

FLEXIBLE WORK DESIGN: A STRATEGIC IMPERATIVE IN NEW ZEALAND BUSINESS

JULY 2015

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EXECUTIVE SUMMARY

There are a number of megatrends directly impacting the New Zealand workforce, and these are set to increase in the future. Trends such as growing ethnic diversity, the ageing workforce, increasing talent shortages and the increase in the level of female participation in the workforce all point to a need for New Zealand organisations to revise their current work design patterns and check them for relevance against this emerging market. Given the super-diverse society we live in, organisations must work towards creating inclusive cultures, in order to leverage the real value that having a diverse workforce brings. However diverse our workforce needs may be, there is one driver of engagement that cuts across gender, age and ethnic dimensions - The desire to have an improved work/life balance and supportive workplace culture.

Underpinning these demographic pressures is a global trend towards the deregulation of the workforce, which means that workers are looking for opportunities to have more choice over their working hours, place of work and mode of delivery. This, coupled with the advances in technology and the pressure of housing in urban areas all adds up to the fact that in order to attract the best and the brightest, organisations will need to broaden their thinking about work patterns and be willing to enter into negotiation with their key talent, on this topic. Research increasingly indicates that flexibility is here to stay and is a universal requirement across the workforce, albeit in response to a number of different needs.

Both skilled and unskilled workers in New Zealand value having a genuine choice about the way they work and this choice enables a balance between work and other aspects of life such as caring for their families, study, leisure and other activities. Workplaces in New Zealand are starting to respond to these needs by introducing both informal and formal flexible work options.

On the 6th March 2015, New Zealand introduced new legislation regarding the right of workers to request flexible work. These enhanced provisions now bring New Zealand to the forefront of flexible work practices in the OECD.

This research was conducted by Colmar Brunton on behalf of OCG and Diversitas to understand the impact of the introduction of the [Flexible Provisions of the Amendment to the Employment Relations Act (2014)] on New Zealand workplaces and gauge the level of understanding across both employers and employees regarding the impact of the legislation.

Our research shows that the level of understanding by both employers and employees regarding their right to apply for flexible work and obligations to offer flexible work options is relatively low. Where organisations have introduced flexible work, it is usually on an informal and ad hoc basis, rather than incorporating it into work design as a legitimate and sustainable workforce strategy.

The majority of employees who do have formal flexibility are in the 31 to 45 age group which represents a slice of middle management and potential future leaders.

Industry leaders in this area appear to be Financial Services and the Public Sector with more male dominated industries having very low levels of flexibility. There appears to still be a correlation between gender and flexibility, driven by the fact that women are the predominant carers in New Zealand. This notwithstanding there is a growing desire from workers (of both genders) to have the option of flexible work for reasons other than caring, including physical and mental health, and hobbies and pursuits. Looking at worker intentions, it appears that the intent of the act to “gender neutralise” the issue of flexibility is having some impact on worker uptake, albeit at very low levels. With a large number of workers indicating they would switch companies for an equivalent role but with flexible work options, it is clear that organisations who wish to attract and retain their key talent need to implement proactive strategies to meet the work/life needs of their employees. Organisations who are “ahead of the curve” will gain the most in terms of attraction, culture change and retention. This is becoming a business critical issue, and should be viewed as a key building block to staff engagement, productivity and discretionary effort.

MEGATRENDS IMPACTING NEW ZEALAND BUSINESS

ETHNIC DIVERSITY

Since 2000 New Zealand has had the highest rate per capita immigration in the OECD. As the bulk of these immigrants have opted to settle in Auckland (70%), it has become one of the most ethnically diverse cities in the world.

According to Statistics New Zealand's latest census (2013), there are 213 ethnic groups represented in New Zealand. Significantly, there is marked growth in a number of minority populations, for example 23 per cent of Auckland now being Asian. While the European workforce in New Zealand is predicted to grow by a mere 5% between 2006 and 2021, the Maori workforce has a predicted growth of 29%, Pacifica 59% and Asian 145%.

Department of Labour projections have the overall New Zealand workforce in a steady growth pattern until 2040, when it is predicted to level off. However, the biggest contributor to the workforce will come from new migrants to our shores.

Flexible work patterns and alternative work design are key to migrants who often arrive in the country with no extended family support structures and few existing networks. As the make-up of our workforce changes to reflect a multi-cultural melting pot of different ethnic groups working side by side, smart organisations are responding by seeking to understand the unique and varied needs of their workers and implementing flexible work patterns to accommodate these needs. While ethnic diversity is a key consideration, this is only one of the megatrends creating the imperative for flexible work design.

AGEING WORKFORCE

According to a Department of Labour report (Workforce 2020 Forces for Change in the Future Labour Market of New Zealand), New Zealand currently has one of the highest labour force participation rates in the OECD and its rise over recent years has been a substantial contributing factor to labour force growth. One trend has been the strong improvement in the participation rates of older workers since the beginning of the 1990s.

Another trend has been steadily increasing female participation and slowly abating male participation. Employment rates are also high by international standards, especially for older workers.

With the unprecedented number of workers with "deep smarts" in the Baby Boomer category, government and industry are well aware that New Zealand's ageing population creates a macro-economic imperative for people to participate in the labour force for longer. While there is often a mutual need for workers 60 years and over to remain formally employed, there is also a growing demand for work to be structured in such a way that an effective work/life balance is maintained, with the aim of longer term transition out of the workforce.

CARING RESPONSIBILITIES

According to a Department of Labour report (Labour Market Characteristics of Unpaid Carers), 46% of women and 36% of men in employment also have caring responsibilities. For these workers having the flexibility to attend to family needs is essential for a sustainable and long term working relationship. The changing nature of labour supply (with older workers, people with caregiving responsibilities and persons with disabilities working) will create greater demand for less traditional and more flexible working arrangements.

GROWTH IN FEMALE WORKFORCE PARTICIPATION

Since 1986, female participation in the workforce has grown more than 50%, with New Zealand's female participation rate now above the OECD average at 47%. Flexible work is not only a key enabler, but also a vital attraction tool in a market that is severely short of skilled workers. In New Zealand we are also seeing more women transitioning back into the workforce at a much later stage of life due to economic pressures. At the other end of the spectrum, by 2025, three times as many women than men will graduate from New Zealand tertiary institutions putting New Zealand at the top of the table in this regard: NZ 76%, UK 71% and Australia 62%.

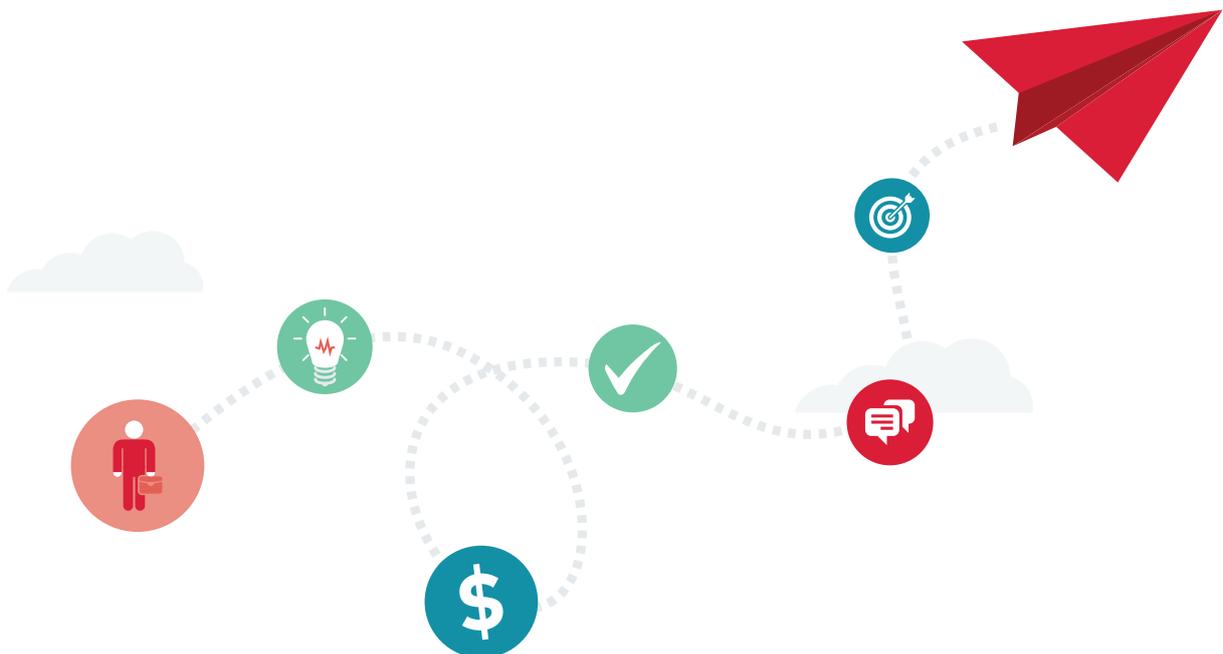
EMERGING WORKFORCE

Irrespective of gender, the younger workforce has a fundamentally different approach to work. The generation born in the 1980s and early '90s, sometimes called Gen Y or, more commonly, Millennials, are now making an impact in the workplace. Born into the emerging world of technology and communication, the expectations of Millennials and their outlook on the workplace generally differs from that of their predecessors. Generally speaking, this group cares less about job security, paying their dues, and working their way up a corporate ladder than their Generation X and Boomer counterparts. They are also significantly more interested in careers that express their personalities, individual needs, and allow them to have a life outside of work, than their predecessors. For this group, flexible work design and the desire to find "meaning" in their work are two of the key attractors to formal employment.

GROWING TALENT SHORTAGES

Back in 1997, McKinsey coined the phrase, "war for talent." Today, one could argue that the war is over and "the talent won." While unemployment remains high among unskilled workers, highly skilled workers are in great demand, making it critical for organisations to become "talent magnets" and attract a steady pipeline of top talent. Increasing numbers of employees, both highly skilled and low skilled, will have non-standard work arrangements. The flipside of this is that there may be greater insecurity and uncertainty for the workforce, particularly among the lower skilled working in areas where they have less control.

In order to continue to attract key talent, organisations will need to focus on building and communicating a strong and relevant employment brand, which incorporates an element of flexible work design while offering candidates the opportunity to progress their careers with both lateral and vertical career opportunities.



ABOUT OUR RESEARCH

On 6th March 2015, the Employment Relations Amendment Act (2014) came into effect. The flexible provisions introduced in the Act aim to improve people's participation in the labour market and to better reflect modern lifestyles. Flexible working arrangements help employees find the right work-life balance for them and their employer. The key changes are:

- extending the statutory right that caregivers previously had, to request flexible working arrangements, to all employees
- removing the requirement of six months' prior employment with the employer, so employees can ask for flexibility from their first day on the job
- removing the limit on the number of requests an employee can make in a year
- reducing the timeframe within which an employer must respond to a request from 3 months to 1 (and requiring that the response be made in writing and include an explanation of any refusal).

Luminary Search, as a significant player in the field of talent acquisition and Diversitas, a leading diversity consulting company joined hands to sponsor a research project. The aim of the research was to understand whether the passing of the new flexible work provisions will induce a greater uptake of formalised flexible work, what the employees' reasons for needing flexibility might be and lastly whether there are any organisational barriers in place, which will prevent workers from applying for formal flexible arrangements?

We also wanted to understand whether flexibility is an issue for workers across the age, gender and industry spectrum or whether it pertains to only select segments of the working population. For purposes of this research, we defined formal flexible work as a variation to a standard work arrangement which should include:

"A change to the time (when) and/or location (where) and/or manner (how) in which an employee works. This should be indefinite or for a period of at least 6 months and be documented in the employer's records."

METHODOLOGY

Colmar Brunton was commissioned to conduct an online survey with 16,000 New Zealand employees across industries and role types. Respondents were sourced from the 2015 OCG Consulting client and candidate lists. Our approach was designed to achieve the broadest reach of the sample supplied by OCG. Invitations were sent out to the full database, providing each database member the opportunity to provide their opinion to the survey.

For a base of n=1,299 responses, the margin of error at a 95% confidence level is +/- 2.72%.

DEMOGRAPHIC

Survey responses were received across the spectrum of the multi-generational workforce and represented workers from across the range of twenty different industry sectors. The gender split between respondents was 42% male and 58% female with the majority of respondents in the 31 to 45 age group. A total of 1299 respondents completed the survey, representing an 8% response rate which is statistically significant.

SUMMARY OF KEY FINDINGS

Who is currently working flexibly?

28% of respondents have formal flexible working arrangements



31%

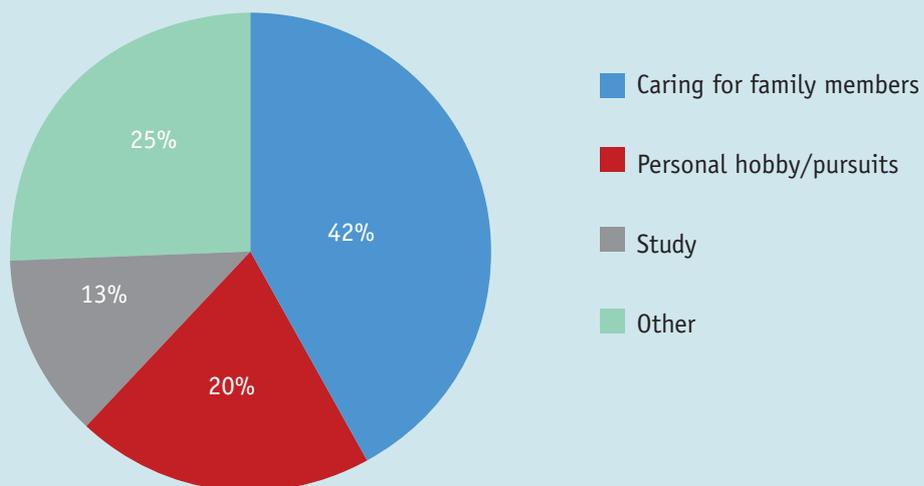


69%

46% of workers in the 31 – 45 age group work flexibly

Just over a quarter of the respondents (across the age spectrum) currently have formal flexible work practices. For the vast majority of employees, if flexibility exists it is confined to ad hoc concessions granted from time to time depending on circumstances. In other words it is still “manager dependent” in most organisations as opposed to a systemic, organisationally endorsed way of working. Women are still the predominant users of flexible work practices and although the number of men working flexibly has exponentially increased over the last 10 years, the issue of flexibility is still strongly associated with gender in most workplaces. Workers of both genders in the 31 – 45 year age group are by far the largest users of flexible work which is a key issue for organisations as this includes the “middle management group” who will go on to become leaders in the organisation.

Top 3 reasons for currently working flexibly



Which industries are flexible work friendly?

Formal flexible work across industries:

Industry	% Formal Flexibility
Financial Services	16%
Government / Public Sector	12%
IT/Telecom	11%
Retail / Consumer goods	8%
Professional Services	7%
Manufacturing	6%
Healthcare & Social Work	5%
FMCG	4%
Media /Publishing	4%
Business Services	4%
Transport & Logistics	3%
Construction	3%
Engineering	3%
Education	3%
Entertainment / Sport	2%
Wholesale	1%
Primary	1%
Energy & Utilities	1%
Tourism Hotel & Restaurant	1%
Other	5%

The two leading sectors for flexible work – Financial Services sector and Government are also those with the highest number of female employees, which further reinforces the connection between flexible work, caring and female participation in the workforce. The anomaly appears to be the IT/Telco sector, which in spite of the gender ratio in New Zealand stubbornly stuck at 80% male / 20% female, appears to be leading the way regarding flexible work practices.



Are workers aware of their right to apply for flexible work?

42% of respondents are familiar with the provisions in the Employment Relations Amendment Act 2014

Older workers (Baby Boomers and Traditionalists) are more likely than younger employees to be aware of their rights regarding flexibility

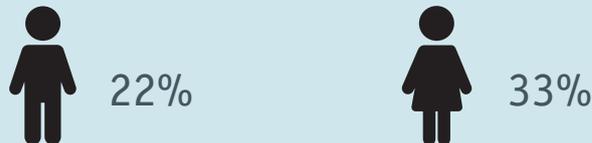
65% of respondents believe that their organisation offers formal flexible work

Over half of the employees surveyed are not aware of their rights to apply for flexible work with a significant number of workers believing that their organisations don't allow for flexibility. This potentially creates a retention risk for organisations as skilled individuals are periodically being approached by competitors and recruitment agencies who are increasingly offering not only comparable roles, but also throwing in flexibility around work/life issues. Organisations who keep silent about workforce flexibility, do so at their peril!

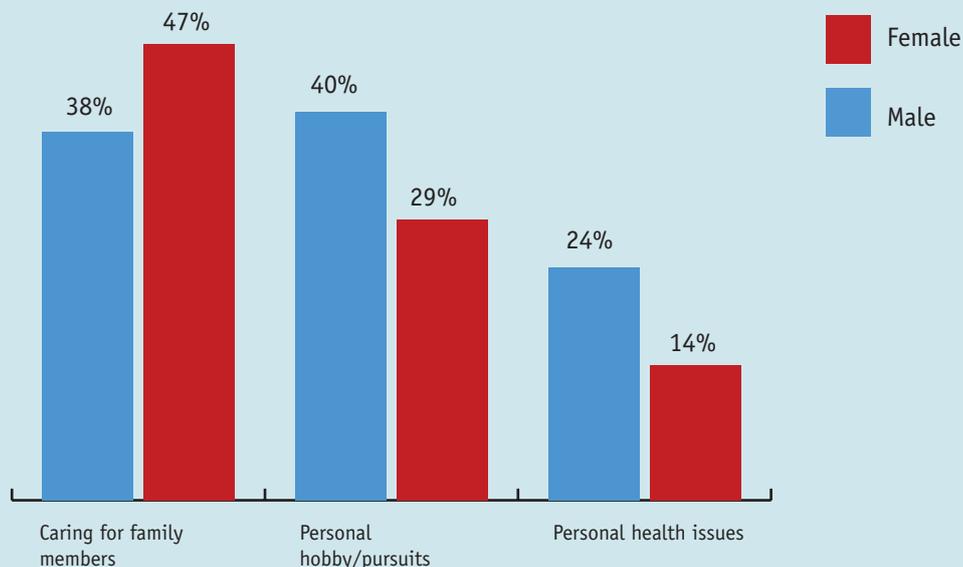
A perception still persists that organisations can exercise their discretion when it comes to flexible work and that those who do offer it, can "ring fence" certain roles for flexibility while ruling other roles out. The provisions in the Amendment Act serve to reinforce that flexibility is not a discretionary offer for organisations and the grounds for refusal need to be based on sound business requirements, rather than individual preference.

What about the next 12 months?

28% of respondents who don't currently have flexible work intend to apply for this in the next 12 months.



Top 3 reasons for requesting flexibility in the future



Caring responsibilities across the generational and gender spectrum makes up for just under half of all current requests for flexible work, however our research shows that a total of 56% of respondents, who intend to request flexible work in the next twelve months, will do so for reasons other than caring. This is a key indicator that work/life balance issues are starting to be top of mind for the whole workforce and that the issue is starting to become gender neutral.

When we look closely at the generational responses to this question Millennials show the biggest variations to the total sample with a higher proportion interested in; Personal hobby/pursuits, Volunteer/Community work and Sport Pursuits. While in the Baby Boomers a higher proportion are interested in Entrepreneurial activity.

Reasons for Wanting Flexibility in the Future	Total	 Millennials	 Gen X	 Baby Boomers
Caring for family members	44%	28%	55%	36%
Personal hobby/pursuits	33%	49%	26%	36%
Study	17%	21%	17%	17%
Entrepreneurial activity	16%	14%	14%	21%
Other (please specify)	16%	7%	19%	17%
Personal health issues	14%	14%	9%	24%
Volunteer / Community work	13%	23%	12%	12%
Sporting pursuits	11%	21%	9%	11%
Second job	5%	9%	4%	5%
Transition to retirement	5%	-	-	13%



Impact on Employment Brand – Attraction, Retention and Productivity

When asked what the key benefits are for their organisations in offering formal flexibility;

- **71%** of respondents cited a positive impact on employee commitment and engagement
- **67%** said improved staff performance and productivity
- **62%** said less staff turnover
- **51%** Improved ability to attract key talent

While these results are consistent across most generational bands, it is interesting that only 42% of Millennials view flexibility as important for attracting key talent into the organisation.

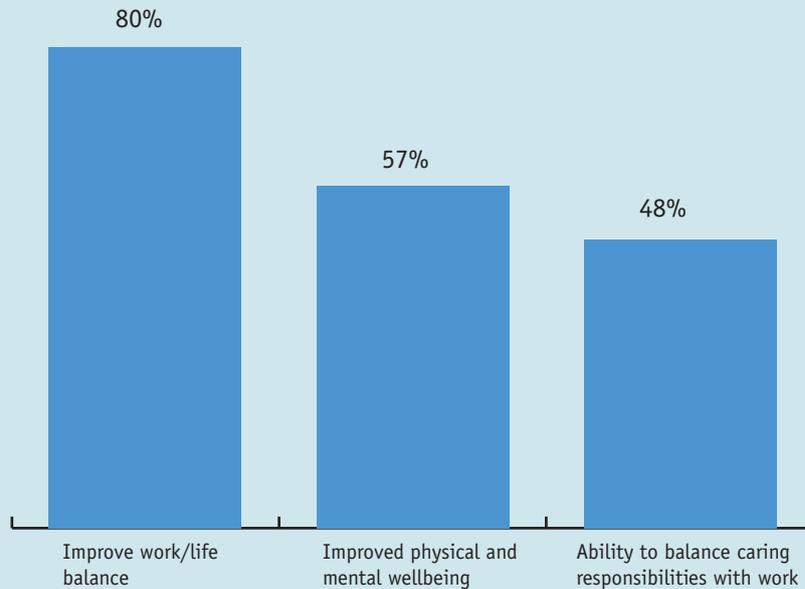
Key Benefits for your Organisation in Offering Formal Flexibility	Total	Millennials	Gen X	Baby Boomers
Positive impact on employee commitment and engagement	78%	76%	81%	75%
Improved staff performance and productivity	67%	69%	70%	63%
Less staff turnover	62%	64%	63%	61%
Improved ability to attract key talent	51%	42%	57%	48%
Better customer outcomes	24%	24%	23%	25%
Cost savings	20%	18%	22%	20%
No benefits	6%	3%	4%	9%
Other (please specify)	3%	1%	4%	4%

If we then compare these key benefits with the response to our question *“If you were offered the same role at another organisation but on a flexible basis, would you consider leaving your current employer to take up that role?”*

We see that a high proportion of respondents (68%) would consider leaving their current employer. Of these 40% believe that their current organisations **does not** offer flexible work options.

Consider Leaving Your Current Employer	Total	Millennials	Gen X	Baby Boomers
Yes	68%	67%	71%	68%

What are the key benefits for employees?



Key BENEFITS That Formal Flexible Work offers You	Total			
		Millennials	Gen X	Baby Boomers
Improve work-life balance	80%	79%	81%	78%
Improved physical and mental well-being	57%	63%	57%	55%
Ability to balance caring responsibilities with work	48%	38%	59%	40%
Ability to pursue other interests	43%	58%	40%	40%
No benefits	7%	8%	6%	9%
Other (please specify)	4%	2%	4%	7%

Differences in the generational response to this question show us that Gen X are more focused on **Caring Responsibilities** while Millennials are looking to **Pursue Other Interests**.

Both our research as well as numerous global studies indicate that flexible work design has a significant impact on improving engagement and extending tenure. A 2011 Review of Flexible Work Practices in New Zealand business report, found that among employers who had flexible work arrangements of some form in their workplace, 86.9% said that they have a positive impact on their employees.

According to the OECD report (2015) New Zealand has one of the highest rates of workforce participation in the OECD, but one of the lowest rates of productivity. A Department of Labour (2006) survey of employees found a strong relationship between employees' ratings of productivity practices in the workplace and their own work-life balance.

Similarly, a New Zealand Department of Labour review of international literature on business benefits of work-life balance (Yasbek, 2004) concluded that work-life balance can enhance productivity in various ways. One argument is that productivity gains occur as a result of a reduction in home to work spill over (but other evidence e.g. O’Driscoll, shows that most spill over goes in the direction of work to home). Another argument is that productivity is improved through reducing long hours at work and fatigue. The third argument is that in exchange for the “gift” of work-life provisions, employees “offer the ‘gift’ of discretionary effort, thereby increasing productivity” (Konrad and Mangel, 2000).

What are the barriers that may prevent workers from requesting a flexible work arrangement?

While just **28%** of respondents who don’t currently have a flexible workforce arrangement intend to apply for this in the next 12 months the balance cite a wide range of reasons why they may not make a request of this nature. Factors preventing them include;

39 % - A culture of “presenteeism” – the need for “face time” or to be “seen at work”.

32% - A fear of negative career consequences (promotion, cultural/social relationships)

31% - Fear of excessive workload

23% - Inability to meet customer demands

22% - Manager scepticism/mistrust/lack of support

26% said there were no barriers

Barriers that may prevent workers from requesting a flexible work arrangement	Total	Millennials 	Gen X 	Baby Boomers 
Culture of “presenteeism” – Need for “face time” or to be “seen at work”	39%	44%	43%	32%
Fear of negative career consequences (promotion, cultural/social relationships)	32%	46%	33%	23%
Excessive workload	31%	37%	31%	30%
No barriers	26%	17%	25%	30%
Customer demands	23%	26%	22%	23%
Manager scepticism/mistrust/lack of support	22%	27%	23%	18%
Other (please specify)	5%	4%	4%	5%

Again the Millennials stand out from the average responses here with many more in this age group concerned about the potentially negative impact on **Career Prospects** if they request a flexible work arrangement along with the fear of an **Excessive Workload**.

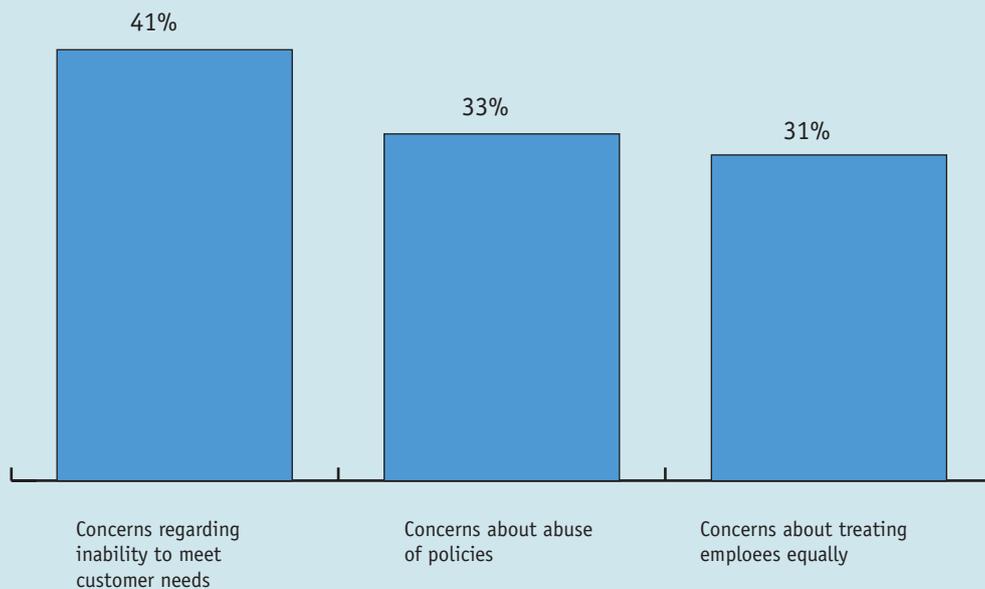
For obvious reasons Baby Boomers are much less concerned about the effect on their **Career Prospects** were they to request a flexible work arrangement

For workers considering flexible work, the number one barrier in applying appears to be the organisational culture, which favours “**presenteeism**” versus outputs. This culture of “If you’re not in the office, you can’t be performing” has a direct impact on performance ratings and ultimately acts as a barrier to progression.

32% of the respondents cited **negative career consequences** as a key barrier to applying for flexible work. For many workers therefore, it is a choice between having an arrangement which has sustainable hours, versus climbing the corporate ladder. This is also leading to a dearth of women in leadership positions in New Zealand, as they are still the predominant users of flexible work. There is also a perception that working part-time doesn’t mean a reduced workload, with

31% of respondents citing **excessive workload** as a key barrier to applying for flexibility.

What are the organisational barriers to implementing flexible work design?



Many managers are not equipped to have a robust and honest conversation with their employees about flexible work options. This often stems from the lack of understanding of the legislative framework in this area which creates a level of fear around what I may or may not say. There is also often a perception of “unfair treatment” by other employees who do not have flexible work arrangements which leads to the perception of favouritism. This is further exacerbated by the lack of a formal process to address flexible work applications, which means that arrangements are often ad hoc and “under the table” and treated like a special concession instead of a systemic way of working.

CLOSING THOUGHTS

All indicators point to the fact that flexible work design is here to stay. The correlation between flexible work and employee engagement cannot be ignored and organisations who don't respond to the changing needs of their employees in this respect, will likely find themselves on the back foot when it comes to attracting and retaining key talent.

While many workers have for some time been able to vary their start and finish times within a 40 hour framework, it is clear that the introduction of the Amendment to the Employment Relations Act takes this concept to the next level, by introducing the obligation on organisations to have a formal process and the right to employees to that process.

Our research shows that the workers most interested and invested in flexible work are in the 31 – 45 year age group – the very cohort that will likely make up the leadership bench of tomorrow. The successful integration of flexible work therefore should be considered as much a sustainability issue as it is an attraction and engagement tool.

For those organisations which don't currently have a flexibility framework, going down this path can appear to be a daunting task, but it needn't be.

As with any other legislation change, business leaders should begin by understanding the requirements of the Act and the likely impact it may have on their organisational structure. The next step is to assess the current uptake of flexible work in the organisation, to understand the size of the issue. As we have discovered in this research, the uptake varies enormously across different industries and sectors and each organisation will have a number of unique contributing factors in this regard. An initial review of flexible work uptake in the organisation often reveals a surprisingly high number of employees who already have some or other form of flexibility, albeit undocumented. In reality, rolling out a more formal process over an existing but informal process does not have to be hugely disruptive.

The key is to ensure that flexible work design is effectively incorporated into your overall business strategy. This means that in considering work design options, organisations will need to look not only at their HR strategy and organisational culture, but also consider IT implications, Health & Safety requirements, Finance implications and last but definitely not least, impact on Customer Service.

When all is said and done, flexible work is the future of work. The question for organisations is not “should we do this” but rather “How can we do this”.



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DIVERSITAS
FUTURE WORKFORCE BY DESIGN

ABOUT DIVERSITAS

At Diversitas, we work with your organisation to help you attract and engage a diverse workforce and fully leverage the competitive advantage that having a diverse and inclusive workforce can deliver. Our tailored approach ensures that the unique needs of each organisation are met. Working across the whole of the employment lifecycle, from talent attraction through to leadership development and workforce engagement, we guide our clients to create their FUTURE WORKFORCE BY DESIGN. We aim to contribute to New Zealand's economic strength by working with our clients to optimise workforce participation and profitability. Everything we do follows an evidence based approach.

This means that the services we deliver are researched and have been tried, tested and proved effective in other organisations.

For more information on our services please visit www.diversitas.co or contact info@diversitas.co for a free consultation.



ABOUT LUMINARY SEARCH

Luminary Search and Selection, based in Auckland, New Zealand, is the international search business of the Chandler Macleod Group.

With a 50 year history in consulting and psychological assessment, we work to understand key drivers behind our clients' business strategy and culture, sourcing the best fit for an organisation's growth plans.

Luminary is headed up by Carol Dallimore the Managing Partner.

With over 30 years in executive recruitment in NZ, Carol Dallimore has arguably built a search and selection brand second to none.

Her approach is underpinned by a strong value set, open and honest feedback for candidates and clients and a genuine care of individuals and your brand.

Due to having "grown up" with many of today's leaders as candidates, she has a very wide network across the New Zealand business sector and a strong understanding of different organisational cultures. As a result she has a very strong network in the NZ Business Sector, along with in-depth understanding of many of the candidates capability, gained over the years of contact.

Carol's search and selection expertise spans CEO, Managing Directors, General Management and Senior Executive roles in Sales, Marketing, HR and Finance across most sectors. She is also well versed in benchmarking and executive talent assessment.

For details go to www.luminarysearch.co.nz

