

2 0 0 5

N A T I O N A L

S T U D Y O F

E M P L O Y E R S

Highlights of Findings

Funded by
the Alfred P. Sloan Foundation

James T. Bond

Ellen Galinsky

Stacy S. Kim

Erin Brownfield



Families and **Work** Institute

W H E N

W O R K

W O R K S

Families and Work Institute's
Corporate Leadership Circle



As of September 6, 2005

Corporate Benefactors

\$15,000 or more

| | |
|-------------------|-------------------|
| Ceridian | KPMG LLP |
| GlaxoSmithKline | Merck & Co., Inc. |
| IBM Corporation | Morgan Stanley |
| Johnson & Johnson | Pfizer Inc |
| JPMorgan Chase | |

Corporate Patrons

\$10,000–\$14,999

| | |
|------------------------|-----------------------|
| Citigroup | Eli Lilly and Company |
| Deloitte & Touche, LLP | |

Corporate Sponsors

\$5,000–\$9,999

| | |
|----------------------------------|--------------------------------|
| Accenture | Goldman, Sachs & Co. |
| Aetna Inc. | Hallmark Cards, Inc. |
| Allstate Insurance Company | Knowledge Learning Corporation |
| AT&T | Lehman Brothers Inc. |
| Bright Horizons Family Solutions | Marriott International |
| ChevronTexaco Corporation | PricewaterhouseCoopers |
| CIGNA Corporation | Providian Financial |
| CIT Group Inc. | Prudential Financial |
| Discovery Communications, Inc. | Time Warner |
| Ernst & Young LLP | Verizon Communications |
| Ford Motor Company | Xerox Corporation |

Corporate Friends

\$3,000–\$4,999

| | |
|------------------------------------|---------------------|
| Baxter Healthcare Corporation | RBC Financial Group |
| Cisco Systems, Inc. | Texas Instruments |
| Eileen Fisher, Inc. | Viacom Inc. |
| First Horizon National Corporation | WFD Consulting |
| Hilton Hotels Corporation | |

BACKGROUND

Families and Work Institute's **2005 National Study of Employers (NSE)** is the most comprehensive and far-reaching study of the practices, policies, programs and benefits provided by U.S. employers to address the changing needs of today's workforce and workplace. Because this study was designed to build on the Institute's landmark **1998 Business Work-Life Study (BWLS)**, it also provides trend data on changes that have occurred over the past seven years. This study was funded by the **Alfred P. Sloan Foundation** and will be repeated in 2007.

Although there are similar surveys of employers by membership organizations, consulting firms, and government agencies, the *NSE* is the major nationally representative study of employers in the U.S. that assesses the full range of today's *best employment practices* and that is linked to a parallel nationally representative study of the U.S. workforce, the **National Study of the Changing Workforce (NSCW)**, which FWI last conducted in 2002.

The 2005 NSE sample includes 1,092 employers with 50 or more employees—66 percent are for-profit companies and 34 percent are non-profit organizations; 44 percent operate at only one location, while 56 percent have operations at more than one location. For more information about the methodology of the 2005 NSE and the 1998 BWLS, please see the complete version of this report, available at www.familiesandwork.org.

KEY FINDINGS

Supporting employees and their families is NOT the main reason why employers offer initiatives to address the needs of the changing workforce and workplace.

In the seven years since FWI last conducted this study, the economy has been quite volatile and common wisdom suggests that employers would have cut back on the work life assistance they provide to employees. However, despite this volatility, *employers have made only a few cutbacks in the work life programs, practices, and policies they offer*, and these reductions are primarily a function of how much employers pay toward benefits that cost money—specifically, their contributions to health care insurance, disability programs, pension plans, and retirement plans.

Perhaps this can be best explained by employers' responses to being asked the reasons why they offer the initiatives they offer.

The study asked the 92 percent of employers that have at least eight work life initiatives (such as flexible work schedules, family leave, child care or elder care assistance) the main reasons for providing these supports:

- 47% report providing these initiatives to recruit and retain employees and another 25% provide these initiatives to enhance productivity and commitment.

Effective recruitment and retention are at the heart of organizational success, as are productivity and job commitment. Six percent also mentioned other specific business reasons, such as meeting organizational needs for flexible scheduling, reducing absenteeism, and lower costs to the organization.

- On the other hand, 39% also say that they want to support employees and their families.

Employers have maintained the support they provide to employees in managing their personal and family lives, probably because, as they report, these are seen as *strategic business tools* for improving recruitment, retention, commitment, and productivity, and for making work “work” for both employers and employees. It is clear that many employers perceive these initiatives as win-wins—that is, as beneficial for both the employer and employees.

The list of work life initiatives offered by employers continues to be maintained or expanded as the workforce grows more diverse—these expansions clearly reflect economic and societal shifts.

For the purpose of these analyses, we compare employers with 100 or more employees in 1998 and 2005. Although our 2005 sample was expanded to include employers with 50 or more employees, in order to compare data from 2005 and 1998, it was necessary to restrict the sample to employers with 100 or more employees—the minimum size included in the 1998 sample.

Flexibility: In many other surveys, flexibility is defined primarily as flextime—allowing employees to change their daily arrival and departure times. This limited definition has sometimes led to the erroneous conclusion that flexibility is decreasing, when in fact, our studies show the opposite. The *NSE* defines flexibility in ways that reflect the growing diversity of working flexibly in companies today.

Comparisons of seven forms of flexibility available to *at least some* employees between 1998 and 2005 were made, including: allowing employees to periodically change starting and quitting times, allowing employees to change starting and quitting times daily, allowing employees to move between full-time and part-time work in the same position, allowing employees to share jobs, allowing employees to compress their workweek, allowing employees to work at home or off-site on a regular basis, and allowing employees to return to work gradually after childbirth.

In *no case* was there a statistically significant decrease in flexibility offered, and in two cases, flexibility increased:

- There has been an increase in daily flextime: in 1998, 24% of employers allowed at least some employees to change their starting and quitting times on a daily basis; in 2005, 31% did so. This change may reflect the finding from our 2002 National Study of the Changing Workforce that 79% of employees report wanting greater flexibility.
- There has been an increase in compressed workweeks, climbing from 37% in 1998 to 44% in 2005.

Leaves of Absence: When we compare the provision of leaves by employers with 100 or more employees in 1998 and 2005, we find that employers have not cut back on providing leaves to employees—probably because the federal Family and Medical Leave Act sets a minimum requirement for most employers in our sample. The one significant change concerns men.

- Fathers are allowed longer leaves following the birth of their child: in 1998, the maximum guaranteed leave was 13.1 weeks; in 2004, it was 14.5 weeks.

Data from the *NSE* do not reveal whether fathers are actually taking more leave for paternity today than in 1998. However, we do know from the 2002 National Study of the Changing Workforce that fathers, particularly young fathers, are spending more time with their children than fathers did in the past. The observed increase in paternity leave might be a response to changes in the attitudes and behaviors of male employees as caregivers.

Programs for Parents of Young Children and Teenagers: No statistically significant differences were found in 10 types of child care assistance assessed in 1998 and 2005, including programs such as on- or near-site child care, Child Care Resource and Referral, Dependant Care Assistance Plans and so forth, suggesting that at the very least employers did not cut back on child care assistance during the recent economic downturn.

- Although few employers provide any assistance for the parents of teens, there has been an increase in the percentage that offer EAP services specifically to the parents of teens—up from 0% in 1998 to 5% in 2005.

Elder Care Assistance: This is an increasingly important issue as the workforce ages, Americans live longer, and employees increasingly take care responsibilities for elderly parents or relatives. In fact, our 2002 National Study of the Changing Workforce revealed that 35 percent of employees have such responsibilities within the past year.

There has been one enhancement in elder care assistance over the past seven years:

Today's employers are more likely to provide information about elder care resources to employees, climbing from 23% in 1998 to 34% in 2005.

Health Insurance: Health insurance coverage for oneself and one's family is the single most important benefit received by U.S. workers and their families, who rely almost exclusively on employers for coverage. Perhaps surprisingly, there hasn't been a decline in the percentages of employers with 100 or more employees offering health care insurance for full-time employees (98%), for family coverage (94%), or full or pro-rated benefits for part-timers (38%).

Interestingly, however, there has been one expansion of coverage:

- In 2005, employers are more likely (21%) to provide health insurance coverage for the unmarried partners of employees than was the case in 1998 (14%).

Would companies do more if costs were less? The major obstacle to providing work life programs is cost, cited by 46 percent of employers. Not surprisingly, the cutbacks over the past seven years all concern work life initiatives that have direct cost implications for employers:

- Employers are less likely to provide full pay for disability leave for new mothers. Among the companies that provide disability pay for new mothers, in 1998, 27% provided full pay; in 2005, 18% did. However, there is no change in the percentage that provide any disability pay: 54% of employers.
- In 2005, 37% of employers reported shifting a greater proportion of the costs of health care to employees over the past two years.
- Employees are also paying a greater share of family health care. In 1998, 12% of employers paid all of the premiums for family members' health care insurance, dropping to 7% in 2005.

- Fewer employers provide defined benefit pension plans—down from 48% in 1998 to 41% in 2005. Likewise, fewer contributed to employees' retirement plans—down from 91% in 1998 to 81% in 2005.

When we compare large and small employers in our 2005 study, we find that, not surprisingly, large employers (1,000 or more employees) provide more initiatives that have direct costs than small employers (50 – 99 employees). For example:

- 96% of large companies have 401(k) or 403(b) individual retirement plans vs. 76% of small companies.
- 17% of large employers provide on- or near-site child care vs. 5% of small employers.
- 76% of large employers provide Employee Assistance Programs (EAPs) vs. 36% of small employers.

However, small employers are more likely to be more supportive in some surprising ways. For example:

- Small employers (25%) are more likely than large employers (10%) to pay all of employees' premiums for their personal health care insurance.
- Small employers (37%) are less likely than large employers (51%) to have asked employees to pay a larger proportion of their personal health insurance premium over the past two years.

A no- or low-cost initiative that can be used in any size organization is flexibility. However, the movement toward a more flexible workplace is clearly still in transition.

- Although most employers (63%) report that supervisors are encouraged to be supportive of employees with family needs by finding solutions that work for both the employee and the employer, only 27% report that the organization makes a real and ongoing effort to inform employees of available assistance for managing work and family responsibilities.
- While 72% report that supervisors are encouraged to assess employees' performance by what they accomplish and not just by "face time"—that is, the number of hours they spend at the workplace—far fewer (31%) report that management rewards those within the organization who support effective flexible work arrangements.

Smaller employers are often leading the way toward greater workplace flexibility.

For purposes of these comparisons we define small employers as those with 50 – 99 employees nationwide and large employers as those with 1,000 or more employees nationwide.

Perhaps quite surprisingly, in most instances, *small employers are significantly more likely to offer flexibility to all or most employees than employers of other sizes, and in no instance are they significantly less likely to offer these options.* In addition, of the 17 ways that we assessed flexibility in the workplace in 2005, small employers are significantly more flexible in 10 of these (see Table 1).

Table 1: Flexibility

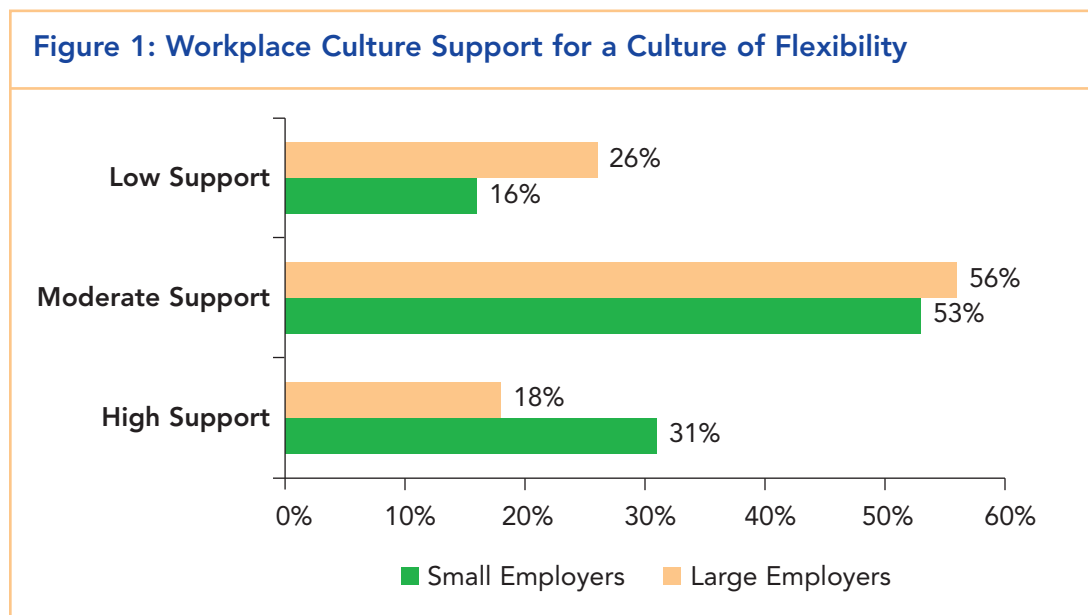
| Flexible Work Options | Does organization allow <i>some</i> employees to... | Does organization allow <i>all or most</i> employees to... | Employer Size Does company allow <i>all or most</i> employees to... | | |
|--|---|--|---|-----|---------------------------------|
| | | | Small (50 – 99 employees) | Sig | Large (1,000 or more employees) |
| Periodically change starting and quitting times? | 68% | 33% | 37% | ** | 26% |
| Change starting and quitting times on a daily basis? | 34% | 13% | 17% | *** | 4% |
| Have control over when they take breaks? | 78% | 53% | 52% | * | 44% |
| Have control/choice over which shifts they work? | 39% | 20% | 21% | ns | 17% |
| Have control over paid and unpaid overtime hours? | 28% | 14% | 16% | ** | 8% |
| Move from full-time to part-time and back again while remaining in the same position or level? | 53% | 21% | 23% | ** | 13% |
| Share jobs? | 46% | 13% | 15% | *** | 4% |
| Work a compressed workweek for at least part of the year? | 39% | 10% | 12% | ns | 8% |
| Work part of workweek at home occasionally ? | 34% | 3% | 3% | ns | 2% |
| Work at home or off-site on a regular basis ? | 31% | 3% | 4% | ns | 2% |
| Return to work gradually after childbirth or adoption? | 86% | 67% | 66% | *** | 49% |
| Take time off for important personal and family needs without loss of pay? | 77% | 60% | 58% | ns | 63% |
| Phase into retirement? | 50% | 28% | 25% | *** | 14% |
| Take sabbaticals paid or unpaid of 6 months or more and return to a comparable job? | 49% | 28% | 28% | * | 19% |
| Take time for education/training to improve skills? | 83% | 55% | 55% | ** | 42% |
| Take extended career breaks for care giving or other family/personal responsibilities? | 73% | 57% | 53% | ns | 48% |
| Work part year on an annual basis? | 38% | 16% | 16% | ns | 12% |

(Sample sizes: total=1,092; small employers=552; large employers=93) Percentages do not add to 100% because some response categories are omitted. Statistical significance: *** = $p < .001$; ** = $p < .01$; * = $p < .05$; ns= not significant.

This is, in our view, a very important finding. Much attention is paid to the progressive actions of very large employers in the U.S. This study provides new and refreshing evidence that the small employers in our economy may, in fact, provide more flexibility than their large counterparts, presumably out of a firsthand understanding of the effectiveness of doing so in order to make work “work” for both the employer and the employees.

Because of the potential importance of this finding, we decided to look at data from our nationally representative study of employees—the 2002 National Study of the Changing Workforce—for confirmation. We constructed an overall index of flexible policies and practices by averaging 13 specific measures that are comparable to flexible work options listed in Table 1 for the NSE. However, when we compare employees in small (50 – 99 employees) versus large (1000 + employees) organizations we do not find any significant difference by employer size, favoring small employers, as we had expected.

We wondered why there is a discrepancy between the ratings employers give themselves and the ratings employees give their employers. It seemed unlikely that things had changed so much in the short time since we conducted the NSCW in 2002. We sought an alternative explanation by examining the access that employees in organizations of different sizes have to what we call a *culture of flexibility*—having 1) support from immediate supervisors for managing one’s work, personal, and family life, and 2) a workplace culture that provides similar support for succeeding at work and at home. With such supports, employees are more comfortable using the flexibility afforded them. We hypothesize that having such informal supports for working flexibly may not be reflected in reported flexible work options (Table 1), which tend to be more formal arrangements. The workplace culture is created not only by the behavior of and attitudes/values communicated by immediate supervisors, but also higher-level managers and coworkers—who collectively set the tone of the workplace. When we constructed indices of both supervisor support and workplace culture support based on numerous specific measures, we found differences indicating that employees in small organizations are, indeed, more likely to have greater access to a culture of flexibility, as shown in Figure 1 below.



Statistical significance: $p < .001$

Researchers who study issues of workplace flexibility acknowledge that having both more *formal programs and policies* and a *culture of flexibility* are important. In fact, it is within this area, the culture of flexibility, where the rubber meets the road, so to speak, because it is where flexibility is granted in ways that work for both the employee and the employer—or not.

CONCLUSION

In the seven years since we last conducted this study, the economy has been quite volatile and common wisdom suggests that employers would have cut back on the work life assistance they offer employees. Except for reductions in how much employers pay toward benefits that have direct costs (their contributions to health care, disability insurance, pension and retirement plans), we did not find this to be the case. Employers have largely maintained or increased the support they provide to employees in managing their personal and family lives, probably because, as they report, these are increasingly seen as strategic business tools for enhancing recruitment, retention, commitment, and productivity—and for making work “work” for both employers and employees. This study reveals that the workplace is shifting from a workplace that served the needs of the 20th century to a workplace that serves the needs of the 21st century, and that many of these changes appear to be here to stay.

ENDNOTES

1 The *BWLS* surveyed a representative national sample of 1,057 for-profit (84 percent of the sample) and not-for-profit companies (16 percent of the sample) with 100 or more employees by telephone interviews with human resource directors or company owners or executives. Harris Interactive staff conducted the interviews. Employers were selected from Dun & Bradstreet lists, using a stratified random sampling procedure in which selection was proportional to the number of people employed by each company to ensure a large enough sample of large organizations. The response rate was 45 percent, based on the percentage of all companies on the call-list that completed interviews. When analyzing data to make generalizations about the universe of organizations with 100 or more employees in the U.S., the sample was weighted to the distribution of companies of different sizes in the U.S. The questionnaire was developed to complement the Families and Work Institute's 1997 National Study of the Changing Workforce (NSCW), which surveyed a representative national sample of employees in the U.S. labor force.

2 The 2005 *NSE* surveyed a representative national sample of 1,092 for-profit and not-for-profit companies with 50 or more employees using telephone interviews with human resource directors. Harris Interactive staff conducted the interviews from September 23, 2004 to April 5, 2005. Employers were selected from Dun & Bradstreet lists, using a stratified random sampling procedure in which selection was proportional to the number of people employed by each company to ensure a large enough sample of large organizations. The response rate was 38 percent, based on the percentage of all companies on the call-list that completed interviews. Considerable effort was made to achieve a response rate equal to or better than that obtained in 1998 (45%) that included offering a \$50 incentive to company representatives, many call backs over an extended interview period, and special efforts to convert refusals and complete partial interviews. Despite these efforts, we were unable to achieve the 1998 response level. The problem of relatively low response rates is growing in survey research involving both individuals and organizations. However, because of our efforts, we have achieved a much better response rate than the 10 – 20 percent rate that is more typical of organizational research today. When analyzing data to make generalizations about the universe of organizations with 50 or more employees in the U.S., the sample was weighted to the distribution of companies of different sizes in the U.S. The questionnaire was developed to complement the Families and Work Institute's 2002 National Study of the Changing Workforce (NSCW), which surveyed a representative national sample of employees in the U.S. labor force.