WORKPLACE FLEXIBILITY: A POLICY PROBLEM

By Karen Kornbluh, Katelin Isaacs and Shelley Waters Boots

The American family changed dramatically over the last decades of the twentieth century. In 1960, 70 percent of families had a parent home full-time. Today, this is reversed. Fully 70 percent of families with children are now headed by two working parents or by an unmarried working parent.[1] The breadwinner and homemaker have been replaced by "juggler parents" with responsibility for both making ends meet and caring for the family. And this family can now include elderly relatives. More than 21 percent of households have at least one individual who has cared for a relative or friend over age 50 in the past year. Of those caregivers, 59 percent have worked and managed caregiving responsibilities at the same time.[2]

This change in the family has taken place in the context of – and to some degree as a result of – changes in the economy. Once a worker might expect to work 40 hours a week for 40 years for a single employer. Today global competition, communications technology, streamlining and deindustrialization have produced employees who are "free agents." On average, today's workers switch employers every five years. Nearly a quarter of the workforce is employed in "nonstandard" positions (e.g. temp, part-time, free-lance, contingent, day labor, on-call or self-employed).[3] The 21st Century economy offers a high premium on employees' human capital. But it offers less security from a paternalistic employer-employee relationship.

Families need workplace flexibility and they need economic security. Yet the workplace and the community have failed to accommodate their needs. The stresses on families at the dawn of the new century can no longer be seen as merely private problems that can be solved by individual families and employers acting on their own. They affect too many children, families and communities; they are caused in part by antiquated policies; and commonsense policy reform could help.

This is not the first time that the American family and the American economy have changed. The economics of the family have shifted before. As recently as one hundred years ago, most families lived on a farm. Both parents – and the children – worked at home. The family owned an important asset in their farm, which supported them into old age. The change from the agricultural family to the industrial era breadwinner-homemaker family meant that suddenly the father left the home to work at a factory or office. The family was dependent on the father's wages. If he became disabled, was fired or retired, the family lost its sole means of support. The nation eventually responded with a set of laws designed to give this industrial-era family economic security: disability insurance, unemployment insurance, Social Security, the 40-hour workweek and then taxpayer-subsidized health insurance and pension benefits.

The overarching goal of these initiatives is still valid: family economic security and control over time. The design of these policies, however, lags behind the needs of today's families. The antiquated nature of some of the very policies put in place to strengthen families now contributes to the inflexibility of the workplace and the economic insecurity of many families.

The Catch 22: Inflexible Full-Time Jobs or Part-Time Penalty

Today, even as the global, post-industrial American economy has embraced flexibility in sourcing, product design and sales; even as the entry of well over half of all mothers into the workforce has created mounting tensions between work and family life and even as the coming demographic crisis creates a need to keep more older workers in the workplace, few workers have control over when they work or for how long – or have the ability to take time out of the workplace and reenter without penalty at a later point.

Workers who need flexibility are caught in a Catch 22. Full-time jobs – with benefits and higher wages – tend to be inflexible and require long hours. Forty-three percent of workers have no control over start and end times.[4] Often working parents lack autonomy in their jobs. Some of these parents are unable to work as many hours as they would like.[5] Others are working very long workweeks. For instance, parents in dual-earner couples now work 91 hours a week, up ten hours since 1977.[6] Fifty-four percent of wage and salaried workers with children report that they have no time off to care for sick children without losing pay, having to use vacation days or fabricating an excuse.[7] This is an untenable situation for many parents – especially those lacking adequate child care or after-school options.

Those workers who cobble together flexibility through part-time and nonstandard work find themselves economically vulnerable. Alternatives to full-time work often come with lower hourly wages, no benefits and little job security.

Costs and Consequences

Because there are inadequate alternatives that allow parents and others to work in good, mainstream jobs with some control over their hours, many of today's workers are either employed full-time without flexibility or part-time with a penalty to wages and benefits.

Children pay a heavy price. The "time crunch" for today's families means that parents are at home less. Americans today have 22 fewer hours a week to spend with their kids than they did in 1969.[8] As a result of longer work hours and inadequate child care options, millions of children are left in unlicensed child care every day – or at home alone with the TV as a babysitter.

Today's working families experience considerable levels of psychological stress. Forty-five percent of employees report that work and family responsibilities interfere with each other "a lot" or "some."[9] Working parents with school-age children who work in inflexible workplaces and have children in unsupervised settings are 4.5 times more likely to report low psychological well-being than their counterparts with more workplace flexibility and better after school options.[10] Employed mothers lose almost one additional hour of sleep a night compared to mothers not in the labor force.[11]

Workers who go the part-time or nonstandard route pay a heavy price as well. Regular part-time workers earn $3.97 less per hour than regular full-time workers.[12] Switching to part-time or nonstandard work can often mean losing benefits. Only 14 percent of nonstandard workers (e.g., part-time, temp, contract) receive health insurance benefits from their employers, compared to 69 percent of their counterparts working full-time in standard work arrangements. Sixteen percent of nonstandard workers receive pension benefits through their employer, in comparison with 66 percent of regular full-time workers. Of part-time workers specifically, nearly 24 percent have no health insurance at all and just over 1 in 5 receive a pension from their employer.[13]

The continuing inflexibility of mainstream jobs contributes to the sidelining of mothers (or those who care for elderly parents) in the workplace and contributes greatly to familiar phenomena such as the glass ceiling, the wage gap and the feminization of poverty. Thirty-one percent of employed women work in a nonstandard arrangement, compared to only 22 percent of men.[14] Other women take time out of the workplace. When they leave the labor force, women sacrifice income and security even after they return to full-time work. The wage gap between men and women is to a large extent a mommy gap. Researchers find the difference between men's and women's wages is a full 10 percent to 15 percent larger for mothers than women without children.[15] Only one-third of women receive health insurance through their own employer, in comparison with 53 percent of men.[16] Women also receive less in private pension and Social Security benefits than men.[17]

Older Americans constitute another group of workers paying a price for the inflexibility of today's workplace. Many older workers quit their jobs because their employers do not allow them more flexibility in their hours. Among older workers who quit their jobs between 1992 and 2000, about 13 percent report that they would not have done so if their employers had permitted them to work fewer hours with correspondingly less pay.[18]

The costs of the inflexible workplaces affect not only workers and families, but also employers through lost productivity and increased absenteeism. AT&T has found that, among their own workers, 57 percent of female employees and 33 percent of male employees who have children under age 6 lost work time in the preceding month because of difficulties finding adequate child care.[19] A 1997 study conducted by Metropolitan Life found that American businesses lost between $11.4 and $29 billion each year in lost productivity relating to employee elder care responsibilities.[20] As the Baby Boom generation ages and the growth of the labor force slows dramatically, the pressure on employers to find and keep employees will grow even greater.

Diagnosing the Problem

The current work climate fails to accommodate the family responsibilities of most employees. Today's workers need more flexibility in their jobs, but this flexibility is often unavailable. When it is available, flexibility currently comes only at a tremendous cost – to wages, benefits and job security. This lack of flexibility exacts an enormous price throughout society. But it is all too often seen as a private problem for individual workers and their employers. In fact, this lack of flexibility not only has society-wide costs, but also policy causes.

After all, flexibility *should* be the watchword of 21st Century businesses. Recent management books with titles like *The Future of Work* and *The Seven-Day Week* argue that new communications and management tools make it possible for employees to have more autonomy. And in fact, a number of studies find that giving employees access to flexible work arrangements can be positive for the bottom line – in terms of employee commitment, reduced absenteeism and increased employee retention.[21]

But the evidence to date precludes any confidence that businesses will provide flexibility – for all employees – on their own. There is already a tendency for flexible arrangements and benefits to be more available in larger and more profitable firms, and then to the most valued professional and managerial workers.[22] Small companies are less likely to offer both formal and informal policies and programs to help employees balance work and family. They report work/family issues occurring at least every other day but presumably lack the resources or the knowledge to respond in a way that would reduce the tensions.[23]

Some companies are offering flexible arrangements, but research has found that even where flexible programs exist they are often under-supported and under-used. For instance, employees report they do not use opportunities offered by employers to work flexible work schedules because of managerial resistance, organizational cultures that discourage their use and organizational practices that might limit job advancement or pay increases.[24] Current flexibility arrangements fall short of what today's workers need.

A number of public policies are actually standing in the way of a more flexible workplace. Policies put in place to help provide security to families now can, in some cases, undermine family economic security. For example, because of the way we deliver health care and private pensions in the US, employers who provide these benefits face a high fixed-cost per employee. This creates a disincentive to offer job-sharing or part-time options since employers would prefer to work those employees as many hours as possible rather than hiring two workers.

Conversely, switching to part-time, temp or contract work imposes a large penalty beyond the direct effect of working fewer hours. These jobs are subject to different standards under tax, labor and benefits laws than full-time regular jobs. As a result, they are likely to offer lower hourly wages, benefits and job security.

The federal leave policies are also inadequate in terms of the kind of flexibility required by today's juggler parents and aging workers. The Fair Labor Standards Act, signed into law in 1938, includes no minimum requirement for sick or vacation leave. Almost half (47 percent) of employees in the private sector do not have paid sick leave.[25] Thirteen percent of non-poor workers with caregiving responsibilities lack paid vacation leave, and 28 percent of poor working caregivers lack any paid vacation time.[26] Thanks to the Family and Medical Leave Act (FMLA), full-time employees can take up to 12 weeks of family and medical leave, but this leave is unpaid and only applies to workers at firms with 50 or more employees. Researchers have found that only 40 percent of parents working in the private sector have access to unpaid leave through FMLA.[27]

The 40-hour workweek applies to only part of the workforce. For everyone else the workweek seems to have become 24x7. There has been a great debate in Congress regarding which employees are covered by these provisions and whether they can or should be able to take "comp-time" instead of time-and-a-half pay for overtime. For true workplace flexibility to occur, a larger policy debate regarding work hours is needed.

Finally, lack of attention to child care and education policy is integrally related to the problem of flexibility. Families make decisions about work and child care based on the full-range of options available to them at work and at home. For most families, it is difficult if not impossible to find affordable, quality child care. It can cost a family from $4,000-10,000 per year, per child – without tuition assistance[28] Child care is often unavailable on a part-time or irregular-shift basis. Pre-K and after-school are far from universally available. The education day and year remain on an agricultural schedule.

Bringing Policy Up to Date

Americans working in the 21st Century economy need the security of a full-time job with the flexibility of a part-time job. In order for this to occur, we must eliminate many of the policy-induced distinctions between full-time and part-time positions. Full-time jobs must become more flexible and benefits must be extended to part-time and contingent jobs. In addition, new supports are needed that were not necessary fifty years ago when a parent was home full-time.

There are a variety of specific policy options available to relieve the stress of today's workers:

<u>Family-Friendly Full-Time.</u>

Using the Bully Pulpit; Providing Technical Assistance

The government and business leaders have a history of helping to spread best practice throughout industry. In the 1980s, American companies embraced higher quality standards. At first, they were reluctant. Spending on training employees, giving them more control and fixing processes would cost money. But business leaders, business schools, new institutions like the Council on Competitiveness and even government programs like the Manufacturing Extension Centers, the Advanced Technology Program and the Malcolm Balderidge awards helped them to realize that improvements to the bottom line result when the product quality is higher. Today, private sector leaders are beginning to carry the message that to operate in America in the 21st Century you will have to and you will be able to give employees more autonomy. Business leaders will have to incorporate flexibility over work hours into this message. The government can help by creating a national award, funding research and providing technical assistance to smaller companies on best practices by other companies in their industry.

Tax Incentives. Tax credits akin to the telecommuting tax credit would help employers get started by removing some of the perceived risks of allowing employees to work flexibly. A pilot project – combined with technical assistance – would allow for study of the effectiveness of such a credit.

Leave. Americans need the flexibility to take time off for a new child; when the worker, a child, or a parent is ill; or to participate in family life. This is a necessary part of employing a "whole person." In a 21st Century, global economy, it is important to discuss whether using general revenues can be used to offset some of the costs to employers and employees.

Reducing the Part-Time Penalty.

In order for workers who need flexibility to be "mainstreamed" – rather than shunted into an economic ghetto – health insurance, pensions, leave, unemployment and disability benefits must be available to part-time and other nonstandard workers.

Allowing Easy Exit and Re-Entry

Those who leave the workplace need assistance reentering the labor force through job training and career counseling. They should not have to relinquish access to basic safety net protections (though they will obviously forfeit employer contributions) such as disability insurance, health care, pensions and Social Security if they are engaged in caregiving.

Bring Education and Child Care out of the Agricultural Age.

We need a range of options that both meet the needs of working parents and provide high-quality educational experiences for young children. Pre-K and after-school should be universally available. Child care quality must be improved and made more affordable for all. The dependent care tax credit should be expanded dramatically and made refundable. All employees should be able to use the flexible spending accounts available to upper income workers at certain companies.

Family-Based Economic Support for Flexibility

In a 21st Century economy, families are working harder with greater risk. New tax-preferred "Nest Egg" savings accounts; an integrated, expanded and refundable child tax credit; and increased options for tax filing status for dual-earner couples would all help families to offset the dip in earnings families suffer when one parent switches from full to part-time.

Data Collection.

Senator Daniel Patrick Moynihan urged passage of a national family policy that would make it clear that the government should worry about the impact of its policies on families – of all kinds. The national employment policy led to the Economic Report of the President, produced by the Council of Economic Advisors. A new family policy could lead to a similar report presenting to Congress and the nation the economic, family and child well-being of the American family, providing a benchmark for policymaking.

[1] Personal Correspondence, 10/2003, US Census Bureau, Bureau of Labor Statistics.
[2] National Alliance for Caregiving and AARP (2004) *Caregiving in the U.S.*
[3] Mishel et al. (2003) *The State of Working America 2002/2003*. Economic Policy Institute. Ithaca, NY: Cornell University Press; Wenger, Jeffrey (2003) *Share of Workers in 'Nonstandard' Jobs Declines*. Washington, DC: Economic Policy Institute.
[4] Families and Work Institute (2004) *Workplace Flexibility: What is it? Who has it? Who Wants it? Does it Make a Difference?* New York: Families and Work Institute.
[5] Jacobs, J. and Gerson, K. (2001) "Overworked Individuals or Overworked Families: Explaining Trends in Work, Leisure, and Family Time." *Work and Occupations*, 28 (1).
[6] Bond et al. (2002) *The National Study of the Changing Workforce*. New York: The Families and Work Institute.
[7] Families and Work Institute (2004) *Workplace Flexibility: What is it? Who has it? Who Wants it? Does it Make a Difference?* New York: Families and Work Institute.
[8] The Annual Report of the Council of Economic Advisors (2000) *Economic Report of the President*. Washington, DC: United States Government Printing Office.
[9] Families and Work Institute (2004) *Workplace Flexibility: What Is It? Who Has It? Who Wants It? Does It Make a Difference?* New York: Families and Work Institute.
[10] Barnett, R. C. and Gareis, K. (2004) *Parental After-School Stress Project*. Community, Families & Work Program, Brandeis University, Summary available at http://www.bcfwp.org/PASS_Findings.pdf
[11] Bianchi, S. (2000) "Maternal Employment and Time with Children: Dramatic Change or Surprising Continuity?" *Demography*, 37 (4).
[12] Wenger, J. (2003) *Share of Workers in 'Nonstandard' Jobs Declines*. Washington, DC: Economic Policy Institute.
[13] Ibid
[14] Ibid.
[15] Waldfogel, Jane (1998) "Understanding the "Family Gap" in Pay for Women and Children" *Journal of Economic Perspectives*, 12 (1).
[16] Kaiser Women's Health Survey (2002) "Women's Health in the United States: Health Coverage and Access to Care" report by Salganicoff, A. et al., Washington, DC: The Henry J. Kaiser Family Foundation (May).
[17] Social Security Administration (2003) "Social Security is Important to Women" Fact Sheet available http://www.ssa.gov/pressoffice/factsheets/women.htm
[18] Penner, Rudolph G., Perun, Pamela & Euguene Steurle (2002) "Legal and Institutional Impediments to Partial Retirement and Part-time Work by Older Workers."
[19] Charlotte-Mecklenburg Workforce Development Board (2001) "Balancing Family and Work Life: Dependent Care Responsibilities and Implications in the Workplace." Cited in Employment Policy Foundation (2003) "Working Caregivers Show Need for Workplace Flexibility" *The Balancing Act* (July4).
[20] Metropolitan Life (1997) "The MetLife Study of Employer Costs for Working Caregivers" Cited in Employment Policy Foundation (2003) "Working Caregivers Show Need for Workplace Flexibility" *The Balancing Act* (July4).
[21] See Grover, S. & Crooker K. (1995) "Who appreciates family-responsive human resources policies: The impact of family-friendly policies on the organizational attachment of parents and non-parents." *Personnel Psychology*, 48; Bailyn, L. & Fletcher, J.K. (1997) "Unexpected connections: Considering employees' personal lives can revitalize your business." *Sloan Management Review*, 38; Bond et al. (2002) *The National Study of the Changing Workforce*. New York: The Families and Work Institute; and McCampbell, A. (1996) "Benefits achieved through alternative work schedules." *Human Resources Planning*, 19 (3).
[22] Golden, Lonnie (2000) *The Time Bandit: What U.S. workers surrender to get greater flexibility in work schedules*. Washington, DC: Economic Policy Institute.
[23] Pitt-Catsouphes, Marcie and Litchfield, Leon (2001) "How are Small Businesses Responding to Work and Family Issues?" in *Working Families: The Transformation of the American Home*, Rosanna Hertz and Nancy L. Marshall, ed. Berkeley, CA: University of California Press, Berkeley. CA.
[24] Kossek, E. E., Barber, A.E., and Winters, D. (1999) "Using Flexible Schedules in the Managerial World: The Power of Peers." Human Resource Management, 38 (1). See also, Bailyn, L., Drago, R., and Kochan, T. (2001) *Integrating Work and Family Life: A Holistic Approach*. Cambridge, MA: MIT Sloan Work-Family Policy Network.
[25] National Research Council and Institute of Medicine (2003) *Working Families and Growing Kids: Caring for Children and Adolescents*. Eugene Smolensky and Jennifer A. Gootman, eds. Washington, DC: The National Academies Press.
[26] Heymann, Jody (2000) *The Widening Gap*. New York: Basic Books.
[27] National Research Council and Institute of Medicine (2003) *Working Families and Growing Kids: Caring for Children and Adolescents*. Eugene Smolensky and Jennifer A. Gootman, eds. Washington, DC: The National Academies Press.
[28] Schulman, Karen (2000) *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families*. Washington, DC: Children's Defense Fund.