FAMILY-FRIENDLY EMPLOYMENT: THE BUSINESS CASE

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ISBN 1 84185 063 2
October 1999

Background

An important theme in current and emerging government policy is the importance of practices that allow individuals to combine employment and caring responsibilities. The 1998 White Paper on Fairness at Work, the 1998 Green Paper on Meeting the Childcare Challenge, the Consultation paper on Supporting Families and the 1999 National Carers Strategy all emphasise the role of employers in providing working arrangements which enable domestic and informal carers to combine employment and caring responsibilities.

In 1998, the Department for Education and Employment (DfEE) commissioned the Institute for Employment Studies (IES) to conduct research into the business benefits of family-friendly employment practices in small and medium-sized enterprises (SMEs). Family-friendly practices refer to formal or informal terms and conditions that exceed the statutory minimum, designed to enable an employee to combine caring responsibilities with paid employment.

Key Findings

The key business benefits of family-friendly employment practices identified in the study include:

- **Reduced casual sickness absence**: most employers felt that sickness absence due to employees’ caring responsibilities had been reduced. This was reinforced by employees who felt more able to be honest about absence due to dependants’ illness.

- **Improved retention**: each of the firms was able to identify individuals who had stayed with them longer because of their access to family-friendly provision. Most could estimate the number of employees who would have left had such provision not been available.

- **Improved productivity**: many of the firms were convinced that employees working flexible hours were more productive than those working traditional hours.

- **Improved recruitment**: the firms felt that offering family-friendly practices could attract potential recruits when seeking vacancies and making comparative judgements of job offers.

- **Improved morale and commitment**: most firms believed that morale and commitment among employees with caring responsibilities was enhanced by family-friendly policies.

IES conducted a literature review of published research and identified eleven SMEs. The
companies were selected from manufacturing, services, pharmaceuticals, publishing, software development, logistics and research and development sectors. The size of the companies ranged from 22 to 600 employees. Individual companies were chosen because they had implemented a range of policies beyond the statutory minimum. In each company case studies involving semi-structured interviews and focus groups with managers and staff were carried out. Business and employment data were also collected and analysed.

**Employee demand**

There is clear demand from employees in these Small and Medium sized Enterprises for employment policies which allow them to balance home and work life. Failure to satisfy this demand can result in recruitment difficulties, pockets of sickness absence and/or lateness, staff retention problems, failure to return after maternity leave, low morale or productivity and reduced continuity in important customer relationships. Employees’ demands for family-friendly provisions focus on:

- **Flexible hours**: this does not necessarily translate into demand for fewer hours. Some employees wanted occasional or permanent flexibility in starting and leaving times to deal with longer-term childcare arrangements.

- **Part-time working**: some employees cannot work on a full-time basis owing to their caring responsibilities. Others required a variation in their contracted working status to accommodate life-cycle changes (e.g. from full time to part time and back to full time).

- **Understanding and trusting culture**: in firms with significant provision, some employees felt guilty about taking up family-friendly policies because they might appear less committed than colleagues. The case studies suggest that providing supporting evidence for the commercial benefits of family-friendly is one way of eroding hostile organisational cultures.

- **Emergency or short-notice flexibility**: employees with care responsibilities feel most vulnerable when care arrangements break down at short notice, causing them to miss appointments, deadlines or meetings, or at very least appear unreliable and disorganised. Carers need practical support in managing unanticipated domestic care needs that affect work attendance. This requires tolerance and understanding on the part of managers and co-workers. Most carers IES interviewed were more than happy to make up time lost in these circumstances. Certain firms had realised that employees with domestic care responsibilities were more productive if managers dealt positively with the issues and reduced the employee’s anxieties due to unexpected caring demands.

**Paid or unpaid special leave**: many employees with caring responsibilities are able to resolve short-term care problems if given the flexibility to reorganise their working time. Employees were far more confident about resolving short-term care difficulties if offered a limited number of paid or unpaid days special leave for emergencies or special circumstances. Employees desired simple arrangements recognising domestic care arrangements as legitimate which did not force them to take ‘sick days’ to reconcile caring responsibilities. Many employees were aware of their responsibility to colleagues and did not want to appear to be ‘taking advantage’.

**Evolution of policies**

In the majority of the case study companies formal policies were a response to a random short-term problem such as:

- the need to make maternity provision for women in senior positions;
- increasing frequency of childcare needs among a predominantly female workforce;
- the needs of senior male managers with elderly or seriously ill relatives and those experiencing divorce; and
- employees possessing critical business skills with domestic caring responsibilities.

Such circumstances frequently demand a short-term response from firms for clear business reasons. Unless this response is forthcoming, employees may be temporarily or permanently lost to the organisation.

In certain cases firms responded by an almost spontaneous desire to ‘regularise’ or ‘formalise’ family-friendly practice into formal policy which would apply to every employee. In these circumstances senior managers’ approval of family-friendly arrangements were based on concepts of fairness and equity. Managers also felt that such policies would increase the loyalty
and commitment of key employees.

In most of the case study companies formal family-friendly policies were written down and appeared in staff handbooks, occasionally on intranet; had qualification rules, usually based on length of service; had other criteria for application, based on notification of the numbers of paid or unpaid days available and were included in contracts of employment. The policies were sometimes set in a business context, to articulate both to managers and employees why the policy existed and to remind employees of their responsibilities. Very few companies formally evaluated and monitored the impact of family-friendly provisions. In practice, it seems that formal policies, properly written and managed, offer firms the opportunity to exercise many of the controls which they seek.

Policies in Use

Among the family-friendly policies and practices, which IES found in operation within the case study companies were:

- childcare allowances;
- paid family, ‘special’ or carer leave;
- paid paternity leave;
- enhanced maternity leave & benefits;
- phased return from maternity leave;
- job sharing;
- flexible starting and finishing times;
- voluntary reduced-hours working;
- unpaid leave during school holidays;
- family access to learning resources;
- childcare voucher schemes;
- guaranteed Christmas leave for employees with families; and
- homeworking and teleworking arrangements.

Business benefits

None of the case study firms had conducted detailed quantitative work to isolate the business benefits of family-friendly policies in operation. Anecdotally, each of them was able to highlight where they felt they had benefited in business terms. In some cases, these have been supported by quantitative evidence, which IES has been able to identify. The key areas included:

Reduced casual sickness absence: most were clear that absence due to sickness of a dependant rather than of the employee had reduced. Employees felt able to be more honest about sickness absence than previously. Fewer days lost also cut both direct and indirect costs of organising cover and lost or delayed business.

Improved retention: each of the firms was able to identify individuals who had stayed with them longer because of access to family-friendly provision. Most could estimate the number of employees who would have left had such provision not been available. None had calculated the costs of replacing these people, nor had they put a cost on the provision of these policies. However, most were convinced that the retention of people with key skills was demonstrably beneficial to the business.

Improved productivity: although none of the firms had direct evidence of this, many were convinced that employees working flexible hours were more productive than those working traditional hours. These gains were defined in terms of quality of work and actual outputs.

Improved recruitment: evidence from recruitment processes suggests that the ability to offer family-friendly practices can attract potential recruits seeking vacancies or when making comparative judgements of job offers. It is felt that the practical support provided and the general impression of the company culture and values projected is attractive.

Improved morale and commitment: a small number of firms had conducted staff surveys, which showed that family-friendly practices were viewed positively by employees. Overall, most firms believed that morale and commitment among employees with caring responsibilities was enhanced by family-friendly policies. Some expressed concern over the impact they had on employees without caring responsibilities.

In some firms, IES was able to estimate the costs and benefits of certain family-friendly arrangements, including the direct costs of replacing leavers. Here it was possible, using rudimentary company data, to establish that replacing a leaver was likely to cost a minimum of one-third of the recruit’s first year salary.

It is also possible to estimate the savings to a company accruing from the extended tenure of a post due to family-friendly provision. IES found that the financial benefits could be considerable even when the costs of providing the family-friendly policies were offset against these savings.
Implications for policy

Government policy is sending clear messages to employers to encourage them, in their own interests, to adopt family-friendly employment practices. This is partly due to employee demand, which is likely to increase rather than diminish. The economic uncertainties involved in operating small and medium firms makes them reluctant to incur costs where there is no evident conventional or immediate return. Even if convinced that deferred benefits will accrue, many companies will be worried about cash flow and unleashing an uncontrollable demand from employees.

The challenge for policy is to combine the setting of minimum standards with persuasion. The case study companies referred to in the study were by no means exceptional in being easily converted to adopting family-friendly practise. Each had serious business problems to solve. Nevertheless most of the companies have harnessed the positive aspects of family-friendly practices in support of business goals. The details of how these policies have been delivered within a clear business context can be used to convince other SMEs that they are worth pursuing.

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