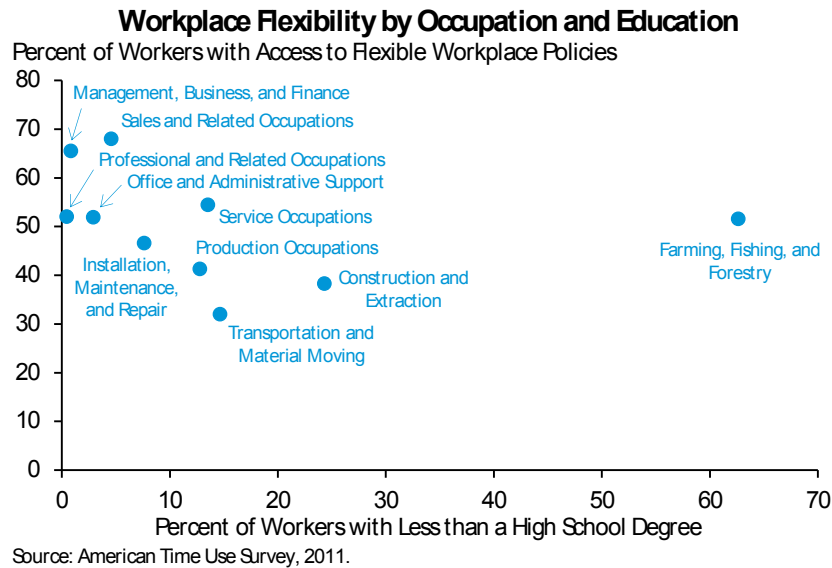


Table 1 also indicates that workers with higher levels of education are also more likely to report access to flexible workplace arrangements, and are particularly more likely to report access to either flexible hours or flexible location. Economists have focused on two explanations for this pattern. First, as discussed in the next section, flexibility is a form of compensation. Just as more educated workers enjoy higher earnings and are more likely to have benefits such as employer-sponsored health care, they are also compensated with more flexibility. As a result, inequality in total compensation exceeds inequality in wages. In addition, one study suggests that the nature and context of low-wage jobs—such as the need for around-the-clock coverage—may make giving flexibility to some low-wage workers more costly.¹² To explore this issue more fully, the scatter plot below shows the relationship between the percent of full-time workers in an occupation that have flexible schedules and the percent that do not have a high school degree. Occupations such as management, business, and finance that have a high degree of flexibility also have a low percentage of workers with less than a high school degree; workers in occupations with a low degree of flexibility, such as construction, also tend to have a high percent of workers with less than a high school degree.



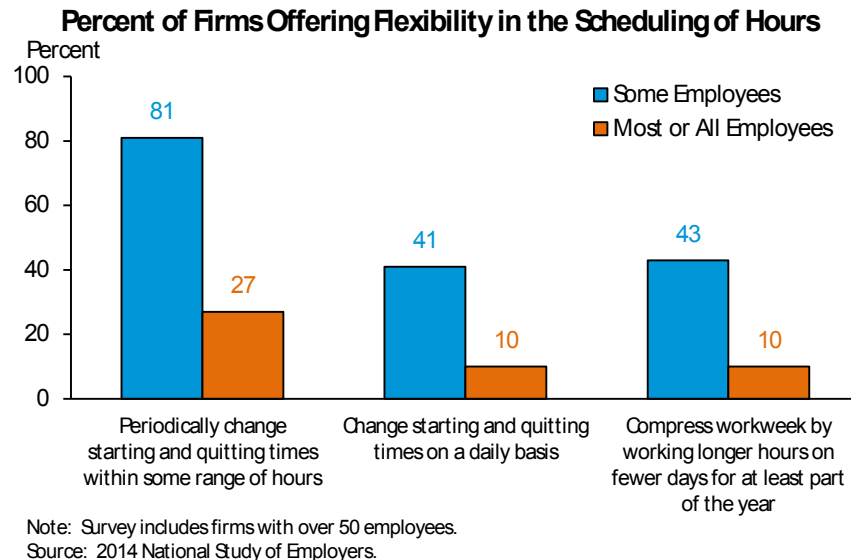
Flexibility in the Scheduling of Hours

One of the most important sources of flexibility is the ability of workers to have some control over *when* they work. Examples include flexibility in when a worker arrives at or leaves work, the scheduling of breaks and overtime, and compressed workweeks (such as when one works more hours four days a week and a partial day one day a week). As shown below, data from the National Study of Employers suggest that 81 percent of employers allowed at least some workers to periodically change their starting and quitting times, within some range of hours in 2013, a slight increase from 2008 and a larger increase from 2005.¹³ However, only 27 percent of employers allowed most or all employees to do so, indicating that this is a

¹² Corporate Voices for Working Families (2006).

¹³ In 2008, 79 percent of firms reported allowing at least some workers this type of flexibility. That fraction was 68 percent in 2005.

benefit for a select few employees. Less than half of employers (41 percent) allowed at least some workers to change starting and quitting times on a daily basis and only ten percent said that they allowed most or all of their workers to do so.



Data from the American Time Use Survey show that in 2011, only 49 percent of all workers, and 47 percent of full-time workers reported they had flexible work hours that allowed them to vary or make changes in the time they began and ended work, as shown in Table 1. Flexibility in hours worked was more common for part-time workers (56 percent). Box 1 discusses the differences in reported prevalence of flexible work arrangements between the American Time Use Survey and the National Study of Employers.¹⁴

Flexibility in the Place of Work

Many jobs require an individual to be physically present at the worksite. For example, teachers, sales clerks, and assembly-line workers cannot fulfill many of their obligations from an off-site location. Managers and members of teams may need face-to-face contact. For other workers, however, a substantial fraction of their work could, in principle, be conducted from home or a satellite office. Data from the ATUS show that flexibility in work location is less common than flexibility in either work days or hours, and confirm that there is substantial variation across industries and occupations. For example, about 5 percent of workers in farming, fishing, and forestry occupations report access to location flexibility, compared to almost 40 percent in management, business, and financial occupations. At least some of the duties of these latter jobs can be conducted via telecommuting, whereas production and agricultural workers are more likely to be needed on-site. One study estimated that in 2000 more than half of all jobs were amenable to telecommuting, at least on a part-time basis,¹⁵ and undoubtedly that fraction has increased since then as a result of the spread of high-speed internet and mobile technology.¹⁶

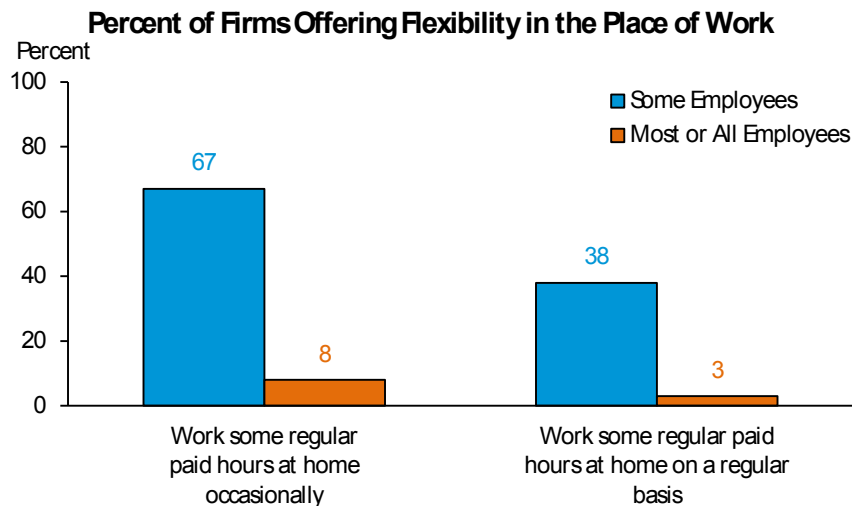
¹⁴ American Time Use Survey, 2011; Bond, Galinsky, and Sakai (2008).

¹⁵ Potter (2003).

¹⁶ Smith (2002).

The National Study of Employers provides an opportunity to understand the extent to which employers have adopted policies and practices that allow for flexibility in where employees work. The difference between the share of firms that provided this dimension of flexibility to “some” workers versus “most or all” workers in 2014 is striking. For example, as shown below, 38 percent of employers reported allowing some workers to work at home on a regular basis; only 3 percent of employers allowed most or all of their employees to do so. At the same time, it was more common for employers to report allowing employees to work from home occasionally.¹⁷

In 2011, about 12 percent of workers who had access to flexible work arrangements changed either their schedule or location in the previous week. Of those who utilized workplace flexibility, about 22 percent changed their location. College-educated workers who used flexibility more likely than less-educated workers to change their location (30 percent), and men were more likely to change their location than were women (27 percent, compared to 17 percent). And about 10 percent of workers who used flexible arrangements combined location flexibility with scheduling flexibility.



Note: Survey includes firms with over 50 employees.
Source: 2014 National Study of Employers.

Flexibility in Number of Hours of Work

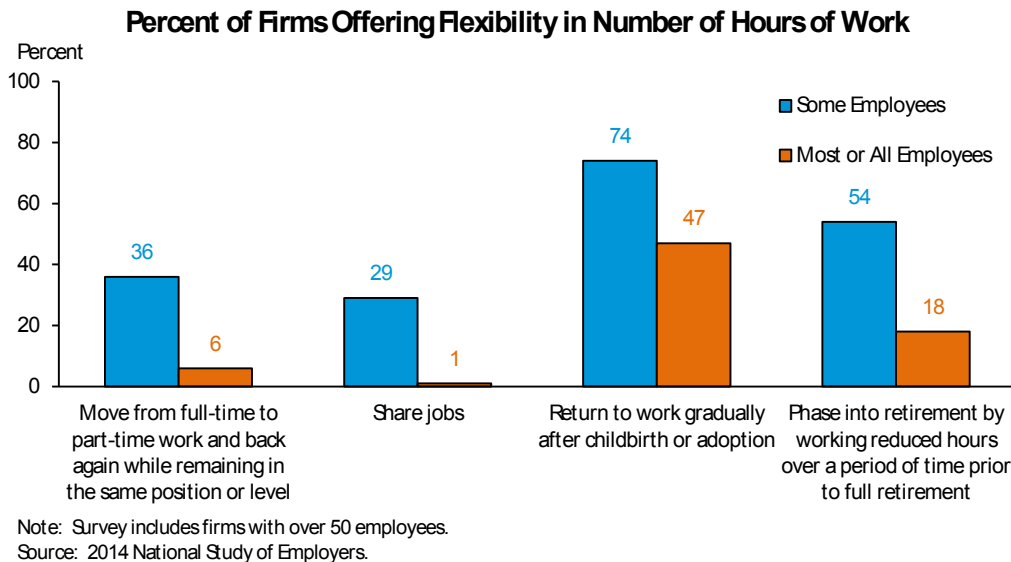
A third way employers provide workplace flexibility is in the number of hours an employee works. Flexibility of this sort can be further divided into practices that reduce the number of hours worked in a given week and those that allow employees to take leaves of absence (paid or unpaid).

In 2014, 29 percent of employers reported allowing some workers to share jobs, and 36 percent reported allowing at least some individuals to move from full-time to part-time and

¹⁷ Bond, Galinsky, and Sakai (2008).

back again while remaining at the same position or level.¹⁸ A much smaller percent of firms allowed most or all employees to take advantage of these forms of flexibility.

Allowing employees to take a leave of absence after an important life event also provides flexibility in the amount of work. Partially as a result of the Federal Family and Medical Leave Act (FMLA) of 1993, this form of flexibility is now widespread although it does not cover all workers.¹⁹ Recognizing these coverage limitations, the Administration has proposed new rulemaking that extends FMLA protections to all eligible workers in same-sex marriages, regardless of where they currently live.²⁰ In 2013, 87 percent of all workers in the private sector had access to unpaid family leave in 2013, up slightly from 82 percent in 2006. Further, as shown in the chart below, in 2014 74 percent of employers allowed some workers to gradually increase their hours after the birth or adoption of a child, but only 47 percent allowed some or most employees to do so (10 percentage points lower than the share in 2008). A majority of employers also allowed at least some workers to take extended career breaks.



¹⁸ The share of employers allowing this specific type of flexibility has fallen from 53 percent in 2005 to 41 percent in 2008 and 2012 to 36 percent today.

¹⁹ The FMLA requires both Federal and private employers with more than 50 workers to provide up to 12 weeks of unpaid leave per employee each year. This leave must include access to health benefits. The employers must have worked for the employer for at least 12 months (not necessarily consecutive) and 1,250 hours within the past year. The FMLA can be used for the birth and care for a newborn or adopted child, care for an immediate family member with a serious health condition, medical leave for the employee herself, or in circumstances relating to an immediate family member's being called onto active duty as a member of the National Guard or Reserves. Evidence suggests that the FMLA increased leave coverage and usage but did not appear to have a significant negative effect on the wages and employment of women. See Waldfogel (1999). Note however, that the Act does not apply to workers at smaller firms, part-time workers, or employees that recently joined a firm. A 2013 report prepared for the Department of Labor on the FMLA reported that 60 percent of workers are covered by the law.

²⁰ The proposed rule would change the FMLA regulatory definition of "spouse" so that an eligible employee in a legal same-sex marriage will be able to take FMLA leave for his or her spouse or family member regardless of the state in which the employee resides, allowing for consistent federal family leave rights across all states. <http://www.dol.gov/whd/fmla/nprm-spouse/>

Paid leave is an important source of workplace flexibility, especially for workers who lack financial resources. Paid parental leave policies can help parents maintain a connection to the labor force and balance their work and family obligations. At the same time, paid leave can benefit employers by improving employee recruitment, retention, and motivation.²¹

Despite the importance of paid leave for workers struggling to balance work and family demands, access to paid leave is not universal. The 2014 National Study of Employers suggests that slightly more than one-third of employers (37 percent) allowed most employees a few days off to care for mildly ill children without losing pay or having to use vacation days. In 2008, however, nearly half of employers said that they offered such flexibility. Slightly more than half (58 percent) of employers reported in 2014 giving female employees paid maternity leave. In most cases, the pay was less than an employee's typical pay and only 14 percent offered spouses/partners paid time off after the birth of their child.

However, the National Compensation Survey finds a much lower percentage of employees have access to paid family leave policies, this survey of employers indicates that only 11 percent of private sector workers have access to a paid family leave policy. There may be many factors driving differences between the two studies, such as formal versus informal policies and the percent of employees that are covered at each business.²²

Compared to the employer surveys, employees report lower access to paid leave. The ATUS findings suggest that 39 percent of workers report access to paid family leave for the birth of a child. Mothers reported only slightly more access to paid family leave than fathers. Overall, 38 percent of working men reported access to paid paternity leave while 40 percent of working women reported access to paid maternity leave. The higher level of access reported by employees in the ATUS may reflect employees including access to informal leave policies, such as informal agreements with managers or a worker's ability to use other forms of leave for family-related reasons.²³ As detailed in Box 1, additional discrepancies may arise between the National Study of Employers and employee data, since the former survey only indicates whether "some" or "most" workers have access to leave. In addition, if workers are unaware that their managers would be willing to implement such practices or are unaware of such policies, they will report less availability of such arrangements than will their employers. All surveys indicate, however, that a significant fraction of workers lacks access to leave, paid or unpaid.

Finally, as reflected in the previous chart, flexibility in the number of hours of work can ease the transition to retirement for older workers. In 2014 more than one-half of employers allowed at least some workers to phase into retirement by working reduced hours, and 18 percent of the firms allowed most or all of their employees to do so. Other survey data also find that this form of flexibility is common. According to a 2008 survey of more than 140 mid-

²¹ For more details see the Council of Economic Adviser report "The Economics of Paid and Unpaid Leave" (2014)

²² The National Compensation Survey weights the data to be representative of workers, while the National Study of Employers is at the employer level and data is not on exactly how many employees are covered by such policies.

²³ CEA "The Economics of Paid and Unpaid Leave" (2014).

sized and large employers by Hewitt Associates, 47 percent of firms offered some sort of phased retirement arrangement in 2007, although only 5 percent have formalized phased-retirement programs.²⁴ These types of arrangements are most common in the health care/social assistance, education, and manufacturing sectors and at larger firms.²⁵

Not only do employers report offering these types of arrangements, but workers report using the benefits. According to the *Health and Retirement Study*, in 2004 nearly half of surveyed retirees had engaged in some sort of phased-retirement arrangement prior to fully retiring and approximately one-in-eight workers between the ages of 63 and 73 engaged in some sort of phased retirement work arrangement.²⁶ Most workers who participate in phased-retirement arrangements are below age 60.²⁷

Other Forms of Workplace Flexibility

Perhaps the ultimate form of workplace flexibility is the evaluation of employees based on what they produce rather than the number of hours they work. This management practice, called “results-only work environment” (or ROWE), allows for flexibility along multiple dimensions because it permits workers to choose when, where, and for how long they work, as long as they are sufficiently productive. Clearly, this level of flexibility is not practical for all circumstances; for example, one large employer adopted these practices for headquarters employees but not for retail store employees. Moreover, in many cases, the output of workers is difficult to measure directly. That said, a manager in one county government that has experimented with these practices concluded that “the county wins, the staff person wins, and it’s a better balance.”²⁸

Small Businesses and Manufacturing

The discussion above makes clear that there is substantial heterogeneity across firms in terms of flexible workplace policies and practices. Two types of firms where many argue flexible policies are particularly difficult to implement (and thus likely to be less prevalent), are small businesses and manufacturing firms.

Small Businesses. Some argue that while flexible scheduling may work in large firms, each member of a small business’s team can be critical to business operations, making it too costly to implement such practices. At the same time, one challenge with flexible work schedules can be difficulty ensuring that workers are productive while they work from home. Because managers and employees may interact more frequently at small firms, it may be easier for these firms to implement such practices and still be able to monitor a worker’s productivity. Data from the National Study of Employers finds that small firms (50–99 employees) provide *more* flexibility to their employees than do large firms (1,000 and more employees) across seven dimensions of flexibility.

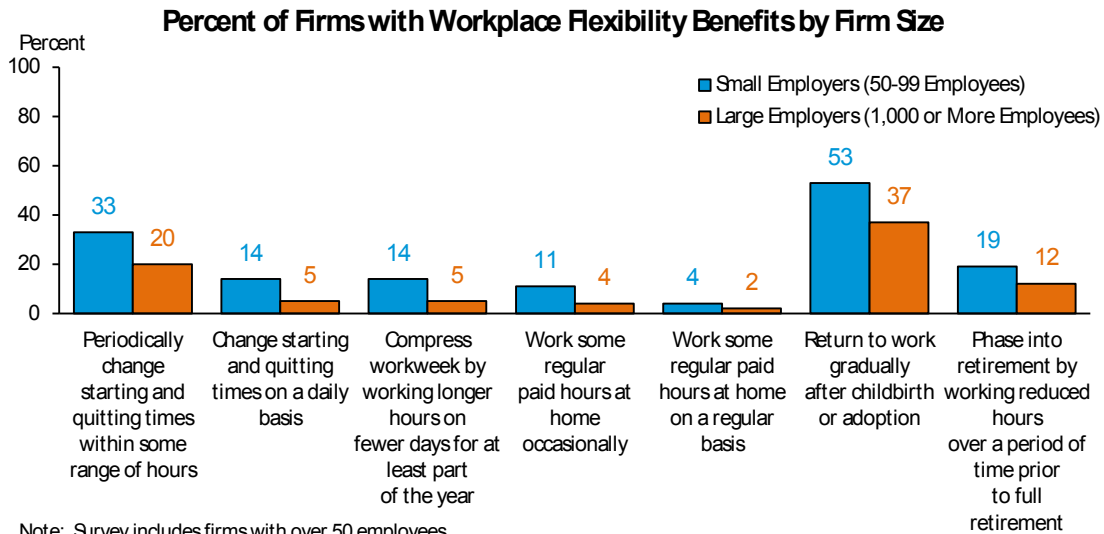
²⁴ Hewitt Associates (2008).

²⁵ Workplace Flexibility 2010 (nd.b).

²⁶ Workplace Flexibility 2010 (nd.b).

²⁷ One study found that more than half of so-called “phasers” in 2004 were younger than 60 years old. (Sloan Work and Family Research Network (2009)).

²⁸ Kerrigan (2010).



We emphasize that this survey did not include employers with fewer than 50 workers. Other data suggest that for the smallest employers, leave policy is usually handled on a case-by-case basis.²⁹ Certain sectors, such as pharmacy, have found ways to allow workers to have more flexible schedules by making better use of technology and innovative business practices.³⁰

Manufacturing. As shown above, manufacturing workers were significantly less likely to have flexible work arrangements than workers in most other private sector industries. This difference may be due to technological difficulties that limit the amount of flexibility manufacturing firms can give their workers. For firms that rely on formal shifts, employees may not be able to leave at non-standard times without disrupting their colleagues. In addition, the on-site physical nature of many manufacturing jobs may make telecommuting impossible.

Despite these challenges, there are strategies that some manufacturing companies have used to increase workplace flexibility. For example, some manufacturing firms encourage workers to be trained not only in their own tasks but also in the tasks of workers “upstream” and “downstream” from them. Increasing the breadth of training can help ensure that workers understand how their inputs were created and how their output will be used, and may contribute to increased productivity. This modern manufacturing practice has the benefit of ensuring that workers can more effectively fill in or otherwise compensate for one another in case a worker cannot be present at a particular time.

²⁹ Specifically, a survey conducted by the National Federation of Independent Business Research Foundation in 2004 includes information from more than 750 firms with fewer than 250 employees. National Federation of Independent Business (2004). This study found that the vast majority of employers (82 percent) handled requests for time off due to family or medical leave on a case-by-case basis. Small businesses also typically did not have formal policies governing short absences for doctor’s appointments or parent-teacher conferences; 81 percent of firms also handled such requests on a case-by-case basis. Note however, because of the difficulty of accurately surveying very small firms, the results may not be nationally representative.

³⁰ Goldin and Katz (2011).

The Economics of Workplace Flexibility

Employers that have adopted flexible workplace practices cite many economic benefits such as reduced worker absenteeism and turnover, improvements in their ability to attract and retain workers, and other positive changes that translate into increased worker productivity.³¹ But, workplace flexibility has costs as well. For example, the associated fixed costs of recruiting, training, and monitoring an employee can raise the cost of hiring a worker part-time rather than full-time. In addition, some projects that have short deadlines and that cannot be easily divided make it costly to not have an employee working full-time. In fact, almost one third of firms cite costs or limited funds as obstacles to implementing workplace flexibility arrangements.³²

This section discusses the growing research literature assessing the impact of flexible workplace practices on workers and employers before laying out an economic rationale for why wider adoption of such practices could be good for the American economy.

The Empirical Evidence on the Economic Impacts of Flexible Workplace Practices

Worker compensation has many components, such as wages, health and retirement benefits, sick leave, and vacation time. And employers have discretion over which benefits to provide their employees, resulting in differing compensation “packages.” There is evidence that workers take into account the entire compensation package—and not only wages—when considering job offers. For example, it has been well established that workers must be paid higher wages to accept jobs without health insurance, partly to help pay for their health expenses.³³ Similarly, workers who have little workplace flexibility require higher wages to help pay for services such as emergency child care and elder care.³⁴ Given that workers consider the entire compensation package, if the value to employees of flexible arrangements exceeds the costs of providing them to the employer, flexibility is a cost-effective tool for attracting and retaining workers.

Unfortunately, quantifying the costs and benefits of these arrangements is challenging. It is clear that employees place high value on flexibility. Nearly half of working parents say they have chosen to pass up a job they felt would conflict with family obligations.³⁵ In another survey of two hundred human resource managers, two-thirds cited family-supportive policies and flexible hours as the single most important factor in attracting and retaining employees.³⁶ And while we do not have direct estimates on the cost of providing flexible workplace arrangements, costs associated with other workplace outcomes can provide some insights into the likely net benefit for employers in the form of reduced turnover, lower costs for recruitment, reduced absenteeism, and more productive workers.

³¹ A Better Balance (2008); Corporate Voices for Working Families (2005).

³² Bond, Galinsky, and Sakai (2008).

³³ Council of Economic Advisers (2010).

³⁴ Baughman, DiNardi, and Holtz-Eakin (2003).

³⁵ Nielsen (2014). Harris Poll of 4,096 U.S. adults (aged 18+), conducted online May 27-30, 2014.

³⁶ Williams (2001).

Flexible Work Arrangements Reduce Turnover and Help Recruitment

Recruitment and retention are so important to employers because the costs associated with turnover—both direct and indirect—can be high. When an employee leaves a firm, frequently he or she must be replaced. Recruiting can include costs such as advertising for the position, time interviewing, agency and search firm fees, referral bonuses, hiring a company recruiter, and relocation assistance. In addition, when a worker separates from a firm, he or she takes with him or her firm-specific knowledge (such as how to manage a computer program that is used only by that firm).³⁷ Such losses are likely to be especially costly for firms that extensively train their workers with such “firm-specific” skills.³⁸ In addition, managers report that a competitive compensation package (which could include flexible work schedules) is especially important for retaining particularly productive workers who are at risk of receiving competing offers of employment from other firms.³⁹

Combined, these costs can be considerable. For example, one study found that hiring costs account for more than \$2,500 per hire in large firms, or approximately 3 percent of total annual labor costs for a full-time equivalent worker.⁴⁰ Another study argues “visible” costs such as advertising and orientation costs account for only 10-15 percent of total turnover costs of making a hire.⁴¹ Including additional costs, one study estimates that employee replacement costs range from 10-30% of annual salary for low and moderate income positions up to 100-200% of annual salary for some higher-income professionals.⁴²

With such considerable costs to recruiting new workers, employers have an incentive to find ways to recruit those likely to remain with the firm for some time and to find cost-effective ways to retain them. For such reasons, flexible work practices can potentially pay for themselves if they help a company reduce turnover or increase recruitment. A recent nationally representative survey sheds light on the impact that flexibility can have on recruitment. About one-third of workers say they have passed up a job because it conflicted with family obligations, including 49 percent of working parents with children under 18.⁴³ Women in particular, who are playing an ever larger role in the labor market, as noted above, are increasingly choosing careers that offer flexibility over the year, week, and day, such as dentistry, veterinary medicine, and pharmacy.⁴⁴ But the desire for flexibility around the family does not stop with mothers. A 2014 survey of high-skilled working fathers found that 95 percent cited flexible work policies that allowed them to actively engage with their children as an important job characteristic.⁴⁵

³⁷ Becker (1964); Mincer (1974); Lazear (2003).

³⁸ It is not surprising, therefore, that researchers have documented that firms that provide on-the-job training (for firm-specific skills) for their employees aim for lower rates of voluntary turnovers (Pencavel, 1972).

³⁹ Salop and Salop (1976); Weiss (1980).

⁴⁰ The study included more than 300 large organizations. Data referred to the 2007 calendar year. The average size of the company in the report has annual revenue of \$5.7 billion and roughly 17,000 employees. See PricewaterhouseCoopers LLP. (2009).

⁴¹ See Baughman, DiNardi, and Holtz-Eakin (2003).

⁴² Boushey Glynn (2012).

⁴³ Nielsen (2014). Harris Poll of 4,096 U.S. adults (aged 18+), conducted online May 27-30, 2014.

⁴⁴ Goldin (2006).

⁴⁵ Harrington et al (2014).

There are several ways that flexible work arrangements can help reduce turnover. Workers with more flexible arrangements report higher levels of job satisfaction, more loyalty and commitment to their employers, and “high likelihood[s]” of remaining with their employers for the following year.⁴⁶ Likewise, a 2011 Gallup Poll finds that having access to flexible work arrangements was highly correlated with greater worker engagement and higher well-being.⁴⁷ Flexible work arrangements can also decrease turnover by encouraging individuals to remain working at a firm even after a major life event such as the birth of a child.⁴⁸ In fact, 89 percent of high-skilled working fathers report the availability of paternity leave as an important consideration in seeking a new job if they planned to have another child.⁴⁹

The research on the impact of flexible workplace practices on turnover is small, but is largely in line with how workers weigh these practices.⁵⁰ Case studies of firms such as State Street, highlighted in the following box, provide qualitative insights into perceived benefits. In addition, larger studies of the effect of policies that allow new parents to take paid time away from work on the employment and wages of workers find that such arrangements encourage new parents to stay in the labor force.⁵¹ In a survey of 120 randomly-selected employers in New York, economists found that those that offered flexible sick leave and child care assistance had significantly lower rates of turnover.⁵² Other studies report that firms with more flexible telecommuting practices had lower turnover.⁵³

Flexible Work Schedules Reduce Absenteeism

Worker absenteeism can be costly to a firm by creating uncertainty over the workforce size and composition that a manager can expect on any given day. In companies where multiple workers perform similar tasks, workers can help compensate for one of their missing colleagues. In smaller firms or firms where each worker’s job is different and critical to a company’s mission, however, unplanned absences may be especially costly if each member of a team is important for the firm’s output. One study estimated that employee stress due to concerns about balancing obligations with children and work leads to higher rates of absenteeism, with absenteeism costs to businesses ranging from \$496 to \$1,984 per employee per year.⁵⁴

Although some absences are inevitable, existing evidence suggests that smart workplace arrangements can reduce them. For example, the few studies that followed workers as they switched between firms that offered a flexible work schedule (such as work-at-home options) to those that did not have found that workers tended to miss work more in the new firms.⁵⁵

⁴⁶ See Gerhardt (2001) for references for studies that link satisfaction with retention.

⁴⁷ Harter and Agrawal (2013).

⁴⁸ Baum (2003).

⁴⁹ Harrington et al. (2014).

⁵⁰ The literature on the impact on recruitment is even smaller since one needs to know about those individuals who were not hired.

⁵¹ Ruhm (1998).

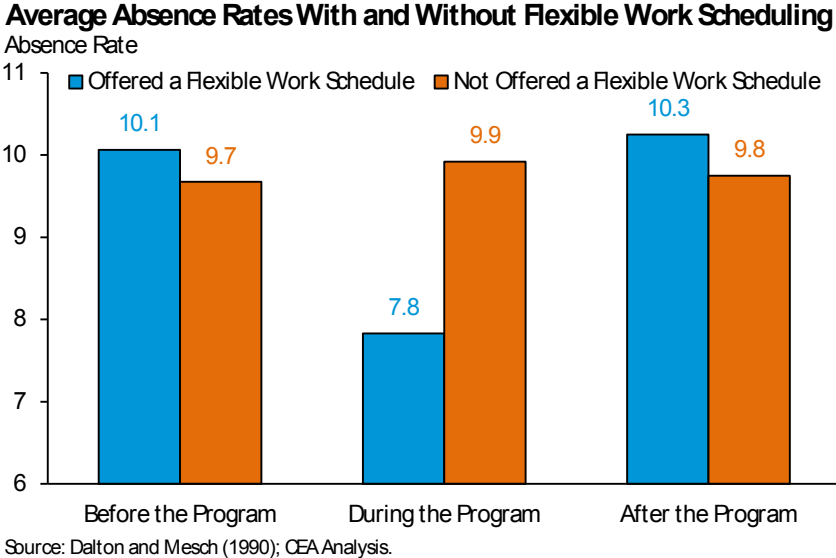
⁵² Baughman, DiNardi, and Holtz-Eakin (2003).

⁵³ See Yasbek (2004) and Computer Economics (2008).

⁵⁴ Corporate Voices for Working Families (2004).

⁵⁵ Dionne and Dostie (2007). For other evidence, see Yasbek (2004); Comfort, Johnson, and Wallace (2003); Akyeampong (2001).

Perhaps the most compelling study of the impact of flexible work scheduling on absenteeism comes from within a single large public utility that temporarily adopted a flexible work schedule in one of its sub-units while retaining standard scheduling for other sub-units.⁵⁶ As shown in the accompanying chart, prior to the program, the average rates of absenteeism were roughly similar between the sub-unit that was offered a flexible work schedule and those that were not. In the year after the program was adopted, the sub-unit with a flexible schedule reported a more than 20 percent reduction in absences, with the absenteeism rate in the other sub-units essentially unchanged. Moreover, when the company reverted back to standard scheduling for all of the sub-units considered after a one-year trial, the rates of absenteeism of the two groups of sub-units became, once again, similar.



As a rough estimate, these results, if they generalize to other firms, suggest that wholesale adoption of flexible workplace schedules could save about \$15 billion a year.⁵⁷

⁵⁶ Dalton and Mesch (1990). For this company, flexible work scheduling meant allowing workers to distribute their working hours during the day without changing the total numbers worked in a day.

⁵⁷ Nicholson et al. (2005) estimate that the annual cost of workforce absences due to illness was \$74 billion. If workplace flexibility reduces absences by 20 percent and if all of this reduction translates into lower costs for employers, the implied savings due to flexibility are almost \$15 billion a year. Note, however, that this estimate includes only absences due to illness, so the total cost due to all absences is likely to be higher. At the same time, there are several reasons why the estimate of cost savings may be too large. Most importantly, the results from the intervention that reduced absences by 20 percent may not generalize to other firms. In addition, the estimates of the annual cost of absences due to illness calculated by Nicholson et al. (2005) may overstate the true cost.

BOX 2: FLEXIBILITY HELPS STATE STREET REDUCE TURNOVER AND ABSENTEEISM

State Street has formalized its flexible work arrangements with its Flex Work Program. This program includes altering start and finish times for the work day, working under a compressed schedule, reducing standard work hours, working remotely and job sharing. As of 2012, nearly 70 percent of surveyed employees used some sort of flexibility in their work schedule. State Street has also found a strong business case for its workplace flexibility initiatives. Less turnover and absenteeism, easier international collaboration between employees, lower commuting costs for employees and increased workload capacity are just a few of the benefits that have materialized since State Street implemented their Flex Work Program

Flexible Work Schedules Improve Health

A growing literature links job stress to poor health (such as chronic hypertension and heart disease).⁵⁸ And researchers are increasingly linking poor worker health to poor economic outcomes, such as lower productivity and slower economic growth.⁵⁹ As a result, it is not surprising that recent studies establish a positive relationship between flexible workplace arrangements and worker health.⁶⁰

The most compelling evidence comes from a workplace intervention conducted at 12 Midwestern grocery stores. The researchers at Michigan State University and Portland State University found that workers supervised by family-supportive managers reported improved physical and mental health.⁶¹ A second study conducted by researchers at the University of Minnesota found that a workplace intervention to allow employees greater control over their work time resulted in employees being less likely to say that they felt obliged to come to work when they were sick, or to not see a doctor even though they felt they should. The intervention also resulted in improved sleep quality, increased energy, and reduced psychological stress among employees.⁶²

⁵⁸ See Mann (2006) for a literature review. As noted by Mann, this literature is not well-settled. More research could help determine the importance any relationship between job stress and health.

⁵⁹ See, for example, Davis et al (2005); Council of Economic Advisers (2009b); Bloom and Canning (2005). Research has also explored the link between good health on the one hand and more productive employees and lower turn-over on the other. For example, data from the *National Study of the Changing Workforce* show that 35 percent of employees who say their overall health is “excellent” are highly engaged on the job, compared to 23 percent of those who say they are in “poor” overall health. Similarly, 68 percent of employees who say they are in “excellent” health report that they are “not at all likely” to leave their job, compared to just 45 percent of employees who say they are in “poor” health (Aumann and Galinsky, 2008). Again, this research suggests that workplace flexibility policies that improve employee health can provide substantial economic benefits for the employer.

⁶⁰ See, for example, Grzywacz, Casey, and Jones (2007); A Better Balance (2008).

⁶¹ Work, Family, & Health Network (2008a).

⁶² Work, Family & Health Network (2008c). Another study conducted at the Harvard School of Public Health which looked at the relationship between a range of workplace policies and informal practices and health outcomes in four extended-care facilities in Massachusetts found that employees exposed to managers with low creativity and lack of openness to work-family issues were more likely to have cardiovascular disease risk factors (Work, Family, & Health Network, 2008b). Finally, a study conducted by researchers at Pennsylvania State University found that on days when hotel workers reported an interpersonal stressor at work, children reported spending one less hour than usual with their parent (Work, Family & Health Network, 2008d).

Flexible Work Schedules Improve Productivity

An important question is whether flexible work-life arrangements increase worker productivity. Several studies document a positive relationship between workplace flexibility and worker productivity.⁶³ The two case studies in boxes, below, explore this relationship.⁶⁴ One documents the productivity increases experienced by JetBlue after restructuring its scheduling policies for some workers. The other describes how a telecommuting program increased the productivity and generated large cost savings for Cisco Systems. A mechanism through which more flexible workplace practices may enhance productivity is by allowing firms to recruit and retain the best workforce.⁶⁵ In a larger study of over 700 firms in the United States, United Kingdom, France and Germany, researchers found a significant positive relationship between work-life balance practices and total factor productivity.⁶⁶ The authors argue that this correlation could be driven by a third factor—good management. Well-managed firms both have higher productivity and tend to embrace flexible workplace practices. Importantly, the study finds no evidence that workplace flexibility harms productivity. Finally, one of the most rigorous studies on telecommuting is a randomized evaluation examining call center employees at a Chinese travel agency. Half of the firm’s workers were assigned to work from home four days a week, with the other day in the office, while the other half spent all five days in the office. Workers working from home were 13% more productive than those in the office. When workers were allowed to *choose* the optimal place to work based on their preferences and circumstances—whether from home or the office—productivity increased 22%.⁶⁷

BOX 3: REIMAGINING THE STRUCTURE OF WORK AT JETBLUE

Since the airline’s founding in 2000, JetBlue has followed a flexible, work-from-home model for nearly all of its 2,000+ customer service representatives (the folks you talk to when dialing 1-800-jetblue). After initial training, JetBlue crewmembers work from home and regularly attend monthly and quarterly training sessions and team meetings at their local Support Center (Salt Lake City or in Orlando). JetBlue cites the business case for improving workplace flexibility for its crewmembers, stating that when they can “better attend to their home life,” it leads to happier and more productive crewmembers and lower overhead, which leads to lower ticket prices for their customers and higher profits and profit-sharing for its crewmembers.

⁶³ Anecdotal evidence also points to this conclusion. For example, an employee at Texas Instruments, a company that has given its employees more flexibility, said that “workplace flexibility has enabled [her] to improve focus and performance.”

⁶⁴ Georgetown University Law Center (2010). Sloan Work and Family Research Network (2005a).

⁶⁵ For example, Konrad and Mangel (2000) note that, among professionals, work-life conflicts tend to arise when employees reach their peak productive years in their 30s and 40s. Thus, the workers who most need work-life balance policies could also be the most productive.

⁶⁶ Bloom, Krestchmer and Van Reenen (2006). This same study contains a reference to a large number of papers that document a positive correlation between flexibility and outcomes like productivity.

⁶⁷ Bloom, Liang, Roberts, and Ying (2013).

The Economic Case for Wider Adoption of Flexible Workplace Practices and Policies

The evidence cited above strongly suggests that workers gain from workplace flexibility. They are happier, healthier, and more likely to remain with a firm that grants such flexibility. And as workers today live and work longer than previous generations, the need for flexible workplace policies to care for elderly relatives and relatives with disabilities including grown children, spouses, siblings, and returning veterans will continue to grow. Approximately 40 million Americans (16 percent of the population aged 15 and older) provide unpaid care to an elderly relative or friend each year.⁶⁸ Moreover, the majority (63 percent) of elder caregivers are employed, with about half of caregivers working full-time, and one-fifth also caring for young children.⁶⁹

An innovative paper attempting to study the impact on firm profits tracked the announcements of new work-life balance policies (such as dependent care or flexible work arrangements) by Fortune 500 companies in *The Wall Street Journal*. It found that on average, firms' stock prices rose 0.36 percent on the days following announcements of work-life balance initiatives.⁷⁰ Such evidence indicates that flexible practices boost investors' perceptions of the value of a firm, which may derive from their beliefs about the impact of the policies on worker productivity.

And yet, many firms have not adopted such practices. As documented earlier, less than one-third of full-time workers report having access to flexible work hours. If these practices generate such large economic benefits for both workers and firms, why don't more workers have access to them?

One explanation is that it takes time for managers to learn and incorporate new techniques and policies even when they are profit maximizing. Firms that are better at adapting are more likely to adopt all sorts of new profit-maximizing strategies, one potential explanation for why more profitable and better managed firms are more likely to have work-family friendly policies. A second explanation is that management is struggling to understand how to effectively implement such policies. That's one reason why firms sharing best practices around workplace flexibility may speed the adoption of such policies.

There is a growing literature that suggests not all firms adopt the most efficient practices, especially in less competitive industries. For example, in the manufacturing sector where productivity is more easily quantified (and even in the context of professional football), managers of firms sometimes appear to fail to make the best choices.⁷¹ Economists argue that one factor that may contribute to the incomplete adoption of the best management

⁶⁸ In 2011, the American Time Use Survey began asking questions about time spent caring for older individuals. The data reported are for 2011 and 2012.

⁶⁹ Bureau of Labor Statistics (2013).

⁷⁰ Arthur (2003).

⁷¹ Romer (2006); Bloom and Van Reenen (2010). See also Levitt (2006); Cho and Rust (2010), Bloom, Kretschmer, and Van Reenen (2006); and Yasbek (2004).

practices is lack of information.⁷² Due to the changing nature of the labor force, it is likely that the best practices from years ago do not provide enough flexibility for today's workforce.⁷³ Just as U.S. automotive firms took years to embrace lean manufacturing despite the practice's documented improvements in productivity,⁷⁴ firms today may be failing to adopt flexible arrangements. In this case, encouraging supervisors at firms to reevaluate their management practices in light of the evolving demands of workers can make both the firm and the workers better off. One way to help is for companies to establish "right to request" policies which lay out the circumstances and procedures by which workers can ask their supervisors to consider altering their work arrangements to meet their needs for flexibility.

It is also likely that the relative costs and benefits of these practices differ across and within firms. For example, employers in the financial services industry may find it possible to allow employees to work occasionally from home, while food service companies would likely find such practices infeasible. Economic theory suggests that the firms with the greatest (net) gains to adopting flexible practices should be among the first to embrace them. Existing studies of the effect of flexible arrangements come from firms that have already adopted these practices. Therefore, the evidence presented above may overstate the economic benefits that firms that have not yet adopted flexible arrangements would enjoy.

Even in this case, there is still an economic rationale for why additional firms and the U.S. economy could benefit from wider adoption of flexible workplace practices. Promoting work-life balance is that flexible practices may help society in ways that are not taken into account by either an employer or employee (what economists call "social benefits"). For several reasons it is possible that these social benefits are larger than the private ones. For example, some economic models have emphasized that firms may be reluctant to offer benefits packages that are particularly attractive to workers for whom the benefits are most costly to provide. The classic example is generous health insurance packages which may attract the sickest workers. If a similar dynamic operates with flexible workplace arrangements, then too few employers may offer such arrangements and those that do will pay a higher cost.⁷⁵ If more firms offer flexible workplace arrangements, the cost for all will decline, allowing more workers to benefit from the increased flexibility.

In addition, on average, adopting flexible practices likely encourages labor force participation among those workers that would otherwise find it too "costly" to work or invest in workplace skills.⁷⁶ These practices are also essential for long run growth as they allow for better bonding

⁷² Bloom and Van Reenen (2010).

⁷³ Griliches (1957), Cohen and Levinthal (1990), and Levitt and March (1988), among many others, also develop models where a firm's adoption of a new technology is not immediate. See also Nelson and Winter (1982).

⁷⁴ Bloom and Van Reenen (2010).

⁷⁵ Summers (1989) explains this as an example of asymmetric information. Suppose that providing the benefit is costly and that a firm does not have accurate information about an individual's probability of using the benefit. When a firm offers a benefit it attracts the workers who value it most. If the benefit is most costly to provide to these workers, the cost to the firm of offering the benefit will increase. The cost would be lower if all firms offered the same benefit. (Levine (1991) provides a related argument). Evidence on the magnitude of this effect in the context of flexible work arrangements is limited (see Yasbek (2004) for some evidence), but in other contexts there is clear evidence that asymmetric information is economically important (Cutler and Reber, 1998).

⁷⁶ Goldin (2006) has documented links between changes in women's expectations about future careers and increases in women's human capital investment. Similarly, the adoption of flexible practices may cause women

between parents and children which has been shown to lead to better outcomes for the kids as adults. For instance, researchers have shown that children of women who receive paid maternity leave can earn on average 5 percent higher wages at age 30.⁷⁷ Similarly, taxpayers and society as a whole benefit from having productive individuals in the workforce because they are more likely to make contributions in the form of taxes (and conversely are less likely to use the social safety net). As another social benefit, allowing workers to work during atypical hours can reduce the commuting time for other workers that may not be taken into account by a profit-maximizing manager.⁷⁸ One study found that in 2005, peak-period drivers spent 38 extra hours a year in traffic as a result of highway congestion, up from 14 hours in 1982.⁷⁹ Moreover, over a third of drivers report that traffic congestion is a serious problem in their community.⁸⁰

Given the changing nature of the U.S. workforce, the tendency for some firms to fail to update their workplace practices, and the potential for benefits to society as a whole, many firms may find embracing more flexible work helps their workers, their bottom line, and the country as a whole.

Right to Request Provisions Can Help Workers Access Flexible Working Arrangements

In some cases, workers may be hesitant to enquire about their employer’s flexible scheduling policies because they fear this request will reflect poorly upon them or cause them to lose their job. One fifth of American adults, and more than one-third of working parents and caregivers, report that they believe they have been denied a promotion, raise, or new job because they need a flexible work schedule.⁸¹ Right to request laws attempt to reduce this discrimination. Under right to request laws, employers cannot retaliate against an employee who requests a flexible work arrangement.

Locality	Date Effective	Covered Workers	Flexibility Uses	Employer Responsibilities
San Francisco (City and County)	February 14, 2014	Workers who have worked for their current employer for at least 6 months and who work at least 8 hours per week on a regular basis. Employers with less than 20 employees are	Caring for a child under the age of 18, a relative with a serious health condition, and/or a parent older than 65.	Employers must meet with the employee and respond to the request within 21 days of the meeting. Any denial must be in writing and describe the business reason for the denial.
Vermont	January 1, 2014	All public and private sector workers.	Workers can request flexible work arrangements or predictable schedules for any reason.	Employers must consider requests at least twice a year. Employers may deny if the request poses costs to the business.

to invest more in preparation for their careers. Klerman and Leibowitz (1999) explore the short-run effects of work place flexibility on the labor force patterns of new mothers.

⁷⁷ Carneiro et al. (2011).

⁷⁸ Walters (1961).

⁷⁹ Lomax and Schrank (2007).

⁸⁰ Deshpande and Elmendorf (2008).

⁸¹ Nielsen (2014).

Some local and state governments in the United States have already implemented right to request laws. In 2013, San Francisco passed the Family Friendly Workplace Ordinance, which allows workers to request flexible or predictable working arrangement to help meet their responsibilities caring for children, elderly parents, or relatives with serious health conditions.⁸² Vermont also passed similar legislation that allows workers to request workplace flexibility for any reason.⁸³ These laws place no obligation on the employer to accept the request; they only require employers to consider the requests, provide an explanation if the request is denied, and not retaliate against workers for making such requests. Employers are able to deny requests that would negatively affect business performance or impose high business costs.⁸⁴ As these policies were implemented recently, there is not yet empirical data on how businesses and employees have responded.

Other countries, including the UK, New Zealand, and Australia, have also adopted right to request laws. Most requests are submitted by mothers with caregiving responsibilities, and in its early years of implementation, employers fully or partially accepted more than 80 percent of these requests for flexibility.⁸⁵ Perhaps unsurprisingly, the fraction of employers offering workplace flexibility increased after the implementation of these laws. In the UK, for example, more than 90 percent of employers have flexible work arrangements in the workplace; only 50 percent of employers reported such arrangements in 1999.⁸⁶

In the UK, employers have realized business benefits from flexible work arrangements, including improved employee relations, better recruitment/retention, lower absenteeism and increased productivity, and the law was recently expanded to cover all workers, regardless of parent or caregiver status.⁸⁷ The connection seems clear – right to request laws make it easier and more likely - for employees to ask for and obtain flexible work arrangements. Flexible work arrangements can also lead to working environments better matched to employees' needs and a more productive workforce for employers.

Following the experiences of state and local governments, as well as those of other countries, the Administration recognizes that the benefits of workplace flexibility programs can only be realized if workers feel comfortable asking for them. With that understanding, the President has signed a Presidential Memorandum encouraging every single agency in the federal government to expand flexible workplace policies as much as possible. The memorandum also makes it clear that federal workers have the right to request a flexible work arrangement without fear of retaliation. As a result, federal agencies will periodically make their employees aware of the workplace flexibilities available to them and remind them that they may request any of those flexibilities without fear of retaliation from their supervisors. Moreover, supervisors must consider these requests carefully, confer with requesting employees about them, and render decisions on them in a timely fashion. Since workers may be unaware of their options with respect to workplace flexibility or the circumstances under which they are permitted to use them, this step will enable federal

⁸² City and County of San Francisco (2013).

⁸³ Vermont State Legislature (2013).

⁸⁴ Ludden (2014).

⁸⁵ NACEW (2013) and Georgetown University Federal Legislation Clinic (2006).

⁸⁶ NACEW (2013).

⁸⁷ NACEW (2013) and Gov.UK (2014).

employees to better balance their personal and professional obligations by providing clarity about those issues. The President has also directed all federal agencies to make workplace flexibilities and work-life programs available to the maximum extent practicable.

By instructing agencies to extend their flexibility policies and encouraging workers to request schedules that fit their needs, this memorandum builds on previous efforts to promote workplace flexibility in the Federal government. President Clinton issued memoranda encouraging telecommuting and satellite work locations, as well as a memorandum instructing Federal agencies to establish alternative work schedule programs, which can include compressed work schedules (where employees work fewer days, but additional hours each day) and flexible work schedules (where employees can adjust their start and end times within a given window). More recently, increased telecommunication capacities have enabled Federal employees to work remotely through adverse weather situations. The ability for workers to change their work location has resulted in significant cost savings. For example, during the winter of 2009-2010, telecommuting capabilities saved over \$30 million per day the Federal government was closed due to heavy snow, for a total savings of more than \$150 million.

Conclusion

The non-work responsibilities of the typical American worker have changed dramatically over the past 50 years, largely as a result of the entrance of women to the workforce in large numbers. While four decades ago women spent much more time performing nonmarket work—taking care of children and older family members, and keeping an organized and efficient home—and men primarily performed market work, more recently the household division of labor has blurred. As a result, the fraction of households where all of the parents work full-time has nearly doubled, and the percentage of full-time workers who are parents in full-time working families has increased substantially. And because their parents are living longer, an increasing number of workers also find that they must make time for eldercare as well. As a result, many workers report difficulty juggling their work and family responsibilities.

Many employers have already adapted to the changing realities of American workers. Overall, about four out of five employers report allowing at least some workers to periodically change their starting and quitting times; however less than a quarter allow most of their employees to do so and only about half of full-time workers report having flexible work hours, slightly more than the share of part-time workers. The flexibility to regularly work from home is even less common. Finally, most employers offer at least some workers the ability to return to work gradually after a major life event such as a childbirth or adoption, although job sharing appears less widespread.

As in all business decisions, critical factors in adoption are the costs and benefits of a program. Indeed, almost one-third of firms cite costs or limited funds as obstacles to implementing workplace flexibility arrangements. At the same time, these practices can reduce turnover and improve recruitment, increasing the productivity of an employer's workforce. These practices are also associated with improved employee health and decreased absenteeism, a major cost for employers. Although the literature has identified

potential benefits along a variety of dimensions, the costs and benefits of adopting flexible arrangements differ across firms and industries and employers of different sizes.

Nonetheless, there are several reasons to suspect that wider adoption of work-life practices may benefit employers and workers. First, some employers may not have adopted these policies simply because they overestimate the difficulty and cost of doing so and are unaware of potential benefits. In addition, should more firms adopt such practices the benefits to society, in the form of reduced traffic, improved employment outcomes, and more efficient allocation of workers to employers, may be greater than the gains to individual firms and workers. The best available evidence suggests that encouraging more firms to consider adopting flexible practices can potentially boost productivity, improve morale, and benefit the U.S. economy. Especially at this time as the U.S. rebuilds after the Great Recession, it is critical for the 21st century U.S. workplace to be organized for the 21st century workforce.

References

- A Better Balance. 2008. "The Business Case for Workplace Flexibility." March. New York, NY.
- Aguiar, Mark, and Erik Hurst. 2007. "Measuring Trends in Leisure: The Allocation of Time Over Five Decades." *Quarterly Journal of Economics* 122, no. 3: 969-1006.
- Akyeampong, E. 2001. "Fact Sheet on Work Absences – Perspectives on Labour and Income." Ottawa, ON: Statistics Canada.
- Arthur, Michelle. 2003. "Share Price Reactions to Work-Family Initiatives: An Institutional Perspective." *Academy of Management Journal* 46, no. 4: 497-505.
- Aumann, Kerstin, and Ellen Galinsky. 2008. "The State of Health in the American Workforce: Does Having an Effective Workplace Matter?" *2008 National Study of the Changing Workforce*. New York, NY: Families and Work Institute.
- Baughman, Reagan, Daniela DiNardi, and Douglas Holtz-Eakin. 2003. "Productivity and Wage Effects of 'Family-Friendly' Fringe Benefits." *International Journal of Manpower* 24, no. 3: 247–59.
- Baum, Charles. 2003. "The Effects of Maternity Leave Legislation on Mother's Labor Supply after Childbirth." *Southern Economic Journal* 69, no. 4: 772–99.
- Becker, Gary S. 1964. *Human Capital*. Chicago, IL: University of Chicago Press.
- Blatter, Marc, Samuel Mühlemann, and Samuel Schenker. 2009. "The Costs of Hiring Skilled Workers." Working Paper 15. Zurich, Switzerland: Swiss Leading House (November).
- Bloom, David E., and David Canning. 2005. "Health and Economic Growth: Reconciling the Micro and Macro Evidence." Working Paper 42. Stanford, CA: Stanford Institute on International Studies CDDRL (February).
- Bloom, Nick, Tobias Krestchmer, and John Van Reenen. 2006. "Work-Life Balance, Management Practices and Productivity." Centre for Economic Performance, London School of Economics.
- Bloom, Nick, and John Van Reenen. 2010. "Why Do Management Practices Differ across Firms and Countries?" *Journal of Economic Perspectives* 24, no. 1: 203–24.
- Bloom, Nicholas, James Liang, John Roberts, and Zhichun Jenny Ying. 2013. "Does Working from Home Work? Evidence from a Chinese Experiment," NBER Working Paper 18871.
- Bond, James, Ellen Galinsky, and Kelly Sakai. 2008. "2008 National Study of Employers." New York, NY: Families and Work Institute.

- Boston College Center for Work and Family. Carroll School of Management. 2004. "Increasing the Visibility of the Invisible Workforce: Model Programs for Hourly and Lower Wage Employees."
- Boushey, Heather and Sarah Jane Glynn, "There are Significant Costs to Replacing Business Employees," Center for American Progress (2012).
- Bureau of Labor Statistics. 2011. American Time Use Survey, Leave Module.
- _____. 2013. "Unpaid Eldercare in the United States." *Economic News Release*. (<http://www.bls.gov/news.release/pdf/elcare.pdf>).
- Census Bureau. 2011. Survey of Income and Program Participation.
- Cho, Sungjin, and John Rust. 2010. "The Flat Rental Puzzle." *The Review of Economic Studies* 77: 560-594.
- City and County of San Francisco. 2013. "Family Friendly Workplace Ordinance (FFWO)". San Francisco Administrative Code Chapter 12 Z. [http://www.amlegal.com/nxt/gateway.dll/California/administrative/chapter12zsanfranciscofamilyfriendlywork?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$anc=JD_Chapter12Z](http://www.amlegal.com/nxt/gateway.dll/California/administrative/chapter12zsanfranciscofamilyfriendlywork?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$anc=JD_Chapter12Z)
- Cohen, Wesley, and Daniel Levinthal. 1990. "Absorptive Capacity: A New Perspective on Learning and Innovation." *Administrative Science Quarterly* 35: 128–152.
- Comfort, Derrick, Karen Johnson, and David Wallace. 2003. "Part-time work and Family-Friendly Practices in Canadian Workplaces." *The Evolving Workplace Series*. Ottawa, Canada: Statistics Canada and Human Resources Development Canada (June).
- Computer Economics. 2008. "Telecommuting Policies Can Lower IT Employee Turnover." Irvine, CA.
- Corporate Voices for Working Families. 2004. "After School for All: A Call to Action from the Business Community." March. Washington, D.C.
- _____. 2005. "Business Impacts of Flexibility: An Imperative for Expansion." July. Washington, D.C.
- _____. 2006. "Workplace Flexibility for Lower Wage Workers." October. Washington, D.C.
- Council of Economic Advisers. 2009a. "Preparing the Workers of Today for the Jobs of Tomorrow."
- _____. 2009b. "The Economic Case for Health Care Reform."
- _____. 2010. "Exploring the Link Between Rising Health Insurance Premiums and Stagnant Wages."

- . 2014. "The Economics of Paid and Unpaid Leave."
- Cutler, David M., and Sarah J. Reber. 1998. "Paying for Health Insurance: The Trade-Off Between Competition and Adverse Selection." *Quarterly Journal of Economics* 113, no. 2: 433–66.
- Dalton, Dan R., and Debra J. Mesch. 1990. "The Impact of Flexible Scheduling on Employee Attendance and Turnover." *Administrative Science Quarterly* 35, no. 2: 370–87.
- Davis, Karen, et al. 2005. "Health and Productivity Among U.S. Workers." New York, NY: The Commonwealth Fund (August).
- Dionne, Georges, and Benoit Dostie. 2005. "New Evidence on the Determinants of Absenteeism Using Linked Employer-Employee Data." Working Paper 05-21. Montreal, QC: CIRPÉE (June).
- Department of Education (National Center for Education Statistics). 2009. *Digest of Education Statistics, 2008* (NCES 2009-020), Table 190.
- Deshpande, Manasi, and Douglas W. Elmendorf. 2008. "An Economic Strategy for Investing in America's Infrastructure." Strategy Paper. Washington, D.C.: Brookings Institution (July).
- Family and Work Institute. 2002. "Generation & Gender in the Workplace." The American Business Collaboration. (<http://familiesandwork.org/downloads/GenerationandGender.pdf>).
- Galinsky, Ellen, Kerstin Aumann and James T. Bond. 2011. "Times are Changing: Gender and Generation at Work and at Home." Families and Work Institute: 2008 National Study of the Changing Workforce. (<http://familiesandwork.org/downloads/TimesAreChanging.pdf>).
- Gerhardt, Jr., Paul L. 2001. "Employee Retention Through Job Satisfaction." Tacoma, WA.
- Georgetown University Federal Legislation Clinic. 2006. "The United Kingdom Flexible Working Act," <http://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?article=1010&context=legal>
- Georgetown University Law Center. 2010. "Flexible Work Arrangements: Selected Case Studies."
- Goldin, Claudia. 2006. "The Quiet Revolution That Transformed Women's Employment, Education, and Family." *American Economic Review, Papers and Proceedings* 96: 1–26.
- Goldin, Claudia, and Lawrence F. Katz. 2011. "The Cost of Workplace Flexibility for High-Powered Professionals." *The Annals of the American Academy of Political and Social Science* 638, no 1: 45-67.

- Gov.UK, 2014. "Flexible Working." <https://www.gov.uk/flexible-working/>.
- Greenwood, Jeremy, Ananth Seshadri, and Mehmet Yorukoglu. 2005. "Engines of Liberation." *The Review of Economic Studies* 72, no. 1: 109–33.
- Griliches, Zvi. 1957. "Hybrid corn: An Exploration in the Economics of Technological Change." *Econometrica* 25, no. 4: 501–522.
- Grzywacz, Joseph G., Patrick R. Casey, and Fiona A. Jones. 2007. "The Effects of Workplace Flexibility on Health Behaviors: A Cross-Sectional and Longitudinal Analysis." *Journal of Occupational and Environmental Medicine* 49, no 12: 1302–09.
- Harrington, Brad, Fred Van Deusen, and Jennifer Sabantini Fraone. 2014. "The New Dad: Take Your Leave", Boston College Center for Work and Family, http://www.thenewdad.org/new_paternity_leave_study_2014
- Harter, James K. and Sangeeta Agrawal. 2012. "Engagement at Work: Working Hours, Flextime, Vacation Time, and Wellbeing." Gallup Inc., <http://www.gallup.com/strategicconsulting/157238/engagement-work-working-hours-flextime-vacation-time-wellbeing.aspx>
- Hewitt Associates. 2008. "Retiring Boomers Prompt Increased Employer Interest in Phased Retirement Programs, According to Hewitt Survey." Lincolnshire, IL, July 30 (<http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=5451>).
- Hudson Highland Group, Inc. 2008. "In the Game of Hiring, Flexible Employers Win." New York, NY.
- Johnson, Jean, et al. 2009. "With Their Whole Lives Ahead of Them." New York, NY: Public Agenda.
- Jones, Chad. 2002. "Sources of U.S. Economic Growth in a World of Ideas." *American Economic Review* 91, no. 1: 220–239.
- Jones, Chad, and Paul Romer. 2009. "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital." Working Paper 15094. Cambridge, MA: National Bureau of Economic Research (June).
- Kerrigan, Heather. 2010. "The Results of ROWE." *Governing* (February 10).
- King, Miriam, et al. 2009. *Integrated Public Use Microdata Series, Current Population Survey: Version 2.0*. [Machine-readable database]. Minneapolis, MN: Minnesota Population Center [producer and distributor].

- Klerman, Jacob Alex, Kelly Daley, and Alyssa Pozniak. (2013). "Family and Medical Leave in 2012: Technical Report," Abt Associates, prepared for Department of Labor, <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>
- Klerman, Jacob A., and Arleen Leibowitz. 1994. "The Work-Employment Distinction among New Mothers." *Journal of Human Resources* 29, no. 2: 277–303.
- . 1999. "Job Continuity Among New Mothers." *Demography* 36, no. 2: 145–55.
- Konrad, Alison M., and Robert Mangel. 2000. "The Impact of Work-Life Programs on Firm Productivity." *Strategic Management Journal* 21: 1225–1237.
- Lazear, Edward P. 2003. "Firm-Specific Human Capital: A Skill-Weights Approach." Working Paper 9679. Cambridge, MA: National Bureau of Economic Research (May).
- Levine, David I. 1991. "Just-Cause Employment Policies in the Presence of Worker Adverse Selection." *Journal of Labor Economics* 9, no. 3: 294–305.
- Levitt, Barbara, and James G. March. 1988. "Organizational Learning." *Annual Review of Sociology* 14: 319–40.
- Levitt, Steven. 2006. "An Economist Sells Bagels: A Case Study in Profit Maximization." Working Paper 12152. Cambridge, MA: National Bureau of Economic Research (March).
- Lomax, Tim, and David Schrank. 2007. "The 2007 Urban Mobility Report." College Station, Texas: Texas Transportation Institute (September).
- Ludden, Jennifer. 2014. "If You Want Flextime but are Afraid to Ask, Consider Moving." National Public Radio. (<http://www.npr.org/2014/04/29/307956811/if-you-want-flex-time-but-are-afraid-to-ask-head-to-vermont>).
- Mann, Samuel. 2006. "Job Stress and Blood Pressure: A Critical Appraisal of Reported Studies." *Current Hypertension Review* 2, no. 2: 127–38.
- Mincer, Jacob. 1974. *Schooling, Experience, and Earnings*. New York: Columbia University Press.
- National Advisory Council on the Employment of Women (NACEW). 2013. "Flexible Work Arrangements: Literature Review."
- National Alliance for Caregiving. 2009. "Caregiving in the U.S.: A Focused Look At Those Caring for Someone Age 50 or Older." November. Bethesda, MD.
- National Federation of Independent Business. 2004. *National Small Business Poll: Family and Medical Leave*. 4, no. 2.

- Nelson, Richard R., and Sidney G. Winter. 1985. *An Evolutionary Theory of Economic Change*. Harvard University Press.
- Nicholson, Sean, et al. 2005. "How to Present the Business Case for Healthcare Quality to Employers." *Applied Health Economics and Health Policy* 4, no. 4: 209–18.
- Pencavel, John H. 1972. "Wages, Specific Training, and Labor Turnover in U.S. Manufacturing Industries." *International Economic Review* 13, no. 1: 53–64.
- Potter, Edward E. 2003. "Telecommuting: The Future of Work, Corporate Culture, and American Society." *Journal of Labor Research* 24, no. 1: 73–84.
- PricewaterhouseCoopers LLP. 2009. "US Human Capital Effectiveness Report." New York, NY.
- Ramey, Garey and Valerie A. Ramey. 2010. "The Rug Rat Race." Brookings Papers of Economic Activities.
- Regulations.gov. 2007. "Request for Information on the Family and Medical Leave Act of 1993." Comments from DeAna M. Boren ESA-2006-0022-0279, Leslie Masaitis ESA-2006-0022-0307, and Steve Mackell ESA-2006-0022-0318.
- Romer, David. 2006. "Do Firms Maximize? Evidence from Professional Football." *Journal of Political Economy* 114, no. 2: 340–65.
- Ruhm, Christopher J. 1998. "The Economic Consequences of Parental Leave Mandates: Lessons from Europe." *Quarterly Journal of Economics* 108, no. 1: 285–317.
- Salop, Joanne, and Steven Salop. 1976. "Self-Selection and Turnover in the Labor Market." *Quarterly Journal of Economics* 90, no. 4: 619–27.
- Shrestha, Laura B. 2006. "Life Expectancy in the United States." CRS Report RL32792.
- Vermont State Legislature. 2013. "No. 31. An Act Relating to Equal Pay." <http://www.leg.state.vt.us/docs/2014/Acts/ACT031.pdf>
- Washington, D.C.: U.S. Congressional Research Service (August).
- Sloan Work and Family Research Network. 2009. "Questions and Answers about Phased Retirement." Chestnut Hill, MA: Boston College.
- . 2005a. "Workplace Flexibility Case Study: Cisco Systems and Telework." Chestnut Hill, MA: Boston College.
- . 2005b. "Workplace Flexibility Case Study: The Detroit Regional Chamber's Flexible Work Schedules." Chestnut Hill, MA: Boston College.
- Smith, Mark. 2002. "5 Ways to Equip Telecommuters." *Connected Home Media* (May 6).

- Summers, Lawrence H. 1989. "Some Simple Economics of Mandated Benefits." *American Economic Review* 79, no. 2: 177–83.
- Waldfogel, Jane. 1999. "The Family Gap for Young Women in the United States and Britain: Can Maternity Leave Make a Difference." *Journal of Labor Economics* 16, no. 3: 505–45.
- Walters, A. A. 1961. "The Theory and Measurement of Private and Social Cost of Highway Congestion." *Econometrica* 29, no. 4: 676–99.
- Weiss, Andrew M. 1980. "Job Queues and Layoffs in Labor Markets with Flexible Wages." *Journal of Political Economy* 88, no. 3: 526–38.
- Williams, Joan. 2001. *Unbending Gender: Why Work and Family Conflict and What to Do About It*. Oxford University Press.
- Work, Family, & Health Network. 2008a. "A Behavioral Measure of Supervisory Support." Portland, OR.
- . 2008b. "Family-Responsive Workplace Policies and Practices in Small Business." Portland, OR.
- . 2008c. "Flexible Work and Well-Being Center." Portland, OR.
- . 2008d. "Work Stress, Health, and Parenting Among Hotel Employees." Portland, OR.
- Workplace Flexibility 2010. nd.a. "Flexible Work Arrangements: The Fact Sheet." Washington, D.C.: Georgetown University Law Center.
- . nd.b. "Legal and Research Summary Sheet: Phased Retirement." Washington, D.C.: Georgetown University Law Center.
- Yasbek, Philippa. 2004. "The Business Case for Firm-Level Work-Life Balance Policies: A Review of the Literature." Wellington, UK: Department of Labour (January).