

Flexonomics:
The economic and fiscal logic of flexible
working

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pragmatix
advisory

**Sir Robert
McALPINE**



Flexonomics: The economic and fiscal value of flexible working

A report for Mother Pukka and Sir Robert
McAlpine

Clare Leckie, Rebecca Munro and Mark
Pragnell

with research support from Canelle Friis

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Disclaimer

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Pragmatix Advisory Limited. enquiries@pragmatixadvisory.com. 020 3880 8640. pragmatixadvisory.com
Registered in England number 12403422. Registered address: 146 New London Road, Chelmsford, Essex
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**Sir Robert
McALPINE**

On behalf of Sir Robert McAlpine, I am delighted to welcome the publication of this report which we were proud to commission, alongside Anna Whitehouse as part of our Flex Appeal partnership, to promote the benefits of flexible working.

This report provides a comprehensive assessment of the economics of flexible working, probably the first of its kind to do so. Its conclusions demonstrate what many of us in industry already know - flexible working makes sense for business, and I'm pleased the report provides the data to show that it also makes sense for government and the economy.

I strongly believe that at the core of every successful business is a motivated and happy workforce. This requires a working environment that embraces a flexible working culture to shake off the constraints of traditional and rigid working arrangements. I am a committed advocate of improving flexible working within the construction industry; the number of male suicides in our sector is deeply alarming, and I am fully committed to enabling an environment that can have a positive impact on mental health and reverse the trend.

I believe that flexible working is for everyone, and I hope this report furthers the case to government and to businesses for the advantages it can offer to our economy and society.

Paul Hamer
Chief Executive

We can't afford to leave flexible working to goodwill any longer. For six years, Flex Appeal has campaigned for greater adoption of flexible working, knowing it was better for both employees and employers – and now we can show that it's better for the UK economy too.



As the Government tries to level up regions with lower economic and employment outcomes, flexibility is crucial. When lifting the economy out of a pandemic shaped hole, flexibility is a huge boost to productivity. It is already making a substantial contribution, but imagine what we could do with the extra funding if we harnessed the power of flexibility further; investing in childcare infrastructure for example.

Even sectors considered 'hard' to flex stand to reap significant economic benefits. This is something pioneers, like Sir Robert McAlpine, already appreciate – there is both a strong workforce wellbeing and a commercial case for increasing flexible working. This report is a wake-up call for businesses who are turning a blind eye to flexibility because that lack of vision is a cost to the business. A cost that could be turned into profit.



If we are to collectively reap the economic benefits, we need action now. Leaving the onus on individuals, rather than employers, on slow cultural change, rather than an inspired Government mandate, means we're falling behind. In transforming the UK into a highly-skilled, high wage, productive economy, the contribution of flexible working can't afford to be overlooked any longer.

Anna Whitehouse
Founder of Mother Pukka and Flex Appeal

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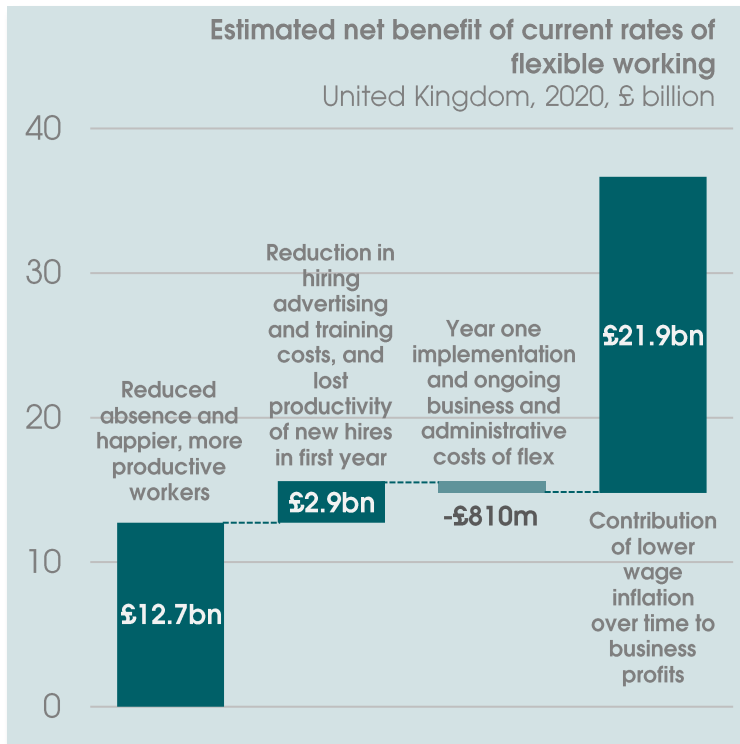
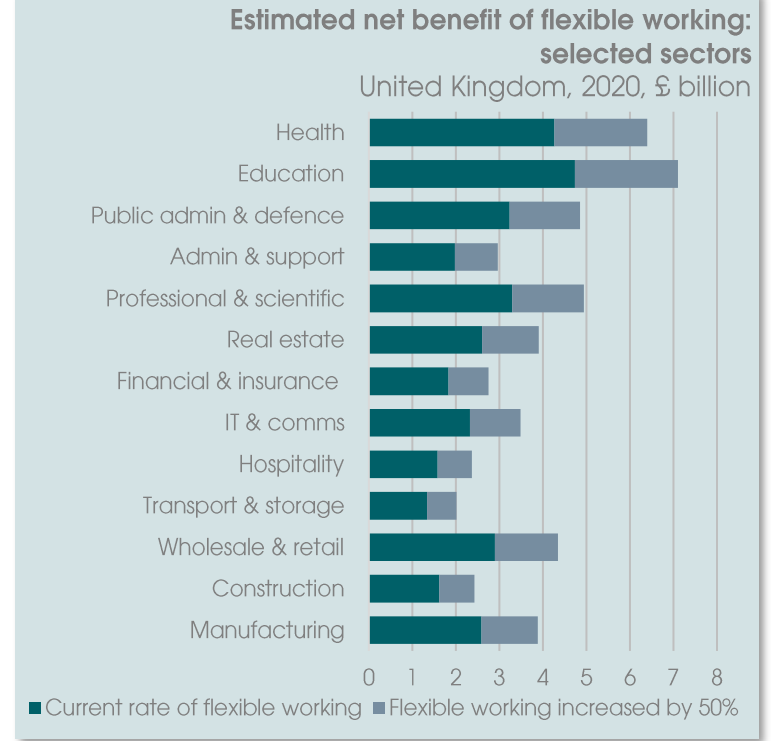
Current levels of flexible working already deliver a £37 billion-a-year boost to the UK economy, around £3 billion more than Liverpool City region.

By increasing flexible working rates by 50 per cent, its value could rise from £37 billion to £55 billion - equivalent to the gross value added of the arts, entertainment and recreation, and water and waste sectors combined.



Flex request refusals cost businesses £1.7bn a year

Attracting talent: 92% of young people want flexible working



Absence rate



Remote workers 0.9%



Without remote working 2.2%



Increased flexible working supports the government's Levelling Up agenda by increasing productivity and helping people into employment

Executive summary

Flexible working makes sense for business

Employers

- Attraction of talent
- Staff retention
- Supports enhanced employee engagement
- Agility and adaptiveness to boost competitiveness
- Lower levels of absenteeism
- Lower wage inflation

Workers

- Greater access to and ability to stay in the labour market
- Reduced stress and mental health concerns
- Improved wellbeing and balancing of work and life needs
- Prevents 'occupational downgrading' in pursuit of part-time work
- Improves job satisfaction

Government

- Improved worker productivity
- Higher labour force participation
- Higher tax yields
- Higher economic growth
- Improves diversity in senior positions
- Reduction in unemployment

Flexible working makes sense for businesses, and there are already businesses seeing the benefits. It reduces absence rates, increases worker productivity and helps with staff retention. It is also becoming increasingly important to attract talent – with **92 per cent of young people and 87 per cent of all people wanting flexible working**.

And **flexible working can help support the Levelling Up agenda**. The government's aim to address regional inequality will be aided through improved productivity and better access to a range of jobs across the country. There are currently 1.1 million job vacancies to be filled and an increase in the number of these roles offering flexibility could attract people into work for whom traditional work patterns are not feasible.

The phrase 'work from home' became commonplace during the pandemic, but it's only part of flexible working story. **Flexibility can involve working patterns, workload, workplace or life events**, and has value to both employees and employers across the whole workforce. Even in industries and occupations traditionally thought of as not suitable for flexible working, arrangements can be implemented.

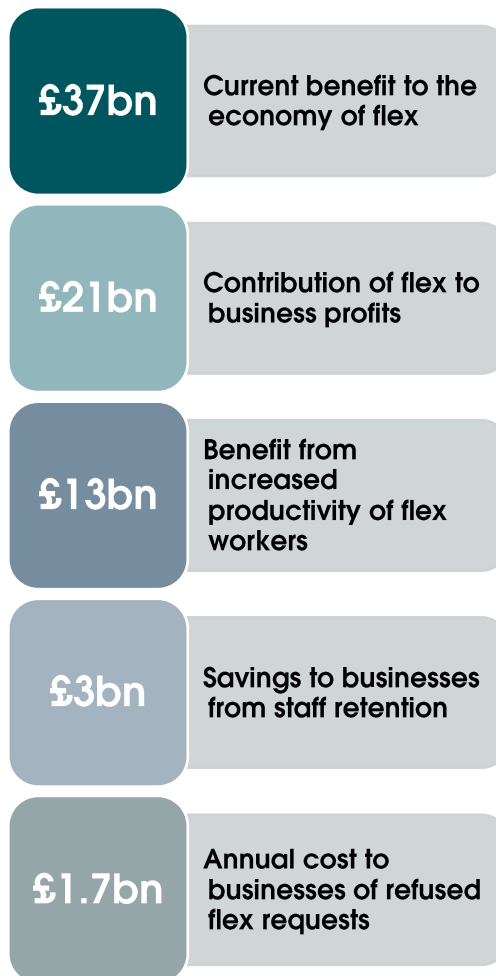
The government's 'Making flexible working the default' consultation which launched in September shows how attitudes towards flexible working arrangements are changing. **But questions remain as to whether more could be done to encourage businesses to embrace flexible working**.

A boost to business profits and the public purse

Current levels of flexible working already deliver a £37 billion-a-year boost to the United Kingdom economy, around £3 billion more than Liverpool City region.

By increasing flexible working rates by 50 per cent, **its value could rise from £37 billion to £55 billion** - equivalent to the gross value added of the arts, entertainment and recreation, and water and waste sectors combined. **Flexible working currently contributes £374 million in income tax and National Insurance contributions** above what the tax receipts would have been without flex. The model we have used to calculate the value of flexible working scales up current uptake at a granular level, using a matrix that cross-tabulates employment by industry and occupation. By taking this approach, our scenarios reflect the reality of flexible working opportunities at a detailed level. But while we define flex broadly in this report, we have been forced to work with the Office for National Statistics data that is available, which is often partial, and means there are limitations to the modelling.

Growth in flexible working practices is constrained by the **need for better information and awareness of flexible working and its benefits**. Many businesses already recognise the positives of flex, but government should work to provide the appropriate insight and information on its value and 'nudge' all businesses to adopt appropriate practices. This may be in the form of legislation, such as requiring job advertisements to state whether flexible arrangements are available, or through improved communications based on better data gathering and reporting by the Office for National Statistics. **Proactively encouraging increased flexible working will be a boost for both the government and its Levelling Up agenda, and businesses as they look to recover post-pandemic.**



More than just home working

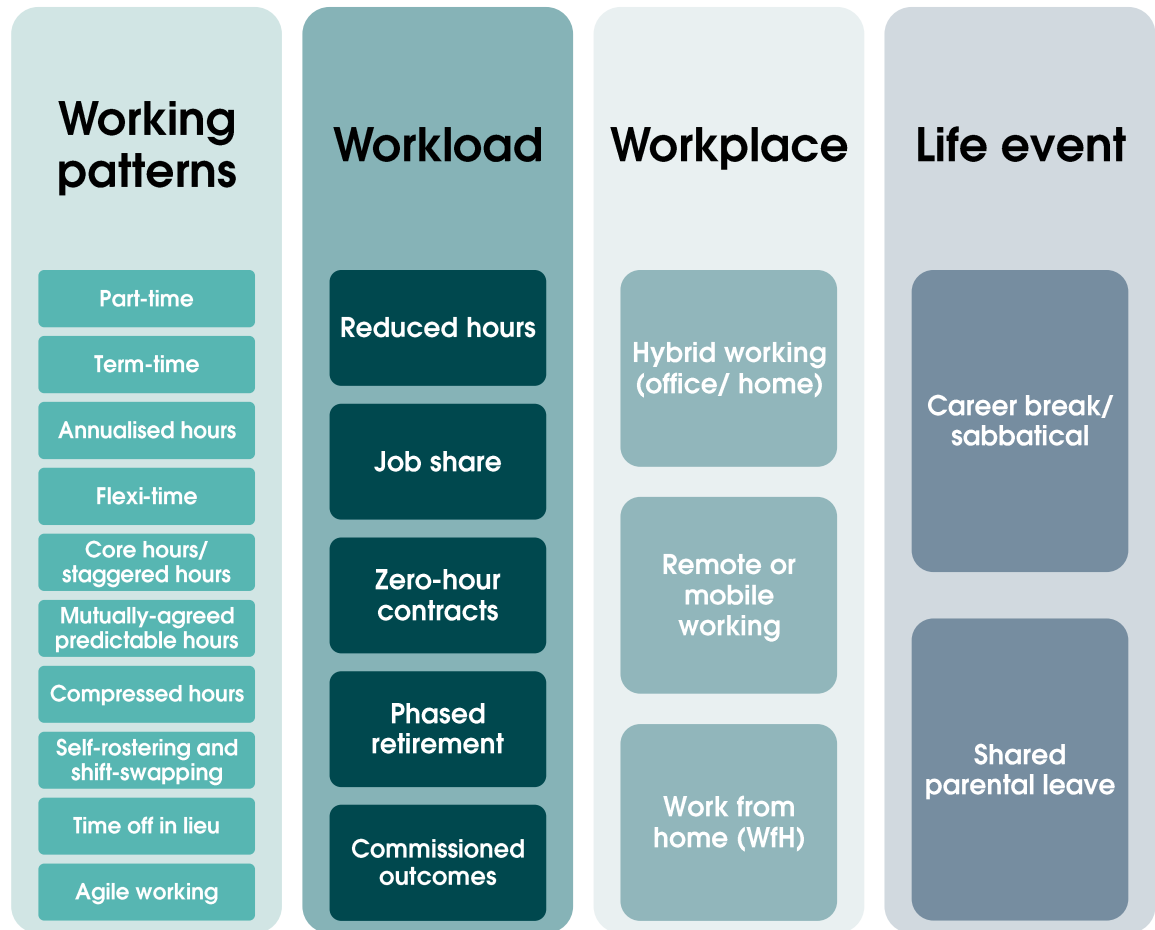
What is flexible working?

‘Work from home’ has become common during the pandemic, but it is only part of flexible working.

The variable nature of flexible working includes different practices and can be either a formal contractual change or an informal agreement between employee and line manager. The United Kingdom government sees flexible working as any way of working that suits an employee’s needs, for example having flexible start and finish times.

Flexibility can refer to working patterns, workload, workplace or life events. Examples of flexible working practices are set out in the table to the right.

Meanwhile, forced home working should not be counted as flexible working.

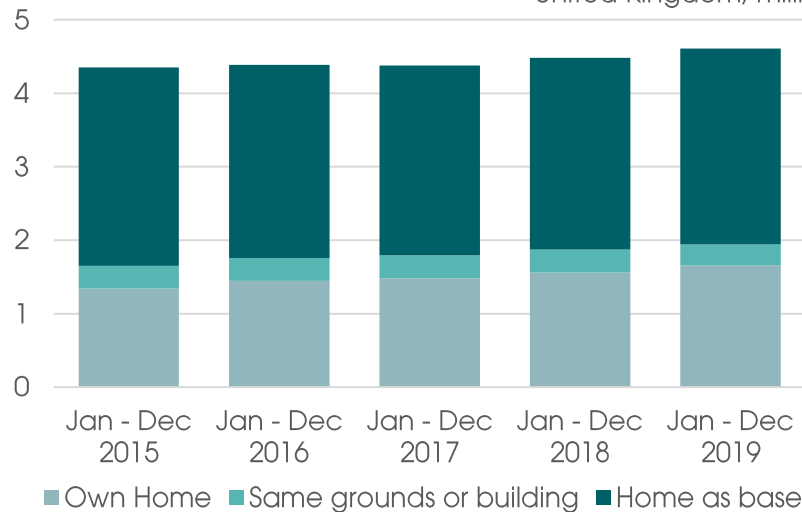


Flexible working rates relatively steady pre-pandemic

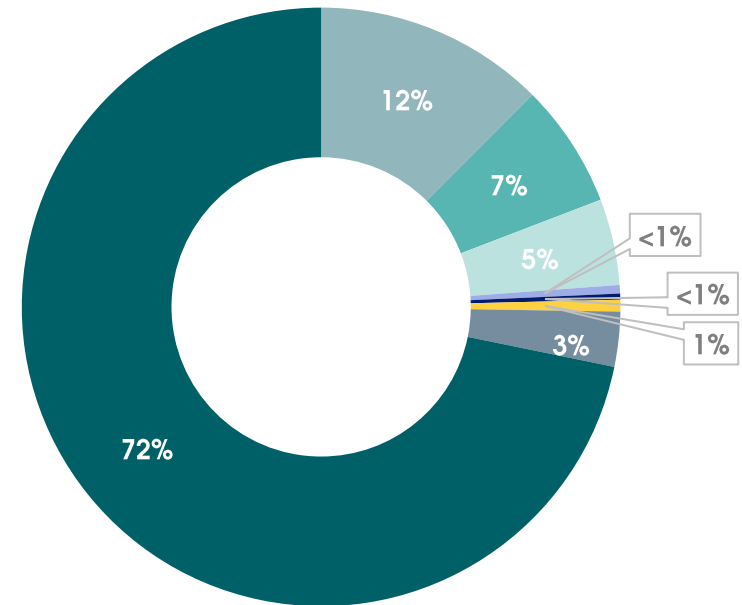
Covid restrictions necessitated an unprecedented shift in working patterns as millions of workplaces shut down overnight. But prior to the pandemic, rates of flexible working had remained relatively stable.

At the end of 2019, around a 9.3 million people had forms of flexible working arrangements tracked by the Labour Force Survey, while the number of people working from home was around 4½ million.

People who work mainly at or from home
United Kingdom, millions



Types of flexible working arrangement
United Kingdom, October to December 2019, percentage of workforce



- Flexi-time
- Annualised hours contract
- Term time working
- Job sharing
- Nine day fortnight
- 4.5 day week
- Zero-hours contract
- No flex

Flex for all jobs and for all workers

Flexible working has value to both employees and employers across the whole workforce, and not just working mothers and carers. Even in sectors traditionally thought of as not suitable for flexible working, arrangements can be implemented.

In healthcare, for example, self-rostering or mutually agreed predictable hours can support workers in organising caring responsibilities or external commitments.

For other roles that have set hours where an employee must be present, for example in teaching, it may be that a job share is the most appropriate option.

By expanding thinking beyond just home-working and embracing the many forms of flexibility, employers can engage positively with requests for revised working arrangements, to the benefit of both the business and the employee.

Implementing flex as the default for all is ambitious. It would require a culture shift in the way employers and workers think about how and where they work, and reevaluating the too-common focus on presenteeism. But, this report demonstrates that such policies make sense for businesses, for government and for the economy.

Fathers' requests for flexible working are refused by employers at almost twice the rate of mothers'

Fathers are twice as likely as mothers to fear that asking for flexible working will damage their careers

Flexible working on the UK policy agenda

The ‘Making flexible working the default’ consultation launched in September shows how attitudes towards flexible working arrangements are changing.

It acknowledges the benefits of increased productivity, staff motivation and attracting more applicants for jobs – although does not quantify the impacts. Many have welcomed the policy options being considered, but questions remain as to whether more could be done to encourage business to implement flexible working practices.

Five changes considered

1. Make the right to request flexible working a day one right
2. Consider if the eight business reasons for refusing a request are still valid
3. Require employers to suggest alternatives
4. Allow more than one request per year
5. Request a temporary arrangement

July 2017

'Good Work', The Taylor Review of Modern Work Practices



December 2018

- 'Good Work Plan', Department for Business, Energy & Industrial Strategy
- Letter on One-Sided Flexibility, Low Pay Commission



2018 - 2019

First Flexible Working Taskforce, Department for Business, Energy & Industrial Strategy



July 2019

- 'Good Work Plan' consultation to address one-sided flexibility, Department for Business, Energy & Industrial Strategy



October 2019

'Transparency: Flexible working and family related leave and pay policies', Trade Unions Congress



March 2020

'Good Work Plan' consultation response to support families, United Kingdom government



2021 - present

Second Flexible Working Task Force, Department for Business, Energy & Industrial Strategy

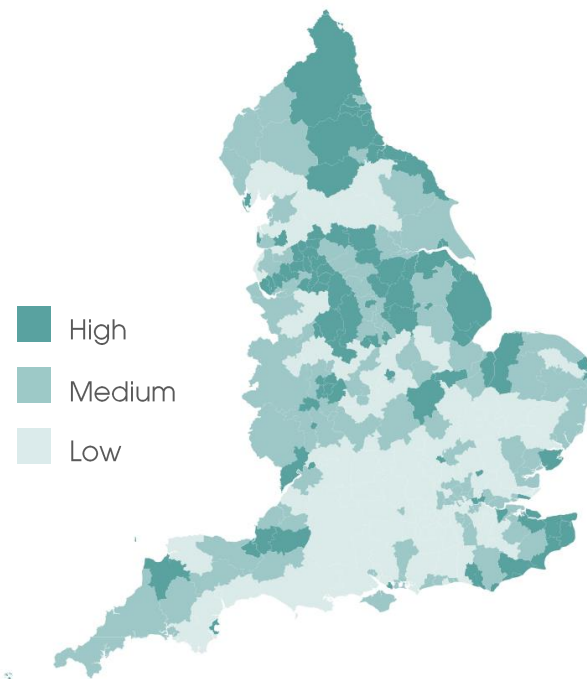


September 2021

'Making flexible working the default' consultation, Department for Business, Energy & Industrial Strategy

Increased flex supports Levelling Up

Levelling Up Fund area
prioritisation
Local authorities,
England, March 2021



Two of the Levelling Up Fund’s key metrics, productivity and unemployment, could be improved through increased flexible working.

The Department for Business, Energy and Industrial Strategy’s ‘Making Flexible Working the Default’ consultation describes the benefits of increased productivity that come from flexible working. With the main aim Levelling Up being to close the productivity gap between London and the South East and other regions of the country, encouraging greater provision of flexible working arrangements can play an important role in helping to ‘level up’.

In areas of the country with a limited jobs market, for example rural or coastal communities, higher levels of hybrid and remote working offer the opportunity for roles that may previously have only been available in urban centres to be done from anywhere. Indeed, where a person resides compared to where the employer is located will likely become much less of a consideration when applying for jobs which lend themselves to remote working. This would help distribute some higher-paid jobs across the country, providing a boost to the local economy as workers spend more of their income locally.

In areas of the country with higher unemployment, increasing the availability of flexible working arrangements could help support more people into work.

The challenges and opportunities of flexible working

Flexible working an opportunity for employers

Although the literature is sparse, research demonstrates that the adoption of flexible working benefits employers as well as employees.

In 2014, the then Department for Business, Innovation & Skills reviewed the costs and benefits to business of adopting work life balance working practices. They identified benefits including:

- Improved corporate reputation
- Improved recruitment leading to higher calibre staff and/or fewer unfilled vacancies
- Improved retention rates
- Reduced absenteeism and sick leave
- Improved customer service, flexible or longer operating hours
- Improved productivity or performance
- Lower salary requirements
- Lower office space and energy costs
- Improved job satisfaction, motivation, engagement and loyalty
- Reduction or mitigation of the effects of practices such as long working hours, presenteeism or work intensification

In 2017, HSBC found that businesses in regions with the highest productivity were more likely to offer flexible working, and that one in five workers cited poor work life balance as the reason for leaving their last job.

Benefits of flex for employers

Attraction of talent

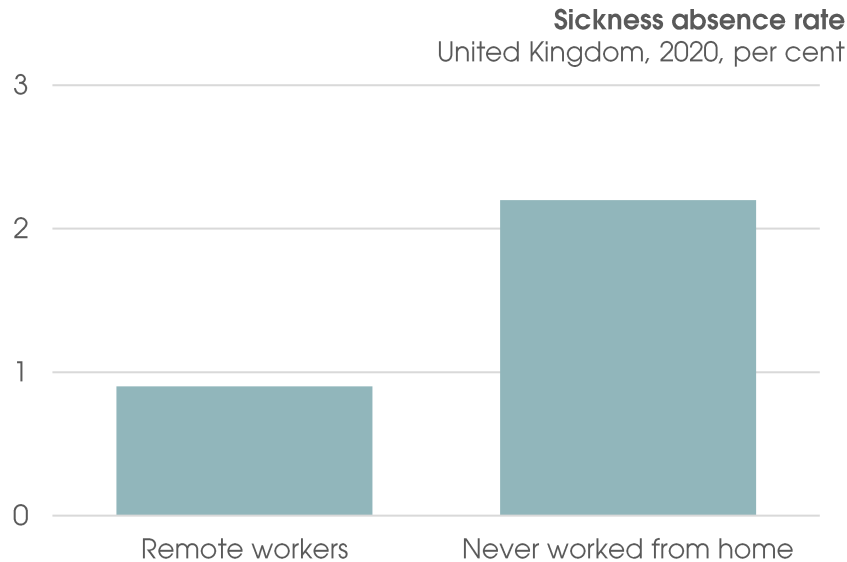
Staff retention

Supports enhanced employee engagement

Agility and adaptiveness to boost competitiveness

Lower levels of absenteeism

Lower wage inflation



Sickness absence rate of remote workers is less than half that of non-remote workers

The pandemic has provided evidence of the impact of home working from large statistical samples of workers and across a wide range of sectors (although care needs to be exercised in interpreting the results given the unusual circumstances).

The sickness absence rate for workers doing any work from home was 0.9 per cent on average in 2020, compared with 2.2 per cent for those who never worked from home in their main job.

When sick, homeworkers may not have travelled to a workplace to work but still felt well enough to work from home. By contrast, the sickness absence rate of those who reported only occasionally working from home increased to the equivalent of 5.1 days lost per worker in 2020.

Workers are happier and more productive when working flexibly

Data on the link between flexible working and increased productivity is limited, with evidence tending to be self-reported or anecdotal.

But importantly, the Department for Business, Energy and Industrial Strategy’s September 2021 flexible working consultation recognises that workers with more flexibility are more motivated to work.

A recent study by Wiserd stated that the upsurge in interest in homeworking is unlikely to be detrimental to productivity. Two-thirds of respondents said they were producing more work per hour at home than they had previously achieved on-site.

36% Workers report being able to get more done in a shorter amount of time

2 in 3 Homeworkers report being more productive at home

Workers self-reported productivity during lockdown

United Kingdom, 2020

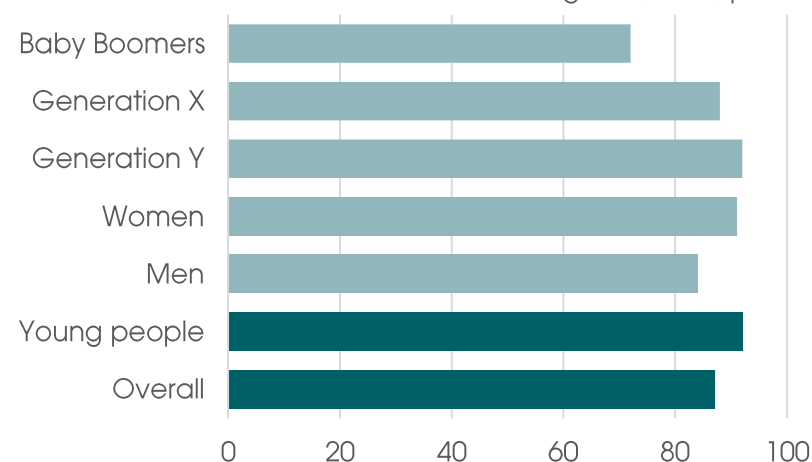
Flex can help businesses attract talent

Survey data shows 92 per cent of young people and 87 per cent of people overall want flexible working. Despite this, only eleven per cent of roles are advertised as flexible. With large firms publicly declaring their commitment to flexible working practices, there is increasing social pressure for employers to offer flexible working arrangements to remain competitive in the labour market.

In our interviews, trade body representatives cited labour market competitiveness as a reason for members' willingness to adopt flex work and retail covid-induced flex patterns, even in traditional sectors.

Proportion of population who would like flexible working

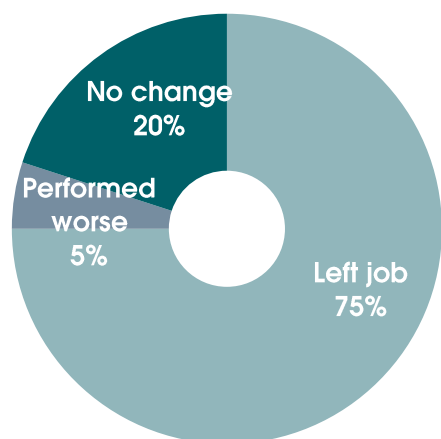
United Kingdom, 2018, per cent



Impact of employer refusing flexibility request

Netherlands, 2009, per cent

While the UK doesn't collect data on the consequences of refused requests for flexible working, comparable data is available from the Netherlands



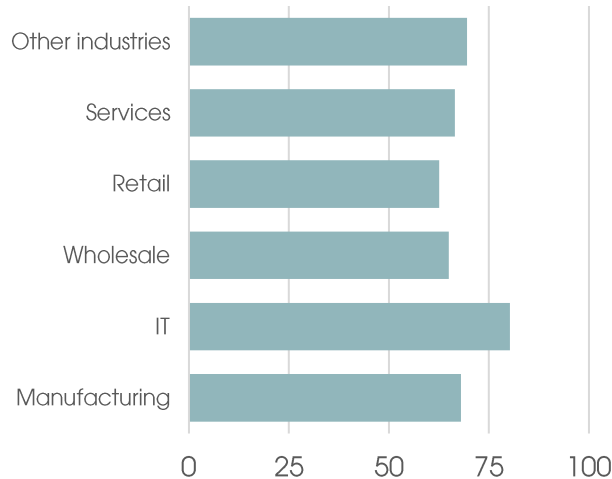
And it also supports improves staff retention

Three quarters of employers reported improved staff retention and staff motivation with the implementation of flexible working practice. In 2019, three in five parents said having a flexible and family-friendly employer would make them more likely to stay. In addition, 55 per cent said it would make them more motivated and productive.

Lack of flexibility can mean employees looking elsewhere. One in three flexible working requests are turned down and 28 per cent of workers say lack of flexibility is a reason they would look for a new job. In turn, an HSBC survey found that British workers believe their motivation and productivity levels would be higher if their employer offered them a better balance between their work and home lives – specifically the opportunity to work more flexibly.

Data from the United Kingdom is unavailable, but one survey from Japan says the average productivity of employees when working from home is 69 per cent of that in the workplace

Average productivity of home working relative to the workplace
Japan, 2021, per cent



There is a cost to business of implementing flex

Flexible working arrangements don't come without a cost. Businesses have to invest in training and education for those evaluating and overseeing flexible working as traditional working practices change.

There are costs for implementing requests, both one off and ongoing. For example, employees working partially or fully remotely may require IT equipment and cloud software over and above what would be available in an office setting.

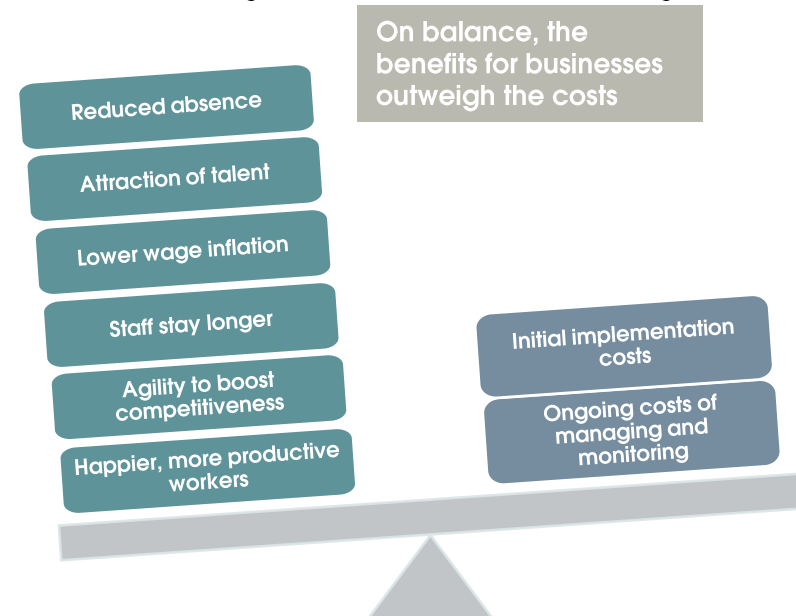
In 2010, BEIS calculated the cost of accommodating a flexible working request was on average £240 per person, while the cost of administering even a refused request for flexible working was around £60.

Flexible working isn't without criticism

In August 2021, the Institute for Economic Affairs published concerns about the unseen costs of flexible working. Criticisms included:

- Flex can incur extra payroll, training, appraisal, co-ordination and other costs when two or more people take on a role which would ordinarily be done by one full-time individual
- Home and remote working requires managers spending additional time monitoring, training and recruiting workers
- Clients and customers may struggle to get in contact with employees who work outside normal office hours
- Some sectors report workers being less productive when working from home

And in our modelling we take account of these things.



Flex delivers benefit across the whole workforce

Some groups benefit more from flexible working arrangements, but there are advantages for all workers who want some form of flex.

Flexibility can improve access to labour market, with a larger variety of job opportunities available to workers. The increase in remote working means people are less constrained by local job markets, as a growing number of 'office' type jobs can be done from any location.

Flexibility also offers the opportunity of a better work life balance for employees. This isn't just limited to those with families or caring responsibilities, but offers all workers the opportunity to reassess how and where they spend their time.

Flexible working can also help to reduce stress for those people who struggle to juggle work with external commitments. This can be in the form of mutually agreed predictable hours or commissioned outcomes, for example.

Benefits of flex for workers

Greater access to and ability to stay in the labour market

Reduces stress and mental health worries

Improved wellbeing and balancing of work and life needs

Prevents 'occupational downgrading' in pursuit of part-time work

Improves job satisfaction

Flexibility supports workers with health issues

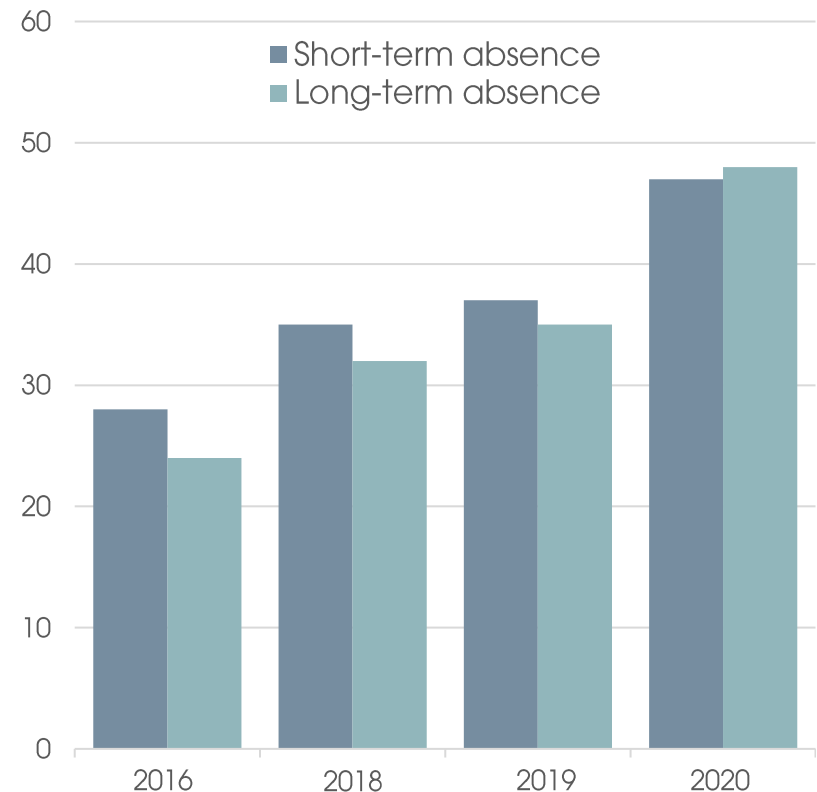
For those with health concerns, a rigid work schedule or place of work can be a challenge.

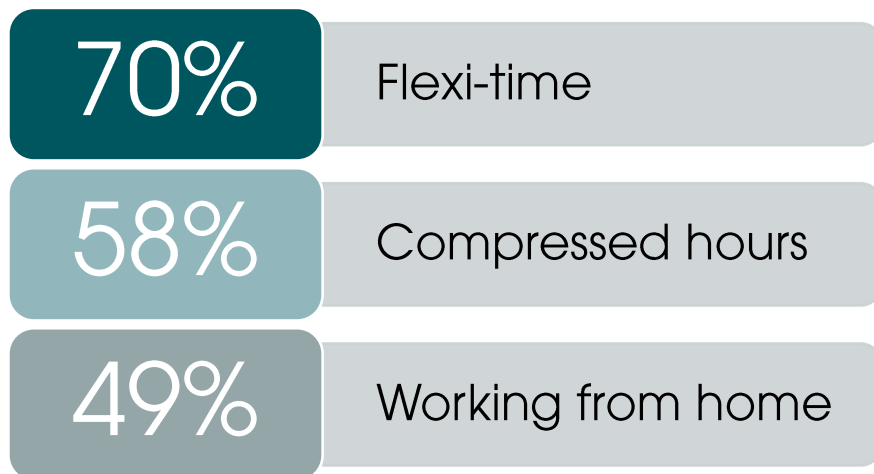
Poor mental health is responsible for many long-term staff absences, with nearly 60 per cent of organisations including this among the top three causes. Employers are using changes to working arrangements, including flexible working, to manage long-term absence, and there has been an increase over time in managing absence through focussing on employee health and wellbeing.

Polling suggests there is improved wellbeing for many who are able to work remotely. They are more likely to improve their exercise habits, spending habits, physical health and mental health, than those who have not been working from home. Over a third of people always working from home said that their mental health got 'much better' - almost twice the proportion of those who never worked from home.

Additionally, covid-related health concerns will continue to be a consideration for businesses. With the impacts of long-covid yet to be fully established, accommodating the needs of those affected through flexible working will be key to keeping them in work.

Proportion of organisations managing absence through a focus on health and well-being
United Kingdom, per cent





Desired forms of flexible working for employees who don't currently have the option
United Kingdom, 2019

Other flexible arrangements more desirable than home-working

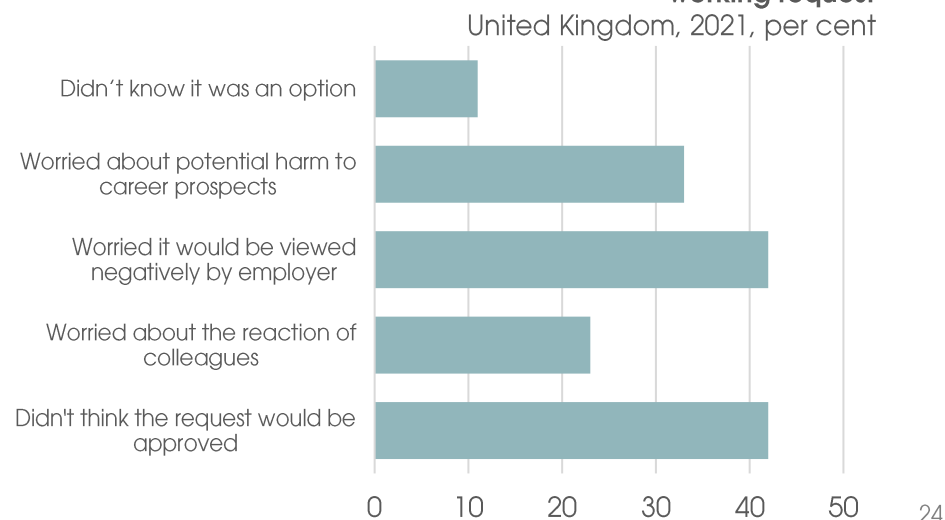
According to polling in November 2020, flexible hours are overall more important to the population than the ability to work from home, highlighting the need for employers to embrace all kinds of flexibility not just home-working.

Flex can help prevent 'occupational downgrading'

Normal working patterns simply just don't work for some parents and carers. A quarter of women in high-skill jobs downgrade occupationally when switching to part-time, with concentration into low-skill occupations a feature of women's part-time work. Half of all professional women who change to part-time working move to jobs classified as low-skilled, while two-thirds of nurses who leave full-time nursing become part-time care assistants.

Normalising flexible working across all positions and levels of seniority can help to redress the gender imbalance in childcare roles, and would also enable more men to work flexibly and share caring responsibilities more equally with their partners. In 2016, over half of younger fathers said they would take a pay cut to work less and spend more time with their family.

Reasons working mums have not made a flexible working request



Flexible working is a boost for government, too

Increasing flexible working opportunities would benefit the public purse and help more people into work.

Improved worker productivity will boost business profits, and in turn increase tax returns for the Treasury. In addition, a reduction in unemployment would help to reduce the benefits bill and see an increase in income tax and National Insurance contributions.

A combination of factors, including the pandemic and Brexit, mean there are currently 1.1 million job vacancies in the United Kingdom. There are particular shortages in the health and social work sector, which has 172,000 vacancies, manufacturing, which has 83,000 unfilled roles, and the education sector which needs an additional 60,000 workers. .

At present, there are 280,000 women who are looking after family or home that want a job, and ½ million people who are economically inactive due to long-term sickness want to work.

Benefits of flex for government

Improved worker productivity

Higher economic growth

Higher tax yields

Greater labour force participation

Reduction in unemployment

Improved diversity in senior positions

Ameliorates occupational downgrading

Scope to increase flex in high-vacancy sectors

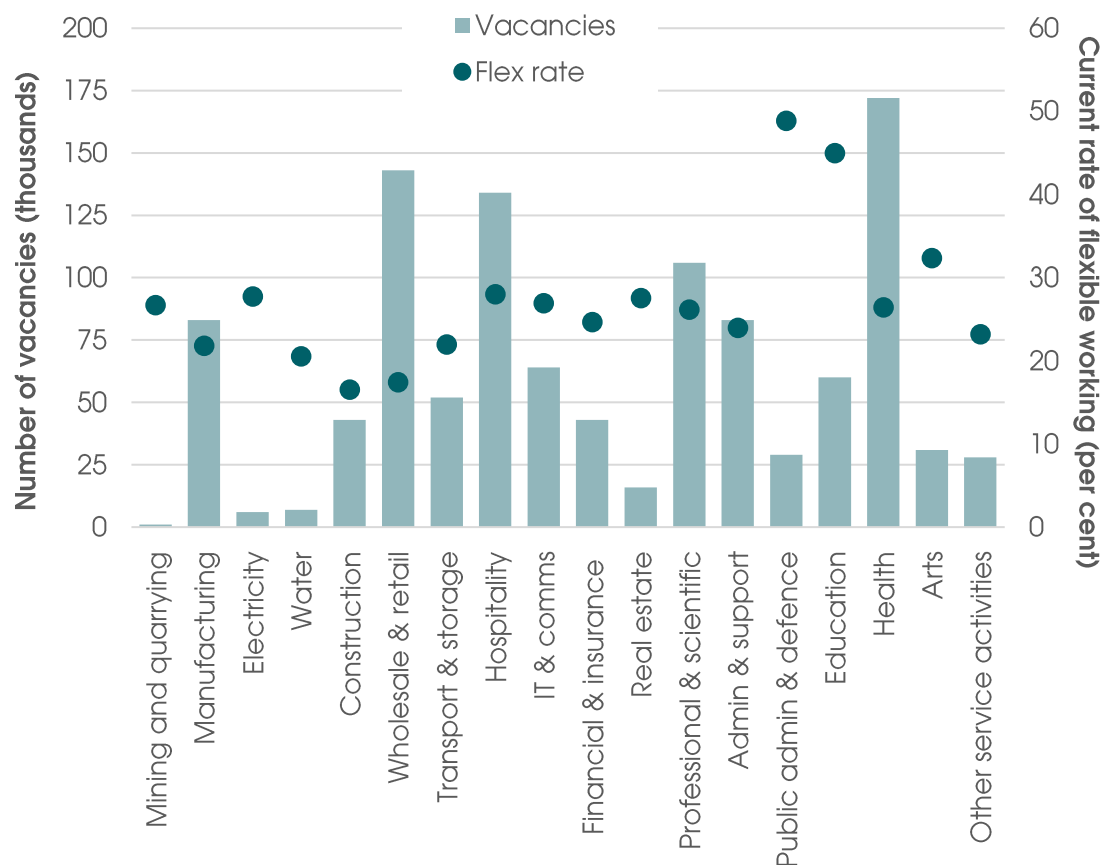
Embracing flexible working could play a key role in filling vacancies by encouraging people into work for whom traditional work patterns are not feasible.

The Centre for Ageing Better estimates there are approximately a million people aged between 50 and 64 years who are involuntarily out of work, and with better flexible working options they could help to address the shortage of workers.

The estimated rate of flexible working from the Labour Force Survey includes:

- Flexi-time
- Annualised hours
- Term-time hours
- Job share
- Nine day fortnight
- Four and a half day week
- Zero hours contract

Job vacancies and rates of flexible working by industry*
United Kingdom, July to October 2021



New normal an opportunity to redirect jobs across the United Kingdom

Currently, the more rural areas of the country have lower rates of productivity due to the industry mix and limited range of jobs available.

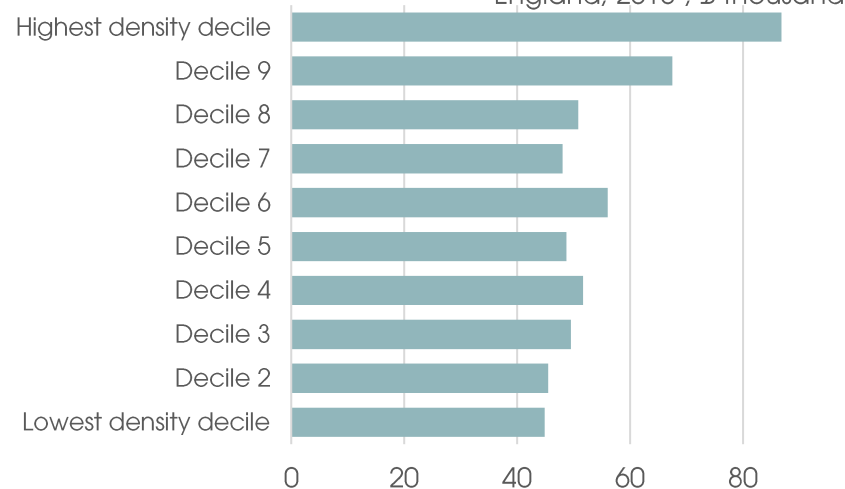
An increase in remote and hybrid working roles in particular would enable high skilled and higher-paid jobs to be redistributed across the country, and could in turn benefit local economies.

Proportion of workers that completed some work from home
United Kingdom, 2020, per cent



ONS data on flexible working by geography is limited

Gross value added per person in employment
Local authorities by population density, England, 2016*, £ thousand



Flexible working fits with the 'Levelling Up' agenda

Flexible working practices support the government's aim to address regional inequality, through improved productivity and better access to a range of jobs.

For this to be successful, however, flexibility would have to increase across all occupations, so flexible working is not just seen as an option for professional roles and more affluent workers.

*most up to date local authority data available Source: Office for National Statistics

The post-covid world of work

'New normal' working here to stay

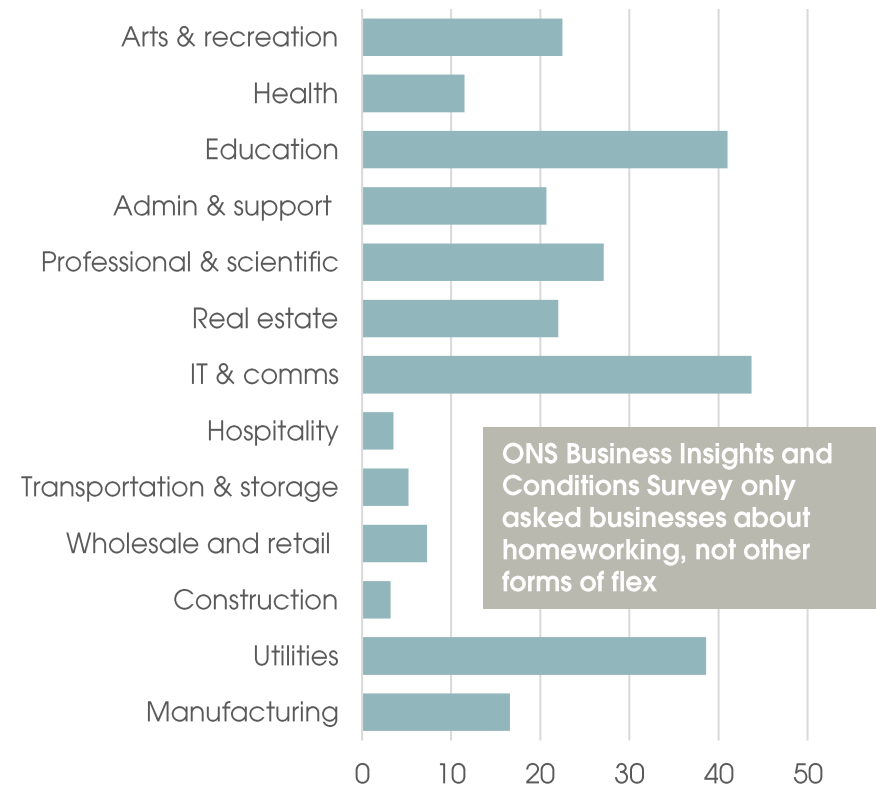
The shift in how and where employees work looks unlikely to fully return to the pre-covid norm.

The pandemic helped to demonstrate how flexible working can work, without a substantial sacrifice of productivity. And after a year and a half of remote and hybrid working, a significant portion of the workforce doesn't want to go back to the 9-to-5.

Unsurprisingly, data suggests current rates of flexible working (as defined by the Office for National Statistics) range considerably from sector to sector. In agriculture, forestry and fishing, only around thirteen per cent of workers have access to some form of flex. It is less than 20 per cent in construction, wholesale and retail, but at the other end of the scale, almost 50 per cent of workers in public administration have flexible working arrangements. The average rate across all industries is estimated to be 26 per cent.

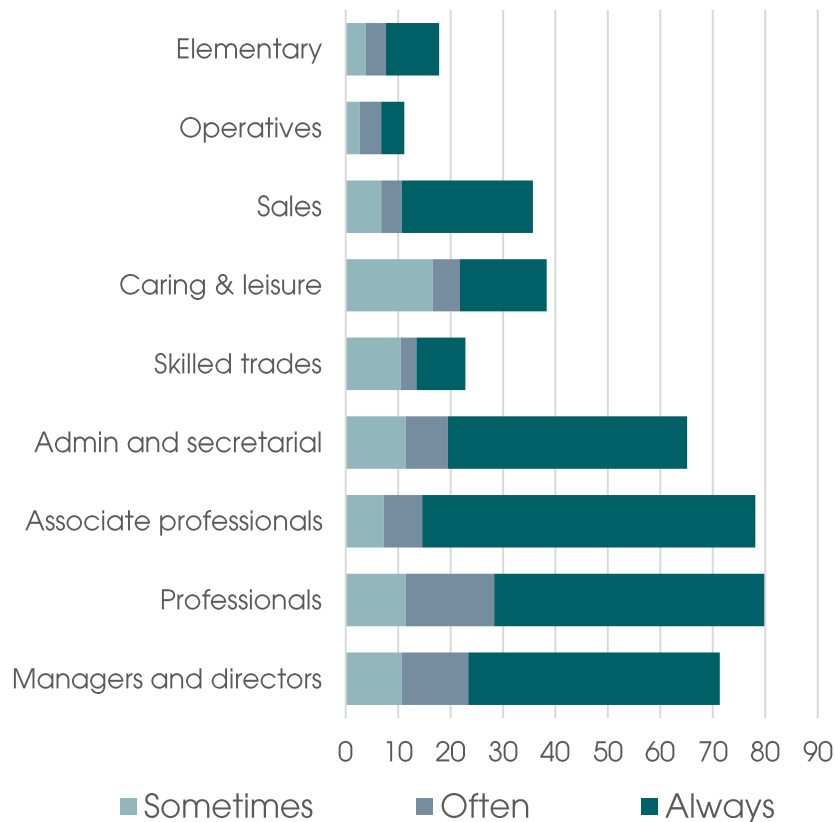
Almost all (99 per cent) businesses say flexible working is important to competitiveness, business investment and job creation. For sectors experiencing a skills shortage, they may have no choice but to embrace flex if they are to fill roles.

Proportion of businesses intending to use increased homeworking as a permanent business model going forward
United Kingdom, September 2021, per cent

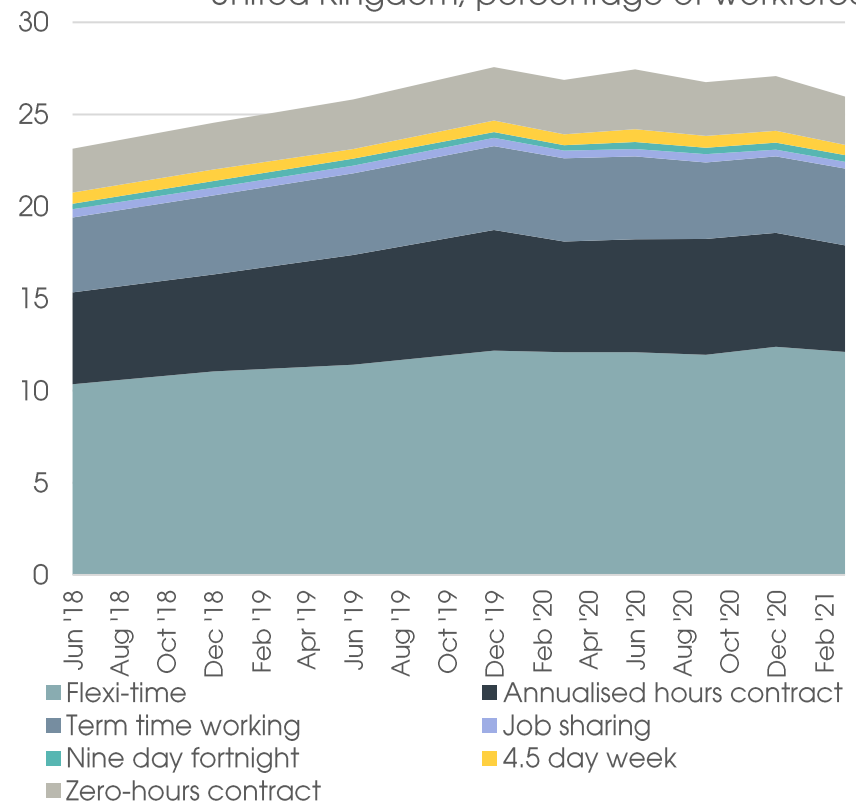


Pandemic increased flexible working

Use of home as a workplace during pandemic, by occupation
United Kingdom, June 2020, per cent

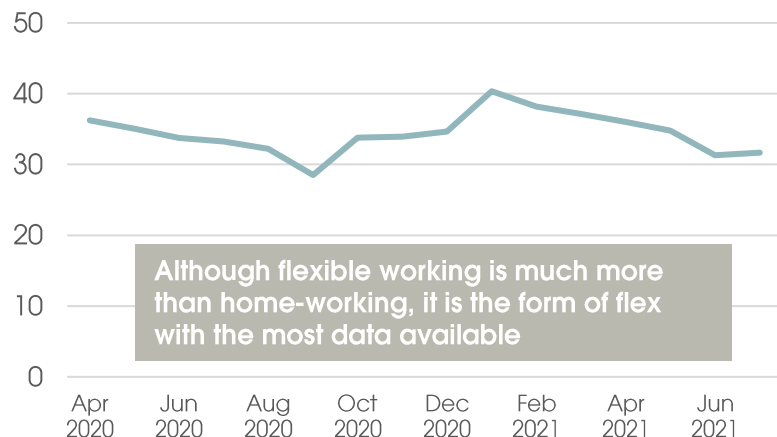


Flexible working during the pandemic
United Kingdom, percentage of workforce

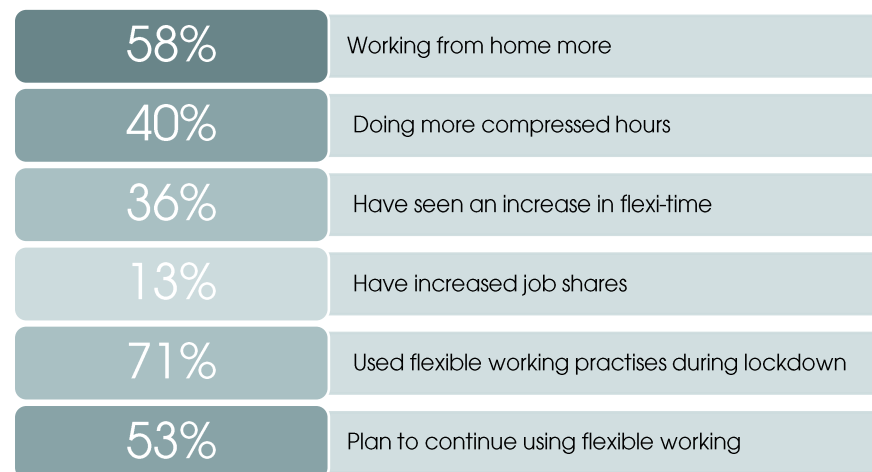


Although flexible working can be broadly defined, the flexible working data collected by ONS is limited to relatively few forms of flex. This has limited the data available to us in our modelling

Proportion of the workforce working from home
United Kingdom, per cent



Although flexible working is much more than home-working, it is the form of flex with the most data available



Employers in England, lockdown working compared to pre-pandemic working
United Kingdom, 2020

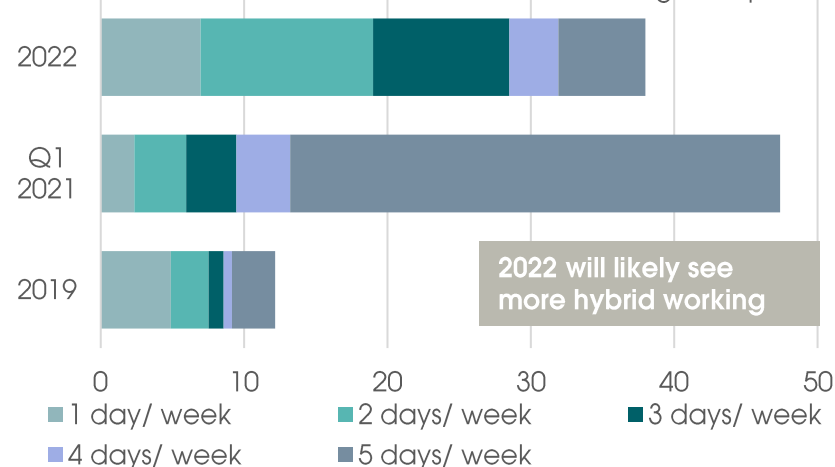
Nine-in-ten employees want flexible working

Pandemic necessitated a previously unseen shift in how and where we work. Home working has grabbed the headlines, but there has also been a change in other forms of flexible working too.

A Flex for All survey of employers revealed greater use of compressed hours, flexi-time and job shares, with over half of employers reporting they will continue using flexible working in future.

Our interviews with trade bodies suggest many members now see offering flexible working as essential to attracting talent. This is particularly important for businesses looking to recruit staff in areas with smaller pool of workers, for example the more rural areas of the country.

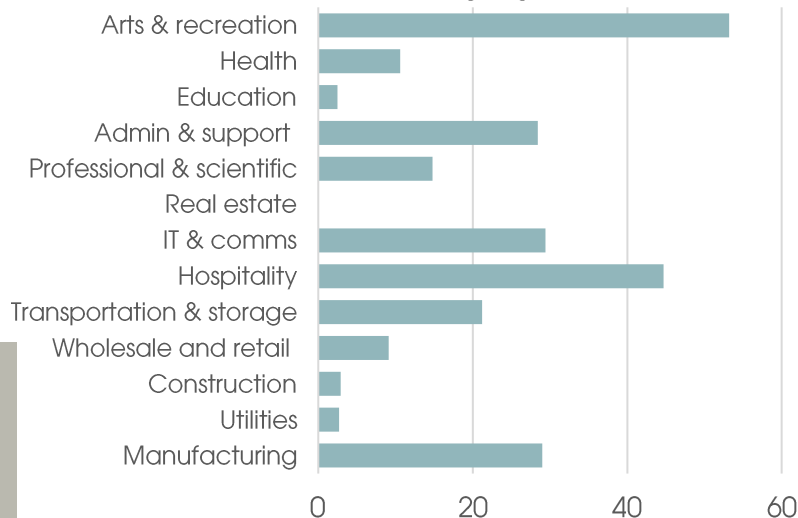
Expected proportion of the workforce working from home
United Kingdom, per cent



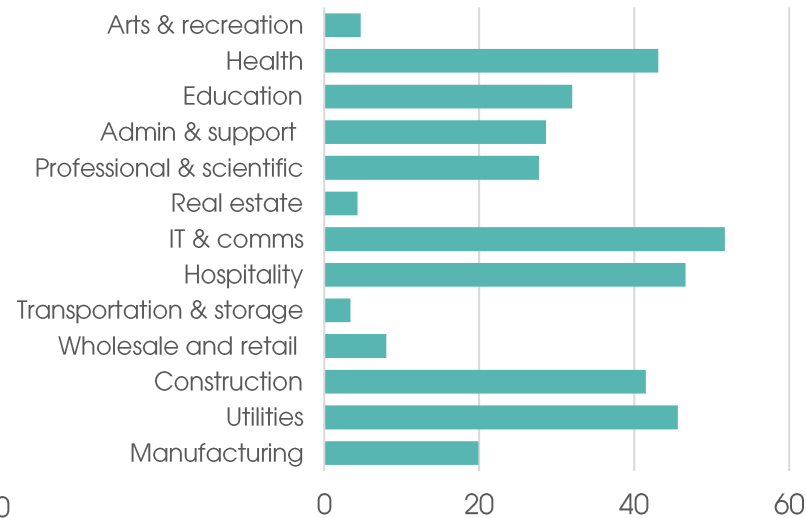
2022 will likely see more hybrid working

ONS Business Insights and Conditions Survey only asked businesses about homeworking, not other forms of flex

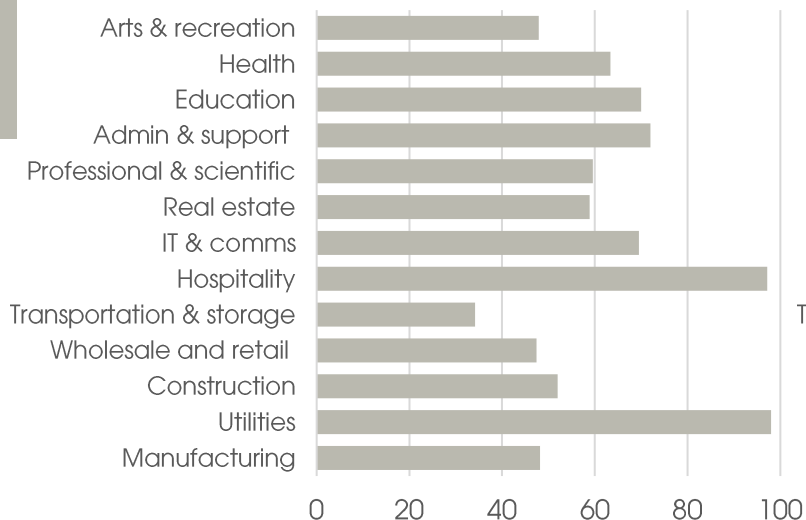
Ability to recruit from a wider geographical pool



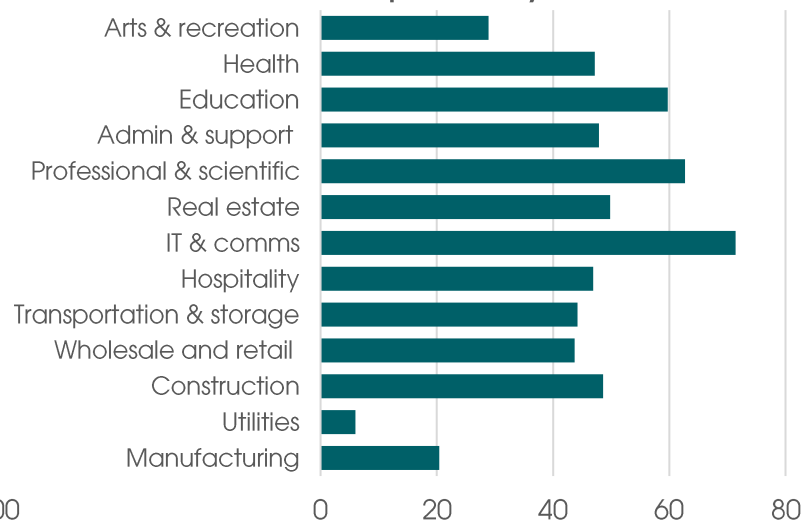
Ability to better match jobs to skills



Reduced overheads



Increased productivity



Proportion of businesses intending to use increased homeworking as a business model going forward by motivation

United Kingdom, September 2021, per cent

The economic and fiscal impact

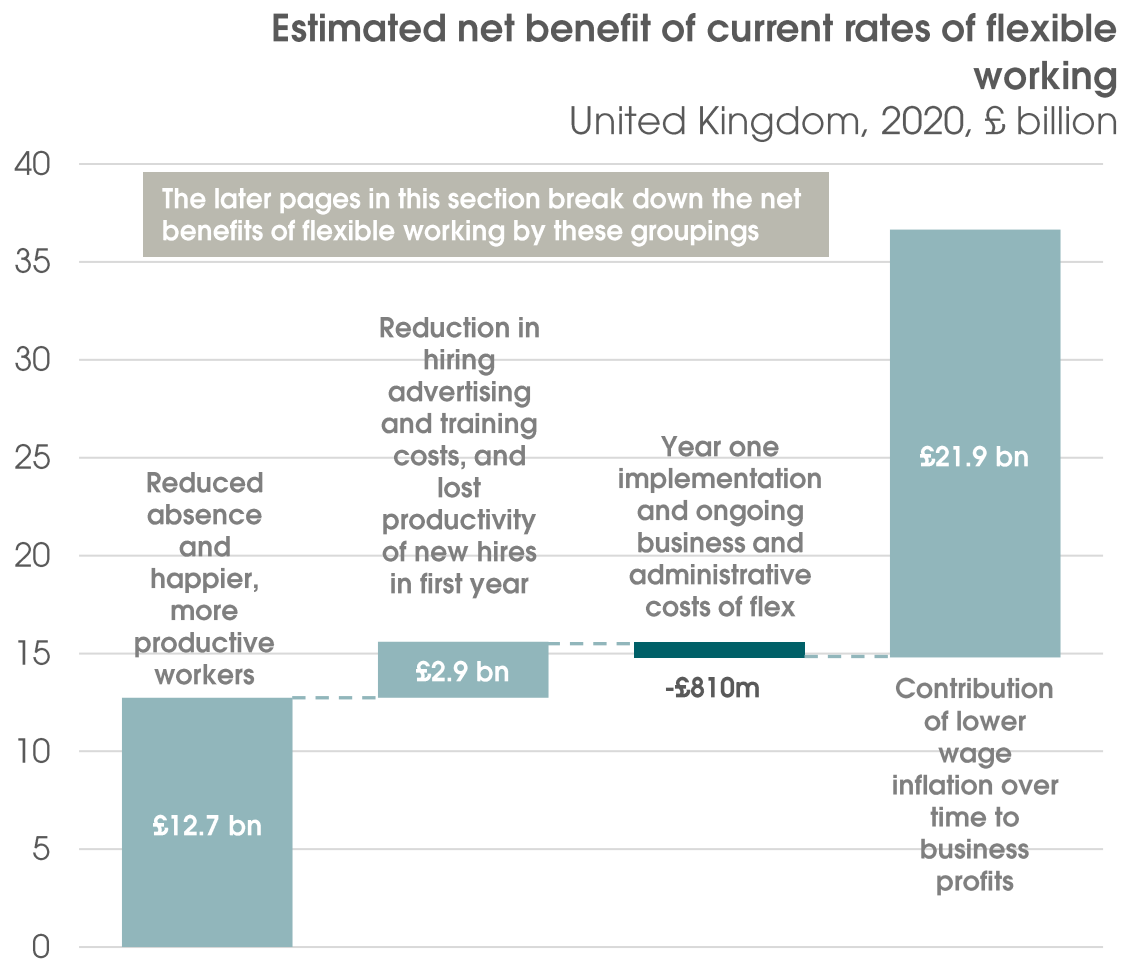
Flex already adds £37 billion boost to economy

Current levels of flexible working already deliver a £37 billion per annum boost to the United Kingdom economy.

For comparison, the Liverpool City region is worth around £34 billion. By increasing flexible working rates by 50 per cent, its value could rise from £37 billion to £55 billion -equivalent to the gross value added of the arts, entertainment and recreation, and water and waste sectors combined.

The productivity gains alone of flexible working are estimated to support an additional 34,100 jobs, which would rise to 51,200 with a 50 per cent increase in flex.

Flexible working currently contributes £374 million in income tax and National Insurance contributions above what the contributions would have been without flex.



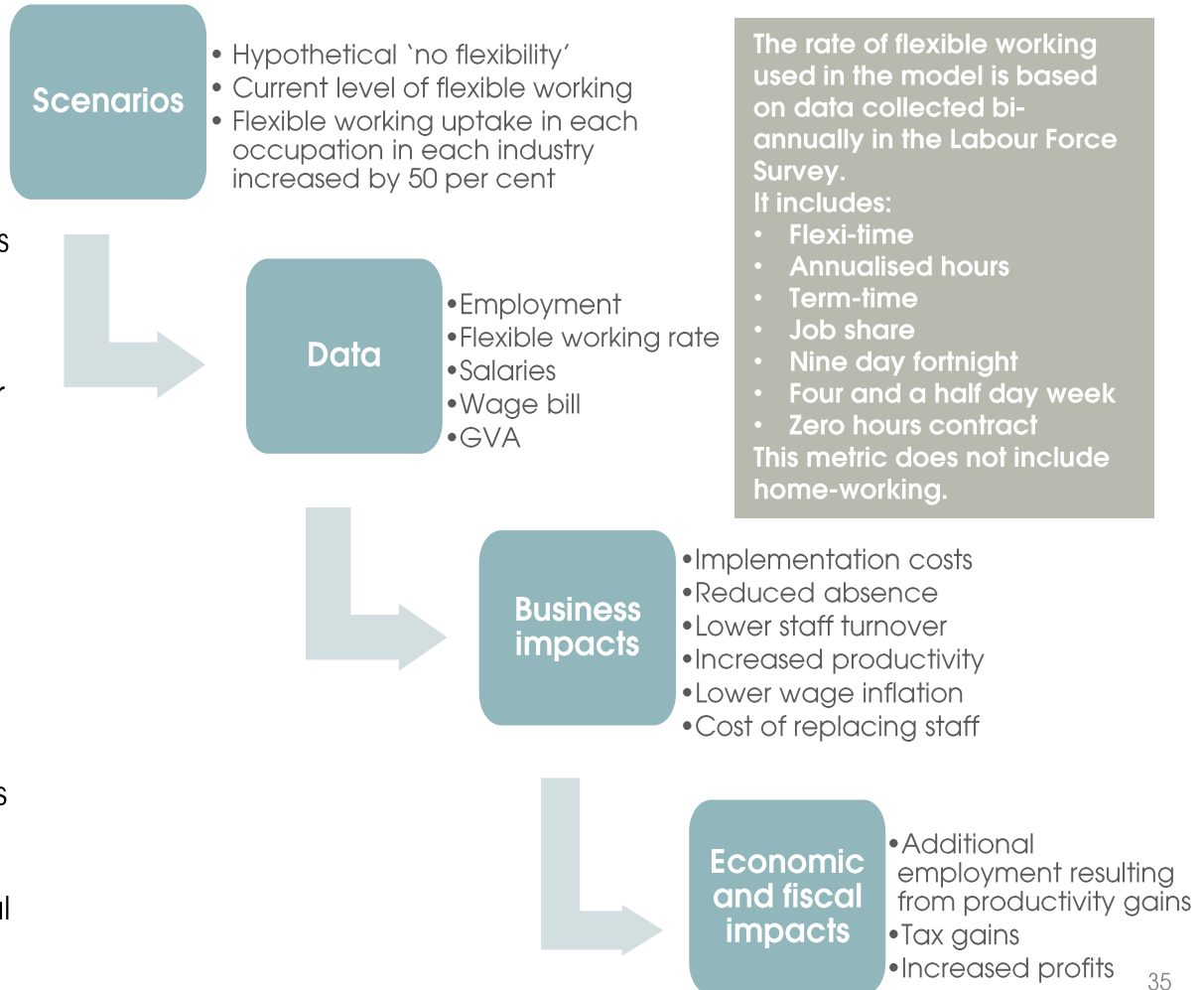
Modelling makes best use of available data

Using publicly available data, we have modelled the economic and fiscal impacts of flexible working on the United Kingdom economy.

We have intentionally deployed a cautious approach. We have focused on the business impacts opposite alone. It is likely that the economic and fiscal gains of flexible working are much greater than our modelling suggests.

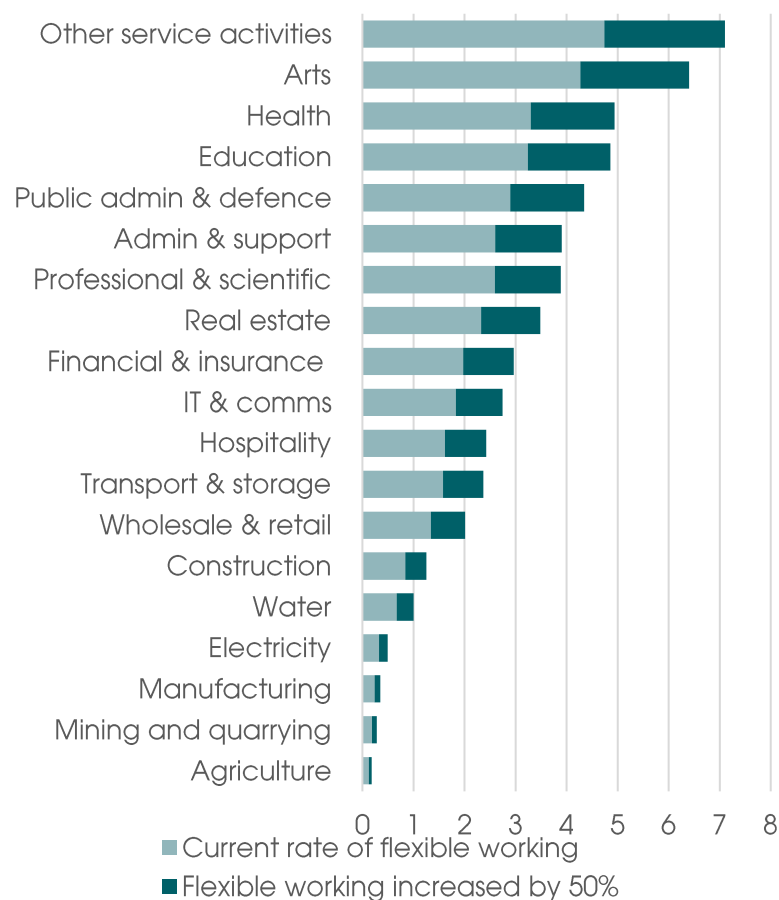
Due to a lack of available data, the modelling does not account for:

- Reduction in benefit bill as previously unemployed individuals join the workforce, due to flexible working options
- The number of potential new employees joining the workforce due to increased availability of flexible working arrangements, and the tax and National Insurance contributions of these new workers



Scenarios reflect flex reality at a granular level

Estimated net benefit of flexible working
United Kingdom, 2020, £ billion



The model we have used to calculate the value of increased flexible working scales up current uptake at a granular level.

Using a matrix that cross-tabulates employment by industry and occupation, we calculated values for 153 different cells ([see appendix](#)).

From this, we increased rates of flexible working by 50 per cent in each of the cells. For example, if currently 22 per cent of administrative and support services professionals have flexible working arrangements now, increasing uptake by 50 per cent would mean 32 per cent of workers working flexibly in future. Similarly, if the rate in a cell was only seven per cent, an increase of 50 per cent would mean a new rate of 10.5 per cent.

Our estimated costs and savings are all calculated using our occupation and industry 'grids', and are scaled in proportion to the employment in each cell.

By taking this granular approach, we are confident that an increase in flexible working of 50 per cent realistically reflects a potential rise, as the increase is proportionate to current rates.

Staff retention

Employees less likely to leave if they are working flexibly

Advertising and hiring costs of replacement staff

Training costs for new hires

Lost productivity of new staff in first year

Current flex saves businesses almost £3 billion a year in reduced staff turnover

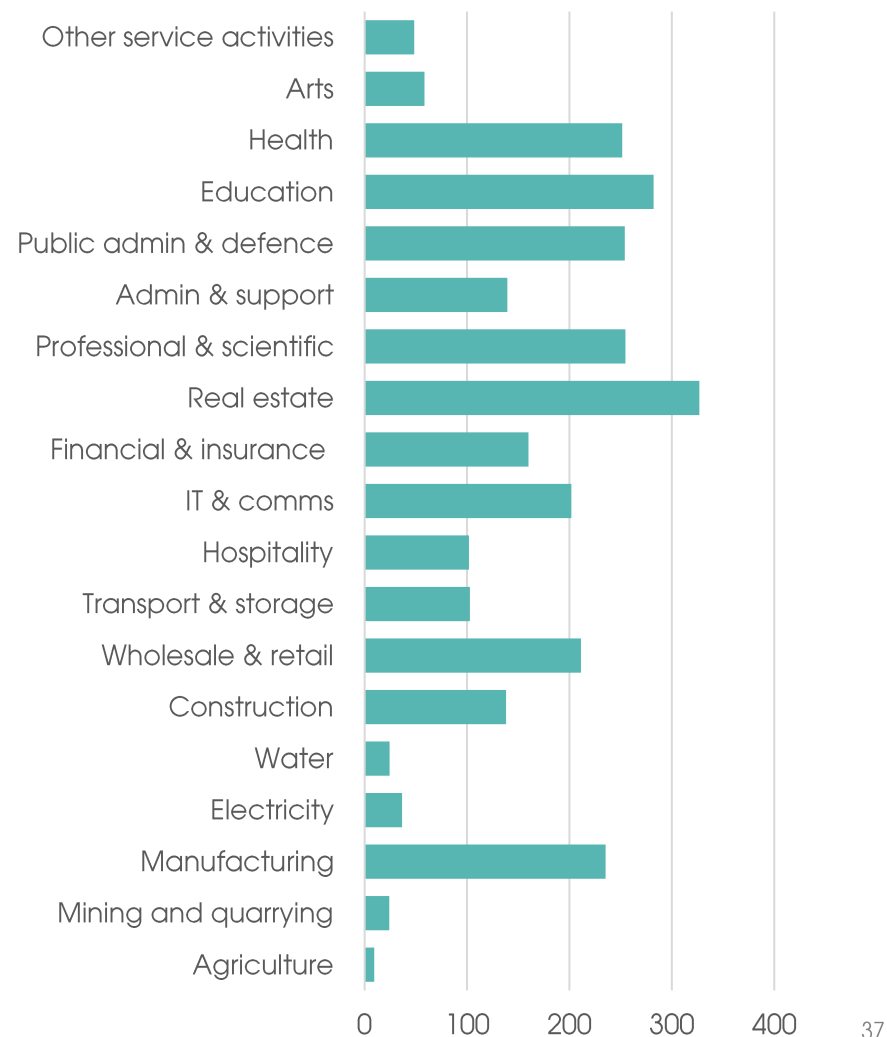
Staff stay with an employer for a conservatively estimated average of 5.7 years when they have a flexible working arrangement compared to 5.0 years without.

Businesses incur costs to advertising, hiring and training replacement employees when workers leave due to a lack of flex, and those new hires are around seventeen per cent less productive in their first year as they get up to speed.

The current rate of flexible workers staying longer than they otherwise would have saves United Kingdom businesses an estimated £2.9 billion a year.

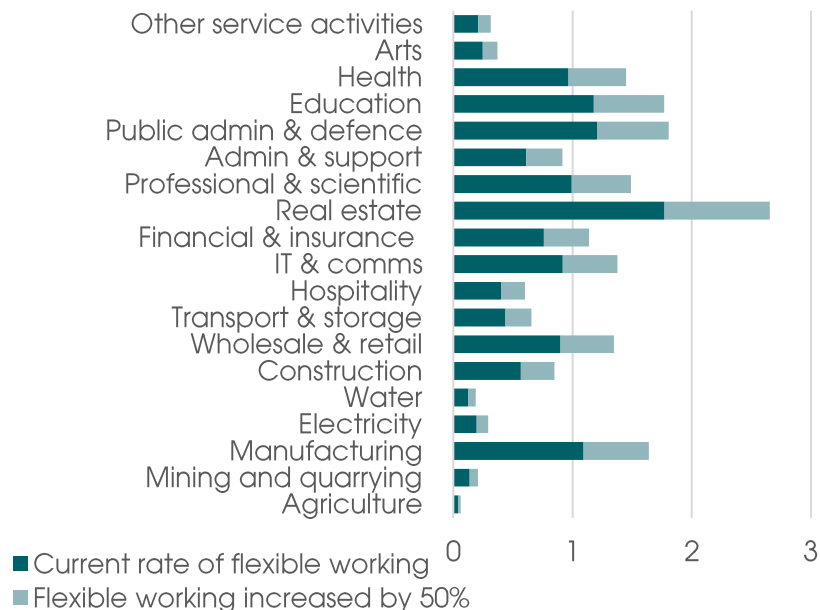
Cost to businesses of employees leaving their job earlier than they would otherwise have, by industry

United Kingdom, 2020, £ million



Impact of flexible working on GVA by industry

United Kingdom, 2020, £ billion



Flex also boosts labour supply so supports higher output capacity in the national economy

Our modelling has focused on the demand-side of the labour market. Others have considered the potential for flexible working to increase worker supply. For example, recent research conducted by the Centre for Progressive Policy has demonstrated that increasing mothers' employment through accessible childcare could increase the workforce by enough to support £28.2 billion of extra economic output per annum.

Women's earnings could increase by between £7.6 billion and £10.9 billion if they had access to adequate childcare services and could work the additional hours they wanted.

Flexible working has positive impact on employee productivity and boosts national economic output

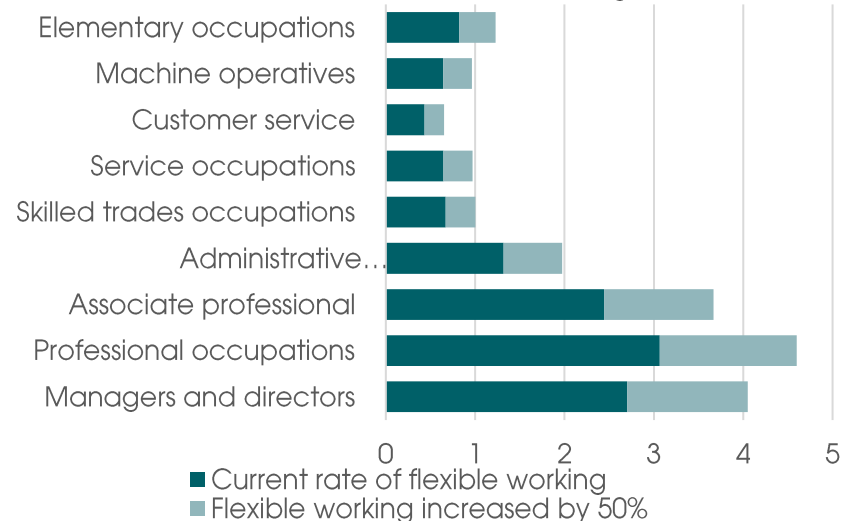
Office for National Statistics report remote workers have lower absence rates than workers without a flexible working arrangement: 0.9 per cent compared to 2.2 per cent. We conservatively model only 50 per cent of this improvement feeding through to improved employee productivity.

Additionally, the literature points to employees with flexible working being more engaged, motivated and happy – with a positive benefit to productivity. There is little quantified evidence, but our interviews with trade bodies and experts suggests an impact of around two per cent would be reasonable.

By combining the gains from reduced absence and more productive workers, our modelling shows the current value of flex to be worth £12.7 billion, increasing to £19.1 billion in our increased flex scenario.

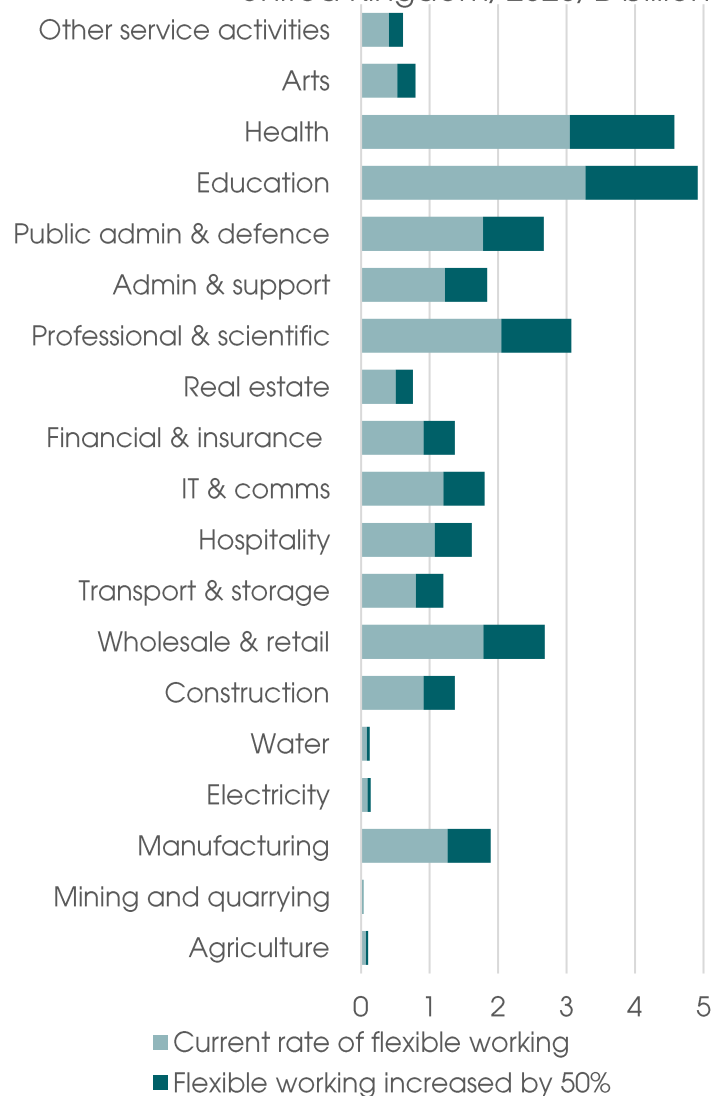
Impact of flexible working on GVA by occupation

United Kingdom, 2020, £ billion



Net benefit to businesses of flexible working

United Kingdom, 2020, £ billion



Business profits

Initial implementation costs in year one plus ongoing annual costs

Workers willing to trade off lower wage inflation for flexibility

**Net benefit to business of current flexible working:
£21.1 billion per year**

**Increased levels of flexible working:
£31.6 billion per year**

Lower wage inflation over time a bonus for businesses – but flexible working does not mean a pay cut

The literature points to employees generally being willing to accept lower wage growth in return for a better work/ life balance – but there have been few attempts to quantify the trade-off.

One survey suggests that, on average, office workers would be willing to sacrifice fourteen per cent of their salaries to have the option for fully remote working. This doesn't necessarily mean that they would accept a contemporaneous pay cut, but that over time employers would be able to offer lower pay rises than would have otherwise been the case. In our modelling, we have assumed that availability of appropriate flexibility across all roles is worth half of that – so that employers can expect wages, over time, to be around seven per cent lower with flexible working arrangements than would have been without - without any loss in productivity.

Taking account of implementation and ongoing costs of flexible working arrangements which we estimate to be £810 million a year, current rates of flex have a net benefit to business profits of £21.2 billion. Increasing flexibility rates by 50 per cent could see this grow to an estimated £31.6 billion.

Refusing flex requests isn't cost-free

The Department for Business, Energy and Industrial Strategy reports that four per cent of workers currently formally request greater flexibility in their working arrangements from their employers each year. A third are refused, and 28 per cent of these go on to leave their job.

We estimate that, through increased staff turnover, refusing flexible working requests is costing businesses £1.7 billion per annum (although we have not included this calculation in our overall economic benefit of flexible working to avoid potential double counting).

Flexible working request refusals

Staff that remain are less productive

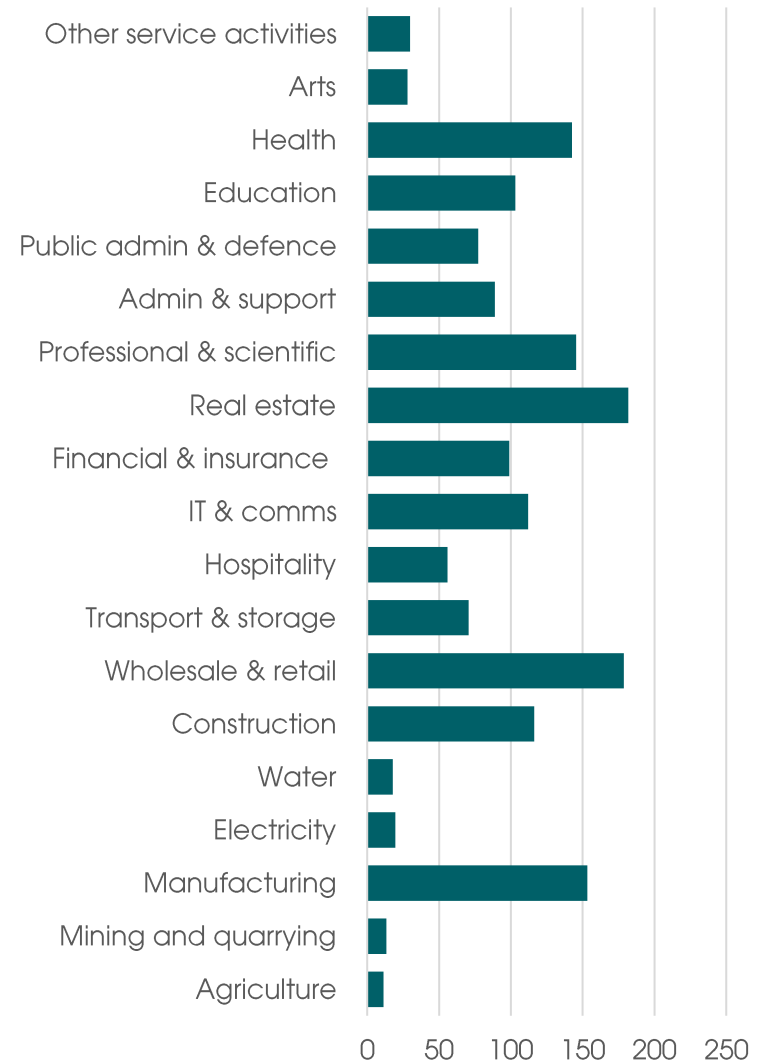
Staff that leave need to be replaced, incurring advertising and hiring costs, training costs

New employees are less productive in their first year of employment

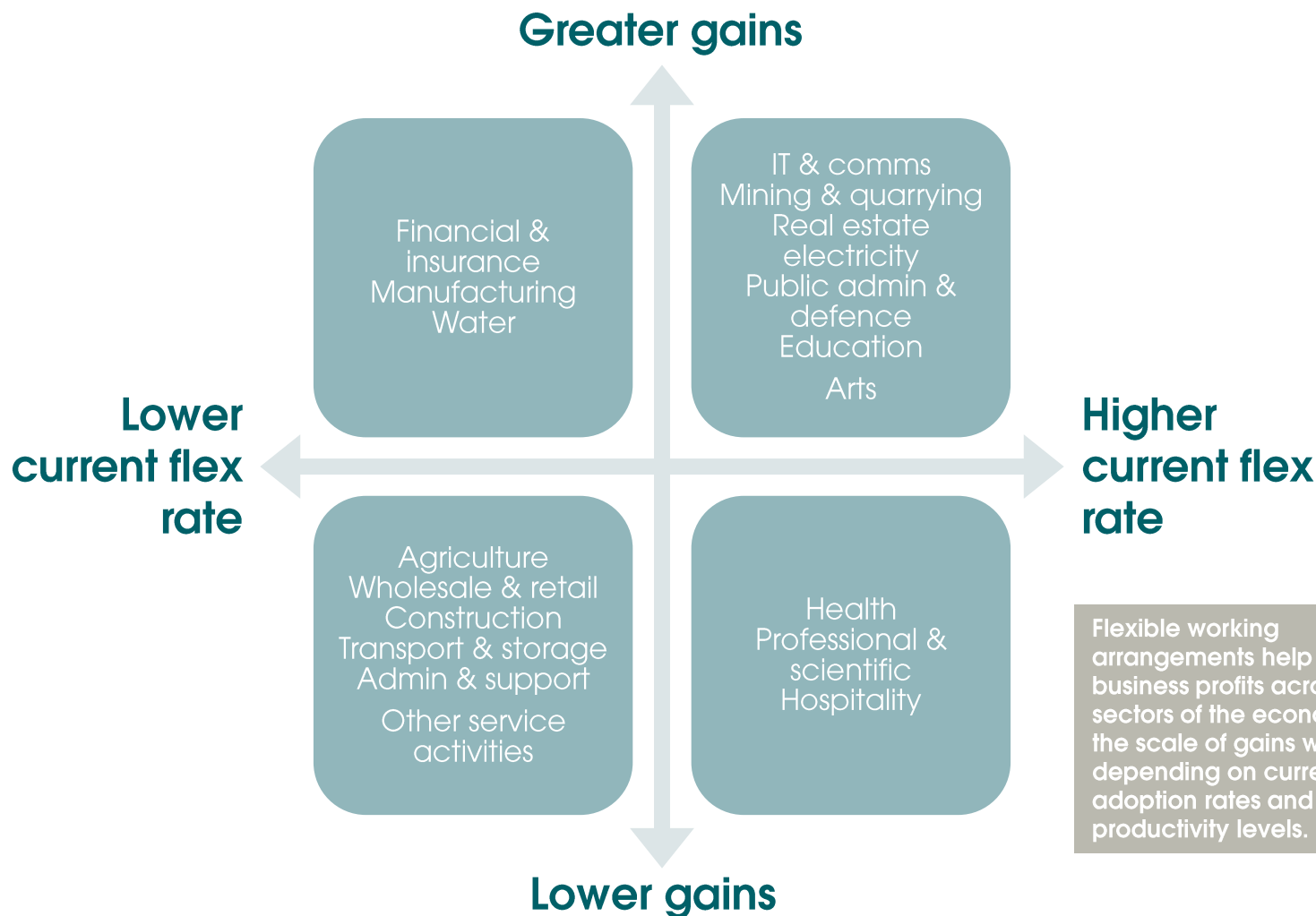
Annual cost to business: £1.7 billion

Cost of flexible working request refusals

United Kingdom, 2020, £ million



Flex benefits all sectors, but some benefit more



Delivering greater flex

Need for better information and awareness

42%

Wouldn't feel comfortable asking about flexibility in a job interview

73%

Didn't request all the flexibility they needed from their employer because they believed the request would be turned down

50%

Were put off asking for all the flex they need because they worried it would harm their future career prospects

TUC survey of working mothers
United Kingdom, 2021

Interviews with FlexAppeal partners and trade bodies identified key themes, in particular the need for better information and awareness of flexible working and its benefits.

First, job applicants have no way of knowing if a company supports flexible working if it is not advertised as such, or unless the individual feels confident asking the question during interview. Many applicants don't feel comfortable raising the issue, while others just don't apply at all. If people who could apply are informed in advance, it encourages more individuals to apply and widens the pool of potential employees for the advertising business.

Second, there is a need for a stronger evidence base showing the value of flexible working that can be used to help make the case to businesses. Data on the link between all forms of flexible working and productivity are limited - homeworking is the form of flexibility for which the most data are available, with reporting on levels pre-pandemic and during covid. In two of the government's four quarterly Labour Force Surveys, respondents are asked to report on flexible working arrangements available to them, but the sample size for some sectors is small.

While some government surveys such as the Office for National Statistics Business Insights and Conditions Survey do ask whether remote or home working has increased productivity, there is no quantification of the amount by which output has increased - it is all self-reported. And there are no data available for informal flexible working requests, which some interviewees said make up a large proportion of the arrangements that do exist.

Potential measures to stimulate increased flex

Reports from FlexAppeal partners and other groups identify various policies to support increased flexible working.

The policy recommendations summarised on this page were also suggestions we heard during our interviews.

The Trade Unions Congress, 'Transparency: Flexible working and family related leave and pay policies' report (2019)

- When employers recruit to a post they would have a legal duty to consider which flexible working arrangements are available in the role and publish these in the job advertisement
- If an employer considers that no flexible working arrangements are appropriate for the new role, then they would have to set out the exceptional circumstances which justify this decision.
- The new postholder would have a day one right to take up the flexible working arrangements that have been advertised
- In addition to this all workers should have a right to request flexible working from day one, with the criteria for rejection mirroring the exceptional circumstances set out
- Workers should have no restrictions on the number of flexible working requests made

The People's Commission, 'Build Back Stronger: Final report on Renew Normal, the People's Commission on Life After Covid-19' (2021)

The People's Commission suggest that government should work with industry, sector by sector, to identify ways to improve flexibility and ensure the lessons learned from this pandemic to aid economic recovery by encouraging increased labour force participation, and suggest the public sector could lead the way on using remote working to support the Levelling up agenda, to drive an increase remote working opportunities in areas where there are limited labour market opportunities

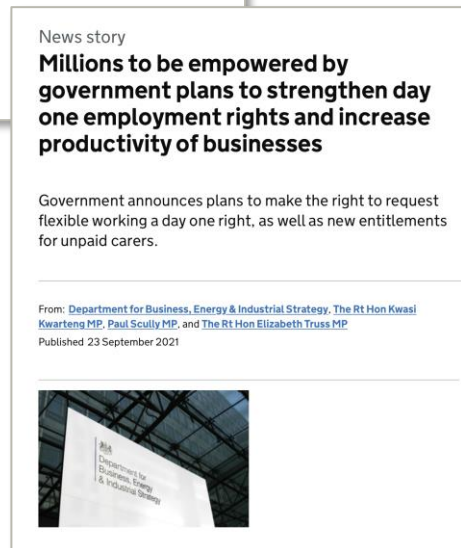
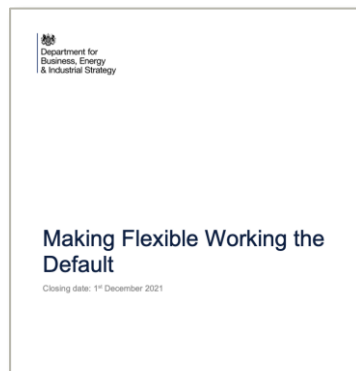
The Fawcett Society, 'The Coronavirus Crossroads Equal Pay Day 2020' report' (2020)

Government should legislate to make all jobs flexible, and advertised as such, unless there is a clear business requirement not to

Women and Work All Party Parliamentary Group, 'Women's Wellbeing at Work' (2021)

Government should legislate to make the right to request flexible working a 'day one' right

Opportunity for government to go further



The current consultation launched by the Department for Business, Energy and Industrial Strategy is welcome, but the government should consider going further.

Workers and businesses would benefit from a published list of flexible working employers, similar to that of living wage employers. This would allow workers to check out which companies are flexible employers prior to applying for a job, and would be an opportunity for businesses to champion their flexible working credentials.

Additionally, increased data collection by the Office for National Statistics would help build the evidence base and understanding of the impact of flexible working practices on businesses and the economy.

Examples of other governments' flexible working policies:

- The Welsh government would like 30 per cent of workers working at or close to home, and will open co-working community hubs to support the long-term shift in working style
- The Scottish government are in the early stages of designing a four-day working week pilot
- In 2015 and 2017, two major trials of a shorter working week were initiated by the Icelandic national government and the Reykjavík City Council, involving 2500 workers. Many moved from a 40 hour to a 35 hour work week without a reduction in pay. Following the trials' success, roughly 86 per cent of Iceland's working population has now either moved to working shorter hours or have gained the right to shorten their working hours

Appendix

Model grids

Model inputs and assumptions

	Managers, and directors	Professional occupations	Associate professional	Administrative occupations	Skilled trades occupations	Service occupations	Customer service	Machine operatives	Elementary occupations
Agriculture and primary industries	1	2	3	4	5	6	7	8	Farm labourer
Manufacturing: basic products	10	11	12	13	14	15	16	17	Factory worker, packer
Advanced manufacturing	Director, automotive factory	20	21	22	23	24	25	26	27
Utilities	28	29	30	31	32	33	34	Water and sewage plant operative	36
Construction	37	38	39	40	Electrician	42	43	44	45
Retail and distribution	46	47	48	49	50	51	52	53	Supermarket cashier
Transport and storage	Manager of haulage firm	56	57	58	59	60	61	Lorry driver	63
Accommodation and food service	64	65	66	67	68	69	Waitstaff	71	72
Information and communication	73	74	75	76	IT engineers	78	79	80	81
Finance and insurance	82	83	84	Bank teller	86	87	88	89	90
Real estate	91	92	Estate agent	94	95	96	97	98	99
Professional services	100	Family solicitor	102	103	104	105	106	107	108
Administrative and support services	109	110	111	Personal assistant	113	114	115	116	117
Culture and sport	118	119	120	121	122	Personal trainer	124	125	126
Health	127	Consultant	129	130	131	Health care assistant	133	134	135
Education	136	Teacher	138	139	140	141	142	143	144
Public services and administration	145	146	Police officer	148	149	150	Council help desk	152	153

For each cell (i.e. combination of industry and occupation), we made best use of available evidence to estimate:
 Current scale of all types of flexible working
 Potential increase of flexible working
 Economic and fiscal benefits of flexible working

Model inputs and assumptions

Inputs	Source
Flexible working rates	Office for National Statistics Labour Force Survey, April – June and October – December 2020
Employment	Office for National Statistics
Average salaries	Office for National Statistics
Gross value added	Office for National Statistics
Implementation costs of flexible working	Department for Business, Energy and Industrial Strategy

Assumption	Value	Source
Increased flexible working rate (increase on current rate)	50%	Estimated
Productivity gain from happier workers	2.0%	Estimated from interviews with trade bodies
Absence rate of remote workers	0.9%	Office for National Statistics
Absence rate of workers without access to any remote working	2.2%	Office for National Statistics
Proportion of reduced absence that yields additional productivity	50%	Estimated
Absence rate of flexible workers	1.3%	Estimated from ONS data
Reduction in pay workers willing to trade to work fully remotely	14%	Survey of 1000 UK office workers by OnePoll for Citrix
Reduction in pay workers willing to trade to work flexibly	7%	Estimated from Citrix poll
Current flexible working request rate	4%	Department for Business, Energy and Industrial Strategy
Share of flexible working requests that are refused	33%	CIPD and HSBC
Shared of workers that leave due to refused flexible working requests	28%	CIPD and HSBC
Lost productivity of new hires in year one	17%	Estimated using CGS data

Pragmatix Advisory Limited

enquiries@pragmatixadvisory.com

020 3880 8640

pragmatixadvisory.com

Registered in England number 12403422

Registered address: 146 New London Road, Chelmsford, Essex CM2 0AW

VAT Registration Number 340 8912 04