Effect of Telework and Other Flexible Workplace Policies on Employer Bottom Lines

What Was the Need?
Flexible workplace policies, including telecommuting, flextime, work-family initiatives and alternative work arrangements, are a growing trend in today’s business environment. In part, they reflect a social shift: Many families have two working parents, single parents or working adults caring for elderly relatives, and flexibility is necessary for these parents and adults to meet both work and family obligations.

Flexible workplace policies also have the potential for broader community benefits. From a transportation standpoint, these policies can reduce road congestion and use existing road capacity more fully; when telecommuters do travel, their trips are on average shorter than those traveling to work, and they travel mostly outside of peak hours.

Minneapolis/St. Paul is one of four partners in the Federal Highway Administration’s Urban Partnership Agreement, an attempt to demonstrate how tolling, transit, telecommuting and technology can be used collectively to relieve urban congestion. Minnesota’s eWorkPlace program, which helps Twin Cities employers begin telework programs, is the state’s contribution to the telework component.

At the same time, high-profile companies like Yahoo! and Best Buy have made headlines recently by reducing telework opportunities for their employees. Existing research on flexible workplace policies has tended to focus on the effect on the employees who work under them or the effect on the surrounding community. There has been little research, however, on how such policies affect the employers that implement them, which may be limiting the spread of telecommuting and similar policies. While some employers are willing to adopt flexible policies either as an experiment or because these policies seem to be the right thing to do for their employees, most employers require evidence that the policies will improve their bottom line before implementing them.

What Was Our Goal?
The purpose of this project was to explore employer-level impacts of flexible workplace policies. Of particular interest was the effect of these policies on productivity, absenteeism, employee retention and satisfaction, and facility cost savings.

What Did We Do?
Investigators conducted case studies of three organizations that currently offer a workplace flexibility program to some or all of their employees: an administrative department within a state public agency, a local government agency and a private manufacturing firm. For two of these organizations, researchers conducted Internet surveys of employees on two occasions, four months apart. The third organization had already conducted similar surveys on its own and shared the results with the researchers. Investigators also
conducted interviews with management-level employees and, where possible, evaluated data on employee- and department-level outcomes.

**What Did We Learn?**

Certain benefits that flexible workplace policies offer employers can be quantified. The manufacturing firm has lower employee turnover than the industry standard. Managers believe that the workplace environment and its flexible policies contribute to this. Published literature supports the idea that telecommuting increases employee retention. Additionally, several published case studies have found significant savings in facility costs from telecommuting.

Overall, however, quantifying the bottom-line benefit of flexible workplace policies proved difficult. Investigators expected that employers who had implemented such policies would have measures in place to quantify their benefits, but that generally proved not to be the case. Employee productivity, for example, did not have a single definition, even within a single organization.

Despite this, flexible policies are well-regarded by both employees and managers surveyed. Managers generally felt that flexibility had a neutral to positive impact on productivity, citing reduced interruptions for workers, lower stress, reduced absenteeism and improved worker satisfaction. Employees believed their work was better in a flexible work environment and appreciated feeling trusted to work from home, although some reported feeling less connected to their colleagues.

The attitudes of middle managers, who work directly with employees, were a critical factor in the success or failure of flexible policies. Employees are more comfortable with their workplace’s flexible policies when managers think in terms of results rather than hours spent in the office.

**What’s Next?**

Given the difficulty of finding a connection between flexible workplace policies and economic impacts through a survey approach, investigators recommend an experimental design to longitudinally collect data on productivity, employee retention and facility costs for future research into this topic, ideally with an organization where only some parts offer flexible policies. A team at the University of Minnesota is conducting a project to compare organizations with and without flexible policies to attempt to determine if there is a causal connection between flexible workplace policies and a company’s bottom line.