

WHAT WORKPLACE FLEXIBILITY IS AVAILABLE TO ENTRY-LEVEL, HOURLY EMPLOYEES?

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Supporting Entry-Level, Hourly Employees is a project of the Families and Work Institute (FWI) and the Institute for a Competitive Workforce (ICW), an affiliate of the U.S. Chamber of Commerce, funded by the Ford Foundation. The initiative addresses the workforce challenges that employers face in recruiting, engaging, developing, and retaining entry-level and hourly employees, particularly those from low-income households. In an effort to find solutions that work for both employers and employees, special attention is given to identifying characteristics of jobs and workplaces that help employers meet their goals of stabilizing their workforce while also promoting the well-being of low-wage and low-income employees and their families.

The research findings presented here are drawn from the 2002 National Study of the Changing Workforce (NSCW) conducted by Families and Work Institute. The NSCW interviews representative national samples of the U.S. workforce every five years. Data were collected between October 2002 and June 2003. The total 2002-03 NSCW sample includes 3,504 workers 18 and older in the U.S. economy—2,810 wage and salaried employees who work for someone else, 472 independent self-employed workers who do not employ anyone else, and 222 small business owners who employ at least one person. This report looks only at wage and salaried workers 18 and older who are employed by someone else. It is the third in a series of reports examining the low-wage workforce.

Introduction: Definitions

We define low-wage employees as those whose earnings fall in the bottom 25% of the earnings distribution, which is less than \$9.73 per hour in 2005 dollars. We define low-income families as those whose total annual income from all sources falls below 200% of (2 times) the federal poverty threshold—\$39,612 for a two-parent family with two dependent children in 2005.¹

Some 12-13 million employees met both the low-wage and low-income criteria in 2002-2003 when the survey was conducted. In communities with higher costs of living, one could reasonably argue that the low-wage and low-income cut-offs should be significantly higher. Nonetheless, the definition used here seems appropriate when examining a random and representative sample of all wage and salaried employees in the United States. A family of four relying on earnings from a single low-wage job—up to \$4.57 more per hour than the current federal minimum wage of \$5.15 by the definition of “low-wage” used in this study—would fall well below the federal poverty threshold of \$19,806 in 2005. Even a full-time, full-year low-wage job by this definition would pay less than \$18,000 per year and less than \$16,500 after payroll taxes.²

Households with annual family incomes below 200% of the federal poverty threshold certainly qualify as low income or “near-poor.” For example, they are eligible for means-tested governmental benefits such as the federal Earned Income Tax Credit (EITC) that specifically targets low-income families. Household incomes below 200% of the federal poverty threshold fall (approximately) in the bottom 25% (bottom quartile) of the family-size adjusted annual income distribution—below \$39,612 for a two-parent family with two dependent children in 2005.

Low-wage employees who live in low-income households are most vulnerable to life events that threaten sustained employment, financial security, health, and general well-being. It is these low-wage employees living in low-income households who are the focus of this report and other reports in the series. Report 1 is *What Do We Know About Entry-Level, Hourly Employees?* and Report 2 is *How Can Employers Increase the Productivity and Retention of Entry-Level, Hourly Employees?*

Over half (54%) of low-wage employees live in low-income households. Although most low-wage employees living in middle-class families in the income brackets at or above 200% of the federal poverty threshold are not flush with disposable income, they definitely have more resources than low-income families, including not only greater family income, but also more generous fringe benefits from their employers. It is important to note, however, that low-wage employees living in middle-income families at or above 200% of the federal poverty level can easily slip into low-income status as a result of life events, such as divorce, ill health, or job loss.

Workplace Flexibility

Flexibility is a way to define how and when work gets done and how careers are organized. We include “practices” as well as formal “policies” because employees are often allowed flexibility that is not encoded in written organizational policies at the discretion of their managers/supervisors. Indeed, practices related to flexibility may even be “normative” in a workplace, but not “formal.”

Our index of the flexible workplace is based on 15 specific measures:

1. having traditional flextime (setting daily hours within a range periodically);
2. having daily flextime;
3. having complete or a lot of control in scheduling work hours;
4. being allowed to take time off during the workday to address family matters;
5. having a supervisor who is accommodating when family or personal business arises;
6. being allowed some amount of paid time off for personal illness;
7. having *enough* paid time off for personal illness;
8. being able to take a few days off to care for a sick child without losing pay or having to use vacation days;
9. being able to take *enough* time off to care for a sick child;
10. being able to work some regular, paid hours at home;
11. being able to take breaks when one wants to;
12. if part-time, being a voluntary part-time employee;
13. if full-time, being able to move into a part-time job in the same position;
14. seldom being required to work paid or unpaid overtime with little or no notice; and
15. believing that one can use flexible work arrangements without jeopardizing job advancement.

We also constructed an index of *Overall Workplace Flexibility* based on the preceding 15 component measures.

Table 1 compares the workplace flexibility available to low-wage employees living in low-income families with the flexibility available to higher-wage and higher-income employees, indicating whether or not differences are statistically significant.³ With a few exceptions that will be noted, higher-wage and –income employees have greater flexibility in their work arrangements than lower-wage and –income employees.

Table 1: Access to Flexible Workplace Policies and Practices—Comparing Low-Wage and –Income with Higher-Wage and –Income Employees

Flexible Workplace Policies and Practices	Low-Wage and –Income Employees (sample size = n)	Sig.	Mid- and High-Wage and –Income Employees (sample size = n)
% allowed to choose starting and quitting times within some range of hours periodically (traditional flextime)	(n = 316) 33%	***	(n = 1086) 45%
% allowed to choose starting and quitting times daily (daily flextime)	(n = 310) 12%	***	(n = 1083) 26%
% who have complete or a lot of control in scheduling work hours	(n = 321) 36%	ns	(n = 1089) 35%
% finding it relatively easy to take time off during the workday for personal or family matters	(n = 319) 62%	ns	(n = 1081) 63%
% who have supervisors/managers who accommodate them when family or personal business arises	(n = 278) 89%	*	(n = 986) 93%
% allowed some amount of paid time off for personal illness	(n = 309) 39%	***	(n = 1086) 79%
% allowed enough time off for personal illness	(n = 306) 28%	***	(n = 1068) 70%
% of parents allowed a few days off to care for a sick child without losing pay or having to use vacation days	(n = 141) 24%	***	(n = 489) 54%
% of parents allowed enough paid time off for sick child care	(n = 141) 17%	***	(n = 484) 49%
% allowed to work all or some regular paid hours at home	(n = 322) 4%	***	(n = 1087) 11%
% who can decide when they take breaks	(n = 321) 33%	***	(n = 1087) 57%
% part-time employees who are voluntary part-time workers	(n = 122) 49%	ns	(n = 82) 35%
% full-time employees who could work part time in same position	(n = 199) 54%	***	(n = 1007) 34%
% who are <i>seldom</i> required to work paid or unpaid overtime with little or no notice	(n = 318) 63%	**	(n = 1084) 54%
% believing (strongly) that one can use flexible work arrangements without jeopardizing job advancement:	(n = 311) 28%	ns	(n = 1081) 31%
Overall workplace flexibility		***	
Low	38%		19%
Moderate	52		51
High	10		30

Statistical significance: * = $p < .05$; ** = $p < .01$; *** = $p < .001$; ns = not statistically significant.

Discussion of Differences in Access to Workplace Flexibility Between Low-Wage and –Income Employees and Higher-Wage and –Income Employees

- Higher-wage and –income employees are more likely than low-wage and –income employees to be offered *flextime* options—that is, the opportunity to periodically choose their starting and quitting times within some range of hours (traditional flextime) and the opportunity to choose their starting and quitting times on a daily basis (daily flextime). *Traditional flextime* may allow employees to reduce commuting time by working around rush hours, arrange convenient and affordable transportation to and from work, take children to and from child care and school, coordinate child care responsibilities with others, meet other family responsibilities such as shopping and meal preparation, and so forth—while also providing broader coverage of key operational functions over the course of the day for their employers. *Daily flextime* allows employees to address unanticipated personal and family needs while still putting in their expected work hours. Employees who take advantage of daily flextime must, of course, assume responsibilities for coordinating with their co-workers to ensure that necessary work gets done. Without such coordination and mutual agreement with co-workers, daily flextime can produce chaos in the workplace.
- Employees of different wage and income statuses are equally likely (about one third of employees) to have complete control or a lot of control in scheduling work hours. This form of flexibility is similar to traditional flextime, but may involve choosing part-time work and/or selecting particular work shifts to suit personal or family needs. Particular employers may or may not be able to offer such work schedule options.
- Employees of different wage and income statuses are equally likely (about two thirds of employees) to find it relatively easy to (occasionally) take some time off during the workday for personal or family matters. Generally, such arrangements are informal and approved by supervisors/managers as needs arise. Such informal arrangements can be extremely important when employees have medical appointments during the workday for themselves/children/elders, have to accept deliveries or deal with repairs at home during the workday, and so forth. Indeed, it is hard to imagine how anyone could manage the events of day-to-day life without having this sort of flexibility.
- Higher-wage and –income employees are *slightly* more likely (93%) than low-wage and –income employees (89%) to have supervisors/managers who accommodate them when family or personal business arises. Such informal accommodation is much like “finding it relatively easy to take time off during the workday for personal or family matters” (above). Overall, it appears that most employees of all wage and income statuses have supervisors/managers who are at least somewhat responsive to their personal and family needs—an essential dimension of workplace flexibility that is not encoded in companies’ formal written policies or much talked about in management circles. For the majority of low-wage and –income employees who lack paid vacation days, paid personal sick days, and paid time off to care for a sick child, informal options for some time off during the regular workweek to address personal and family—without losing pay—are extremely important.
- Paid time off for personal illness is treated as a fringe benefit in other papers in this series, and also by human resource professionals. Nonetheless, it is an important aspect of workplace flexibility. As shown in Table 1, only 39% of low-wage and –income employees have any paid sick days and 61% have none. In striking contrast, 79% of higher-wage and –income employees have at least some paid time off for personal illness, while only 21% do not. An even smaller proportion (28%) of low-wage and low-income employees are allowed “enough” paid time off for personal illness compared with 70% of higher-wage and income employees who receive “enough” time. Low-wage workers living in low-income households are, of course, the least able to afford time off without pay, assuming that they would be granted unpaid time off without jeopardizing their jobs. As a result, many continue to come to work when they are ill—to their own and their employer’s detriment. As indicated in the first paper in this series—Research Brief #1: *What Do We Know About Entry-Level, Hourly Employees?*—

research strongly suggests that going to work when ill can be costly to employers because of the dramatically reduced productivity of the ill worker and, when the illness is contagious, the infection of other employees. Unexcused and/or unpaid absences for illness also increase turnover. Indeed, the costs associated with an employee's coming to work when ill often exceed the costs of providing paid time off for personal illness. Providing "enough" time off for personal illness, moreover, (that is, enough time to get well), can be equally important. The benefits versus costs of providing this flexibility should be carefully weighed when evaluating whether the investment in paid time off for illness is worthwhile.

- Allowing employed parents a "few days" off to care for sick children without losing pay or having to use vacation days is frequently an informal practice, rather than a formal policy, even in large corporations. Nevertheless, it may be one of the most important aspects of workplace flexibility for working parents who may have *absolutely no alternative* but to miss work in order to care for sick children. Having *enough* paid time off to care for sick children is equally important. As shown in Table 1, only one-quarter (24%) of low-wage and –income employed parents are allowed a few days off to care for a sick child without losing pay (or having to use vacation days, if they have them), while three-quarters (76%) are not allowed any paid time off for sick child care. In contrast, more than half (54%) of higher-wage and –income employed parents are allowed a few days off to care for sick children without losing pay or having to use vacation days. Only 17% of low-wage and –income employed parents say they have "enough" paid time off to care for sick children, while most (83%) say they do not have enough time. Again, in striking contrast, about half of higher-wage and –income employed parents have enough paid time for sick child care. Often, parental care of a sick child is the only alternative available to working parents whose children are unable to attend or are sent home from child care or school because of illness. Back-up care, even for mildly ill children, is extremely hard to find and typically very expensive—unless provided by a relative. Although low-wage and –income employees have much shorter employment histories, on average, than higher-wage and –income employees, they are significantly more likely to have lost a job (turnover) because of unscheduled/unexcused absences, and we have conducted case study research suggesting that unavoidable absences for family illness are a primary reason. Again, the benefits of providing this flexibility should be carefully weighed against the costs when deciding whether or not to allow paid time off for sick child care.
- Despite growing attention in the media to work-at-home options, the proportion of the U.S. workforce that is allowed to work at least some regular paid hours at home remains small. Significantly fewer low-wage and –income employees (4%) than higher-wage and –income employees (11%), however, are allowed to work at least part of their regular paid work week at home.
- Having control over when one takes bathroom or refreshment breaks may seem a fairly simple matter. Once again, however, higher-wage and –income employees are much more likely (57%) than low-wage and –income employees (33%) to be able to decide when they take breaks from their work. Given the sense of empowerment that this simple form of flexibility conveys to workers, it is surprising to us that higher-wage and income employees are not more likely to have such control. Perhaps it is because employees of whatever status must often coordinate with their co-workers before taking a break, depriving them of "complete" control. Given adequate "coordination," however, there would seem to be no significant obstacles to freedom in taking necessary breaks from one's work.
- Part-time employment can be a very important form of workplace flexibility—assuming it is voluntary. Having the opportunity to *choose* part-time employment in order to go to school, care for family members, pursue personal hobbies, or phase into retirement is invaluable to many who are able to afford earning lower wages than they would in a full-time position. Only having the option to work part-time, when one prefers full-time employment, however, has negative consequences for the employer and the employee. Among part-time low-wage and –income and higher-wage and –income employees, roughly equal proportions (no statistically significant difference) are "voluntary"

part-timers. Low-wage and –income employees, however, are more likely (54%) than higher-wage and –income employees (34%) to be employed in positions and by employers that allow them to shift to part time within the same position. One could argue that such flexibility is a “mixed blessing” since part-time employment opportunities tend to be associated with lower-paying occupations and industries—situations that give rise to low wages and contribute to low family incomes.

- Being required to work paid or unpaid overtime with little or no notice can have very significant negative consequences in one’s personal or family life. Although low-wage and –income employees who have fewer resources to deal with these unanticipated work demands are somewhat less likely (63% seldom) to experience these demands than higher-wage and –income employees (54% seldom), they are particularly susceptible to the negative consequences of such overtime demands when they occur. Indeed, low-wage and –income parents, particularly single parents, may be totally unable to cope with last-minute overtime demands. Case study research that we have conducted on low-wage workers revealed that those who depend on public transportation may not have any means for getting to or from work if their schedule is altered without advance notice; others have no child care backup when they are required to work late without advance notice; still others who are expected to prepare family meals, do family chores, or care for elders or disabled family members cannot meet these obligations if they are required to work different schedules at the last minute. These and other negative consequences of overtime that is required with little or no notice contribute to turnover among employees in general, but particularly to turnover among low-wage and –income employees. Although low-wage and –income employees are somewhat less likely to experience these unanticipated overtime requirements than higher-wage and –income employees, about two in five do—often with serious consequences for themselves and their employers. A truly flexible workplace is organized in such a way that there are seldom, if ever, *last-minute* requirements for overtime work.
- Although some workplaces advertise their flexibility, not all actually support employees’ use of theoretically available flexible work options. About 30% of employees—both low-wage and –income and high-wage and –income in workplaces of all sizes—feel “strongly” that they can use flexible work options without jeopardizing their chances for job/career advancement. Unless employees feel comfortable taking full advantage of the flexibility theoretically offered by their workplace, that flexibility is meaningless. We take these perceptions into account in our analyses of the impact of workplace flexibility on important outcomes (*Research Brief #2: How Can Employers Increase the Productivity and Retention of Entry-Level, Hourly Employees?*) and in calculating our index of *Overall Workplace Flexibility* (below).
- In order to evaluate the overall flexibility of workplaces, we combined all of the measures described above. The last row in Table 1 (above) clearly shows that **higher-wage and –income employees experience much higher levels of Overall Workplace Flexibility than low-wage and –income employees.**

Conclusion: What Difference Does Workplace Flexibility Make?

In our analyses of the impact of workplace flexibility on important outcomes in *Research Brief #2: How Can Employers Increase the Productivity and Retention of Entry-Level, Hourly Workers?* we make adjustments for employees’ perceptions of whether or not they believe they can use flexible work options without jeopardy.⁴

In those analyses, we found that employees in more flexible workplaces exhibited more desirable outcomes across the board. First, they exhibited more favorable outcomes of most direct interest to employers:

- greater job satisfaction;
- stronger job commitment/engagement;

- less negative spillover from life off the job to work that impairs productivity; and
- higher retention.

Second, employees in more flexible workplaces exhibited more favorable outcomes that are of most direct interest to themselves and their families:

- less negative spillover from work to life off the job that reduces the quality of personal and family life;
- greater life satisfaction; and
- better mental health.

It is very important to note that these outcomes that are of most immediate concern to employees and their families are also strongly related to employees' attitudes toward their jobs and their employers as well as to their performance on the job and retention in the job—what goes around, comes around.

Lastly, and most importantly, we found that a flexible workplace had the same or greater positive impact on outcomes for low-wage and –income employees as for their higher-wage and –income counterparts. Specifically, we found that more flexible workplaces had the same positive effects for employees of different wage and income statuses on:

- job commitment and engagement;
- retention; and
- life satisfaction.

Interestingly, however, the positive impact was greater for low-wage and –income employees for the following outcomes:

- job satisfaction;
- less spillover from life off the job to work that impairs productivity;
- less spillover from work to life off the job that reduces the quality of personal and family life; and
- better mental health.

These findings strongly suggest that employers would do well to evaluate the flexibility of their workplaces. In particular, employers who depend heavily on entry-level, hourly employees to achieve bottom-line results should take these findings to heart.

Although there may be severe constraints on scheduling work hours for workers in point-of-sale positions, critical service jobs, or certain manufacturing jobs that require employees to be at their work posts (in certain numbers, if not individually) during specified hours for business to carry on, even these employees need some opportunities—with accountability—to arrange their work schedules around the demands of their personal or family lives and to miss full or part days of work for reasons of personal illness or pressing personal/family issues that simply cannot be put off. We have seen a number of employers turn to a team problem-solving approach, asking the team to develop new ways to increase workplace flexibility that will help employees manage their personal and family lives while either maintaining or improving productivity. Out of this process have come various creative solutions that might well not have been anticipated. Employers are turning to this team problem-solving process because they realize that not providing such opportunities for flexibility at work can be a major cause of disengagement and turnover among employees who typically lack the backup systems that are available to members of the middle- and upper-middle class.⁵ These employers want to reduce the costs of turnover and/or to increase productivity. Effective workplace flexibility is not seen as an accommodation to employees' needs and preferences but as a strategic management tool that can produce positive business results.

Endnotes

- 1 We define mid-wage and mid-income employees as those who earn from \$9.73 through \$24.88 per hour in 2005 dollars, and have total annual family income from 200% through 549% of the federal poverty threshold (\$39,612 - \$108,735 for a 2-parent family with 2 children in 2005). We define high-wage and high-income employees as those who earn \$24.89 or more per hour in 2005 dollars, and have total annual family income of 550% or more of the federal poverty threshold (\$108,736 or more for a 2-parent family with 2 children in 2005). The low-wage and low-income group falls roughly in the bottom 25% of the population distribution with respect to both earnings and total family income, while the high-wage and -income group falls roughly in the top 25% of the population distribution with respect to both earnings and total family income. The mid-wage & -income group falls in the middle 50% with respect to both wages and income.
- 2 Many *full-time*, hourly employees work fewer than 52 *paid weeks* per year. Moreover, many *full-time* employees—both hourly and salaried—work fewer than 40 *regularly scheduled paid hours per week*. We used two formulas to estimate the annual earnings of full-time, full-year low-wage hourly workers: 1) 50 weeks per year @ 36 hours per week and \$9.72 per hour = \$17,496 and 2) 52 weeks per year @ 35 hours per week and \$9.72 per hour = \$17,690. We assumed that the only payroll taxes deducted were for Social Security and Medicare, a total of 7.65%.
- 3 Each comparison is evaluated to determine whether the observed difference is statistically significant—that is, to determine how likely it is that the observed difference occurred by chance. Findings that reach statistical significance at $p < .05$ (indicated by one asterisk, *) have a probability of occurring by chance less than 1 in 20 times. Findings that reach statistical significance at $p < .01$ (indicated by two asterisks, **) have a probability of occurring by chance less than 1 in 100 times, and those reaching statistical significance at $p < .001$ (indicated by three asterisks, ***) have a probability of occurring by chance less than 1 in 1000 times.
- 4 We statistically controlled for perceived jeopardy for using flexible work arrangements in multiple-linear regression models predicting outcomes to assure that our estimates of the predictive power of flexibility took jeopardy into account.
- 5 See for example: Williams, J.C. (2006). *One Sick Child Away from Being Fired*. San Francisco: University of California, Hastings College of Law.