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Guides to a changing workplace

***Flex*Bulletin #62 – Is Flex <u>THE</u> TOTAL REWARD?**

February 14, 2012

HAPPY VALENTINE'S DAY!!

We appreciate the very positive response we got to ***Bulletin #61 – NEW Co Scheduling Tools.*** *This was the last in a series on a new direction for flexibility in the years ahead. While we would enjoy discussing our approach or the robust toolkit with you, we think a break is in order and new subjects beckon. So in this issue we'll take a hard look at the "post-recessionary" state of Total Rewards and explore flex through that lens.*

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Before plunging ahead, we'll insert a brief monthly note: the February update of our January summary of 2011 and 2012 trends in flex. We observed then that 2011 was marked by a certain invisibility of flexibility in media coverage. We would love to report that we were wrong or that said trend has turned around. Sadly, we think we were on target and the trend continued at least through January.

Our January 30 ***FlexWise Blog, Working Full-time into our 80s?*** *– always available on our website – caught a piece of 2011 thinking on full display in 2012. An otherwise excellent front page piece in the* ***Washington Post,*** *"Amid downturn, more older Americans employed than ever before," pointed out that more than a million older workers had been hired during the recession.. They and older workers in general were planning to work past the traditional retirement age of 65 well into their 70s or 80s.*

In such a lengthy and thorough piece, one would expect the author to at least raise the question of whether from preference or necessity some of these folks might want a reduced schedule of whatever sort. But there was not a word. And a week later ***USA TODAY*** *ran a similar cover piece. It featured a survey excerpt saying that 2/3 of older workers expressed interest in part-time. But it did not explore what this meant for flexible schedules. The invisibility continues.*

Almost too many years ago to recollect, I was shocked for the first time (on this topic) when a client asked me:

> ***"How much of a pay cut could I include as part of a telecommuting package? After all, people are saving money on gas, meals, dry cleaning. Shouldn't they share the gain and maybe take a 10% pay cut?"***

In the many years since – and as recently as a **Fast Company** piece a few weeks ago – I have seen references to what I call the flex-cash tradeoff. Surveys of prospective flex users often find that office-bound staff would give up 'X' dollars or 'Y' percentage of comp in order to work from home or compress their schedules. There is of course quite a gap between promises in a survey and self administered pay cuts. But survey responses speak volumes about the value placed on flexibility.

GREATER CONTROL OF SCHEDULES is deeply – and financially – valued

- **Seriously Valued** For more than a decade the demand for, and access to telecommuting and other collaborative schedules has grown robustly
- **Pent-up Demand** The lengthy recession has dampened the supply of flexibility and added to the intensity of demand – increasing its perceived value
- **Cash Equivalent** Occasional surveys continue to show a willingness to trade theoretical pay reductions for greater flexibility

This longest and deepest recession since the Great Depression has unleashed complex forces. There is little comprehensive and direct research on the current climate for flex-cash tradeoffs. One can only speculate on such matters as the increase or decrease in demand for flex and the relative priority of extra time over extra income. For purposes of this **Bulletin** we will assume that a relatively straight line progression has marked this period.

THE MILLENNIALS WEIGH IN strongly, clearly and with telling priorities

Many of you are familiar with our recent 9-employer focus group study, ***Millennials Speak***, which set out to capture this group's attitude toward flexibility. One of the more surprising findings in this study emerged when participants were asked to rank the importance of the four common elements of Total Rewards: Compensation, Benefits, Paid Time Off (PTO) and Flexibility. The findings:

- **Early Interest** – Millennials show earlier and stronger interest in flex than other cohorts
- **High Rating** – Two-thirds of participants rank flex #2 or #3 – with comp typically #1
- **Families Intensify** – Millennials raised flex ranking when projecting families; many set at #1

This millennial data fleshes out part of the valuation picture. Most importantly it suggests that the fastest growing cohort within the workforce may be driving the demand for flex. And this cohort is the workforce of the future. As it seeks flexibility, the workforce seeks flexibility.

THE STATE OF TOTAL REWARDS is in considerable flux, and mostly declining

Total Rewards began a long secular slide before the recession – and that downward spiral has only intensified over the last several years. What used to be generous packages with notable annual increases have seen various degrees of decline in these areas:

- **Pensions** Defined benefits have become defined contributions have led to decreased contributions
- **Compensation** Starting salaries, annual increases and bonuses have diminished
- **Benefits** Generous health coverage with low or no premiums or co-pays has given way to the opposite
- **Paid Time Off** Redesign in this area has been mixed, tending to reduce overall time off
- **Flexible Schedules** Modest to no gains have marked this last period

To the degree that Total Rewards are seen as a driver of recruitment, engagement and retention, this vehicle may be losing some of its power. Many companies are instead choosing initiatives that show the potential of immediate cash gains.

THE POSITIVE TRENDS IN THIS ARENA SEEM DRIVEN by cash savings

In a period when positive change seems to move at a very slow pace, a couple areas of rapid innovation stand out. Each is linked to quantifiable financial savings. They are:

- **Remote Work & Real Estate Savings** For a decade or more companies were highly skeptical of any form of offsite work. In the last several years dozens and dozens of firms have sent hundreds of their employees to work full-time at home driven by the potential to reduce space use and the costs that go with it. Savings end up building desirable flexibility.

- **Widespread Wellness & Insurance Savings** It would be hard to tell whether the remote or the wellness trend has swept companies more quickly. There can be little doubt that wellness has erupted, benefitting individuals and offering substantial health insurance savings to companies.

IS IT TIME TO REPOSITION FLEXIBILITY as a unique cost-saver?

There are ways to save money without instituting one-off pay cuts for flex. In today's environment it may make sense to step back and look at the potential for strengthening flex offered by the topsy-turvy state of Total Rewards. The logic might go something like this:

- **Total Rewards Shrink** The broader decline in Total Rewards will continue and represents major savings in core labor costs for companies
- **Flex = Low-cost Offset** There are few more difficult changes in organizations than takeaways. But labor-related takeaways are underway and chronic. They cannot stand alone. Given its growing popularity, flexibility offers a unique offset and low or no-cost means of restoring faltering engagement.
- **Strategic Usage is an Anchor** As with remote work and wellness, if flexibility is seen as a broad contributor to, or enabler of saving, it may be more strongly supported.
- **Controllable Costs are Best** Unlike the Total Rewards components, each of which is quite costly, the broadest possible flexibility initiative is very affordable – a shot at double saving.

In short, robust flexibility offers a unique opportunity not to get telecommuting with a 10% refund, but to create an engaged and flexible workplace linked to a broad cost-saving strategy.

Collaborative or Co Scheduling is a complete, innovative vehicle that offers significant "new model" features for organizations seeking a more effective approach to flexibility. As with any new model, it comes with core features and optional elements. Co Scheduling is a customizable approach. If all or part of this system could meet your needs, we would enjoy discussing the possibilities with you.

www.rupertandcompany.com

Best regards,
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