

## Making Work More Flexible: Opportunities and Evidence

The organization of work in time and place has changed relatively little in the United States despite growing demands on families to manage increasingly complex health, retirement, and care arrangements. Many employers remain skeptical about the advantages of workplace flexibility. However, for U.S. industry to be competitive in a global market, employers and employees must find common ground on which to build a productive relationship that allows workers greater flexibility in where, when, and how they do their work while ensuring management that tasks will be completed and expectations will be met.

### Introduction

As the U.S. population ages, so does the labor force. In the past 30 years, the median age of American workers has increased from about 35 years to 41 years as the rate of growth in the labor force has declined (from a rate of 2.6 percent in the 1970s to the current rate of 1 percent). In addition to the upward shift in age, the sex composition has moved toward equality. Women now make up 46 percent of the workforce, and mothers with dependent children are much more likely to be employed than they were in the 1970s. Nearly three out of four mothers—and three out of five mothers with children under three years of age—are now in the labor force.

With the increase in dual-earner couples, growing demands on families to manage increasingly complex health, retirement, and care arrangements, and an expressed desire of older workers to sustain some attachment to the labor force at older ages, the need for workplace flexibility has increased. Unfortunately, the organization of work in time and place has changed relatively little, particularly when one considers the substantial shift in the industrial composition of the U.S. economy and the growing role played by

a rapidly expanding technological capacity.

Addressing the gap in access to flexible work policies should be a high priority for employers. Multiple constituencies, including politicians, business leaders, labor organizations, and workers have called for greater diversity in work arrangements to match the demands placed on an increasingly diverse workforce.

Flexibility has been heralded by policy analysts, family advocacy groups, and academic circles as a favored strategy—for some, a corporate imperative—for reshaping the workplace and retaining workers whose continued employment requires flexible arrangements. A leader in workplace flexibility, the Alfred P. Sloan Foundation, has encouraged employers to develop flexible policies, has recognized employers who move creatively in that direction, and has funded various centers as clearinghouses of research and information on policies, implementation procedures, and general strategies that appear promising.

A growing body of research demonstrates the advantages that accrue to both employers and employees from

implementing flexible work policies. Even so, progress has been slow.

If greater workplace flexibility does indeed present employers and employees with an operating framework of mutual advantage, why are these policies not ubiquitous? Workers have repeatedly reported that they would like to have greater workplace flexibility, and some firms have responded by leading the way in implementing policies that allow more flexibility. Nevertheless, considerable disagreement remains over whether and how such arrangements should be offered, which categories of workers and what sorts of employers can most benefit from these arrangements, whether these programs need to be formalized, and what role public policy should play in promoting flexible employment arrangements.

This report considers the availability, utilization, and demand for workplace flexibility, with a particular emphasis on older workers. Although many aspects of flexibility can benefit workers of any age, the desire of some older workers to phase into retirement introduces some special considerations.

### **What Do We Mean by Flexibility?**

In the context of work, the term “flexibility” has been used to designate a wide range of policies. Some of these policies have been defined as primarily benefiting employers, others as primarily benefiting workers, and most recently, as an organizational approach that is mutually beneficial to both business and labor. For example, employers might offer a version of flexibility as an approach to workforce management that allows them to respond to a changing environment by informally (rather than formally) adjusting work conditions and expectations. From this perspective, flexibility translates into policies (or in some cases, the removal of regulations)

that allow employers to quickly adjust the size and composition of their workforces in response to shifts in demand.

Such adjustments occur through recruiting and retaining workers suited to the current environment and removing workers who no longer fit an employer’s needs. This form of flexibility is defended as improving the efficiency of the labor market by easing well-intentioned but constraining regulations, improving performance, and reducing overall rates of unemployment. Evidence of this type of flexibility includes greater dispersion in hours worked, working more at peak times and less at slower times, frequent changes in scheduling that can make it more difficult for workers to manage multiple jobs, ease of hiring and firing, and greater discretion in setting wages and work conditions.

An underlying premise of this position is that the labor market should be allowed to function like any other market, which implies minimal regulation and minimal interference in employers’ ability to manage workers as they deem best. This approach also seems more consistent with a spot market approach to hiring labor rather than long-term contractual agreements that provide job security and career stability to workers.

Negotiation for more flexibility occurs one employee at a time, and any single worker’s success in gaining more flexibility does not extend beyond that individual case. More important, however, is that changes in work arrangements may be involuntary on the part of the worker, which means that workers may be required to adjust to changes in demand, fluctuations in pay, and modifications of job requirements.

In contrast, when workers talk about flexibility, they refer to increasing their options by having employers incorporate

more flexibility in how work is organized. This flexibility includes allowing workers more choices in when, where, and how they do their work; how they organize their careers to meet the competing demands of family and social/personal roles; and their ability to upgrade and expand their skills within a timeframe they find manageable and relevant to their own professional goals.

Among full-time workers, *flexibility in schedules* can range from three 12-hour days (and four days off, as in a compressed work week) to seven 10-hour days (and seven days off).

*Flexibility in place* means that work can be done in the office, in satellite offices, at home, or in some combination.

*Flexibility in how to accomplish work goals* means that workers are not micro-managed, but are allowed to develop their own strategies that reflect their personal styles, strengths, and preferences. *Flexibility in careers* allows workers multiple entry points to career ladders, the option of interspersing full-time with part-time work, or spending a few months to a few years out of the labor force attending to family responsibilities or simply designating some time for personal development. Opportunities for worker development can range from training programs offered by the employer, to off-site courses and workshops, obtaining a college or advanced degree, or employer-sponsored sabbaticals.

Most workers do not have access to these choices. This mismatch between the structural workplace and the preferences of the labor force has been identified as the “flexibility gap.”

Collaborative efforts to increase workplace flexibility (e.g., the Sloan Foundation’s National Workplace Flexibility Initiative) typically refer to variability in when, for how long, and where work is performed. Flexibility can therefore occur in how full-time work

hours are scheduled (e.g., flextime or compressed work weeks); how work is organized across days, weeks, or months (e.g., part-time or part-year work, phased retirement, or job-sharing); how careers can be organized (e.g., allowing multiple points for entry, exit, and re-entry, or sabbaticals); and where work can occur (e.g., telecommuting from home or at the office).

### **What Is the Current Status of Workplace Flexibility?**

Evidence of the increasing demands on families has been mounting:

- Sixty percent of married couples are dual-earner households (Jacobs and Gerson, 2004);
- Fifty percent of two-parent families with pre-school children are dual-earner households (U.S. Department of Labor, 2006);
- Two-thirds of families with school-age children (ages 6-17) are dual-earner families (U.S. Department of Labor, 2006);
- Fifty-nine percent of caregivers are also employed outside the home (National Alliance for Caregiving and AARP, 2005); the “typical” U.S. caregiver is a 46-year-old woman who works outside the home while providing more than 20 hours of unpaid care per week (Gibson and Houser, 2007);
- Fifteen percent use vacation time to meet family responsibilities (Galinsky, et al., 2005);
- Fifty-four percent of wage and salary workers with children lose pay, use vacation days, or fabricate an excuse to care for their sick children (Galinsky, Bond, and Hill, 2004);
- Seventeen percent go to work when ill to preserve sick leave for tending to their children (ComPsych Corporation, 2005).

In spite of some workers' desire to reduce hours of work to better meet family responsibilities, tend to their own health, or engage in personal development, analysis of Current Population Survey (CPS) data indicates that the number of hours worked in the United States has been growing for certain segments of the labor force. For example, couples are spending more time at work.

From 1970 to 1997 the percentage of married couples (younger than age 65) in which both husbands and wives worked for pay increased from 35.9 to 59.5, and the mean hours for husbands and wives combined moved up slightly, from 78 hours in 1970 to 81.3 hours by 1997. The average hours per week worked by all couples increased to 63.1 compared to 52.5 hours in 1970. Among dual-earner couples, only one in five jointly worked fewer than 70 hours per week, and 14.4 percent put in more than 100 hours per week (Jacobs and Gerson, 2004).

Changes in the average hours worked during recent decades have not been uniform. Instead, the pattern of change depends on which sectors are being considered and whose work schedules are being averaged. That paid work hours are increasing for older workers is a point of agreement (see, e.g., Gendell, 2008).

During at least the past decade, older men and women—particularly those age 65 or older—have not only increased their rates of labor force participation, but also their full-time employment. From 1994 to 2007, the percentage of employed older men working full-time schedules increased from 77 percent to 82.2 percent for those age 62 to 64, from 54.9 percent to 70.1 percent for 65 to 69 year olds, and from 47.5 percent to 55.1 percent for those 70 and older.

Women also registered significant increases in full-time employment: from 73.7 percent in 1994 to 79.2 percent in 2007 for 55 to 61 year olds, 59.3 percent to 68.4 percent for 62 to 64 year olds, 39.4 percent to 53.3 percent for 65 to 69 year olds, and 34.7 percent to 40.9 percent for those 70 and older (Gendell, 2008). The distribution of enhanced flexibility policies may be a related issue. In fact, the growth in flexibility in the 1990s may be linked to a bifurcation in work hours, with some workers accepting higher pay by reducing leisure time, and other workers taking reduced compensation in order to have more flexible arrangements in where and when work is performed (Golden, 2001).

One difficulty facing many U.S. workers is that they have no access to some of the more basic workplace benefit programs that more fortunate workers now take for granted. These policies include:

- Paid sick leave (43 percent of U.S. private industry workers, including 32 percent of full-time workers and 77 percent of part-time workers, are not covered) (U.S. Department of Labor, 2007, Table 19);
- Paid vacation (23 percent of U.S. private industry workers, including 10 percent of full-time workers and 62 percent of part-time workers, have no paid vacation) (U.S. Department of Labor, 2007, Table 19);
- Paid holidays (88 percent/76 percent of private sector/state and local government full-time workers but only 39 percent/30 percent of private/state and local government part-time workers have paid holidays) (U.S. Department of Labor, 2007, Table 19; and 2008, Table 18).

Workers in the top wage quartile are three times more likely than workers in the bottom wage quartile to be covered

by paid sick leave. In addition, paid sick leave is unevenly available across industries. Paid sick leave is most often available in utilities, educational services, and government (federal, state, and local). Fewer than half of the workers in retail trade; art, entertainment, and recreation; durable and non-durable manufacturing; “other” service; construction; and accommodation and food service industries have access to such programs (Lovell, 2004). Variation by occupation is also considerable: professional workers are more than twice as likely as service workers, machine operators, and other blue-collar employees to have access to paid sick leave (Smolensky and Gootman, 2003: 237).

## **Worker Utilization of Flexible Work Arrangements**

### **Flexible Working Hours**

Flexible working hours allow employees to organize their work activities by choosing a particular starting and ending time, compressing work weeks, volunteering for (or refusing) overtime work, taking time off for previous overtime worked or taking compensation for overtime, and/or choosing part-time or part-year work rather than full-time/full-year work. Employees may receive paid leave for some or all of the following: maternity/paternity, illness, family caring, bereavement, training/education, vacations, and holidays.

Although workers would like to have considerable flexibility in when and how much they work, without losing pay or suffering other negative consequences, these types of schedule flexibility are unevenly distributed by industry and occupation, and may be unevenly distributed within specific categories of employers (see, e.g., U.S. Department of Labor, 2005). Workers’ increased interest in having more flexible

schedules may be a consequence of higher labor force participation rates among parents, the increased prevalence of two-earner households, the growing number of hours supplied by couples (including weekly overtime), and (perhaps) the aging the labor force.

In addition, caring for aging relatives is an increasing concern for aging workers. Nearly 22 million American workers are trying to juggle the demands of work with those of caregiving, which last an average of 4.3 years (National Alliance for Caregiving and AARP, 2004). In the absence of flexible options, caregivers must take unpaid leave from work or quit their jobs.

Either option can lead to significant losses in career advancement, income, benefits, and retirement security. When businesses lose skilled workers, they suffer losses as well, with estimates ranging from \$11 billion to \$33.6 billion annually (MetLife Mature Market Institute and the National Alliance for Caregiving, 2006). An important component of these losses stems from absenteeism, but the costs of replacing employees are also considerable.

From 1985 to near the end of the century, worker use of flexible schedules more than doubled—from 13.6 percent to 29.9 percent—but has not grown in the past decade (McMenamin, 2007). Nearly two-thirds of workers with flexible schedules take advantage of informal arrangements (U.S. Department of Labor, 2005).

Use of flexible schedules occurs at about the same rate (29 percent) for full-time federal and state workers as for full-time private sector workers, with those in financial, professional and business service, and information industries recording the highest rates of flexible schedules—between 35 percent and 38

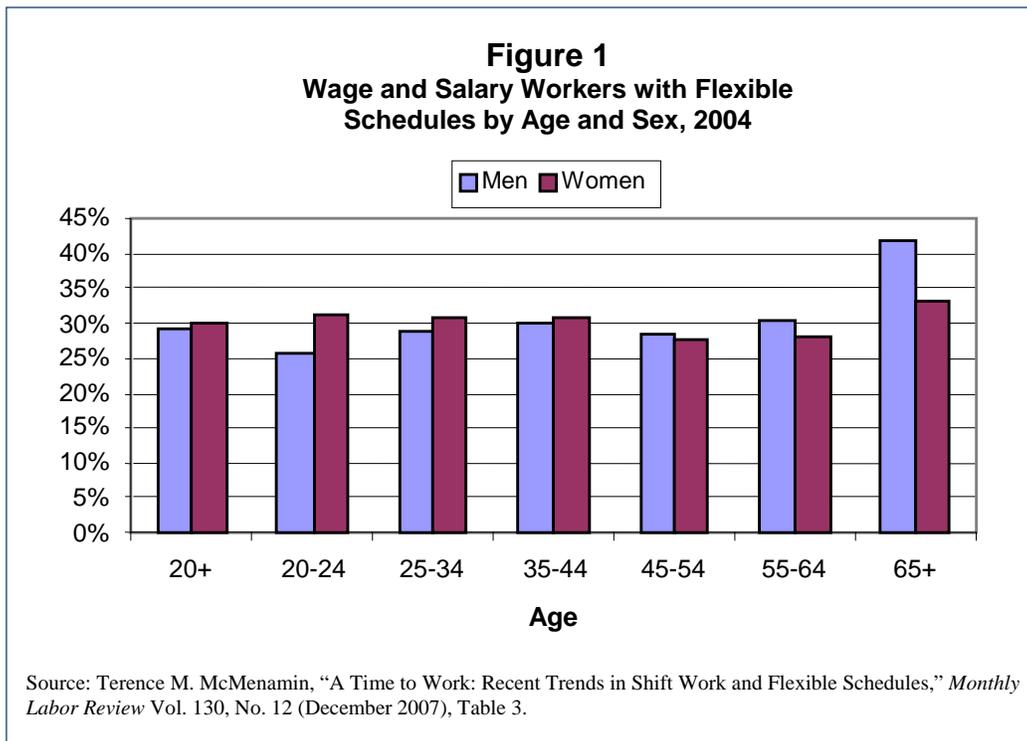
percent. The lowest rates occur among full-time local government workers (fewer than 14 percent) and those in construction, manufacturing, transportation and utilities, and educational services industries (20 percent to 26 percent) (U.S. Department of Labor, 2005). These lower rates are likely due to a need for common schedules for workers and the constituencies they serve. For example, an educator’s time must be coordinated with the school day, a construction worker’s time with daylight and weather.

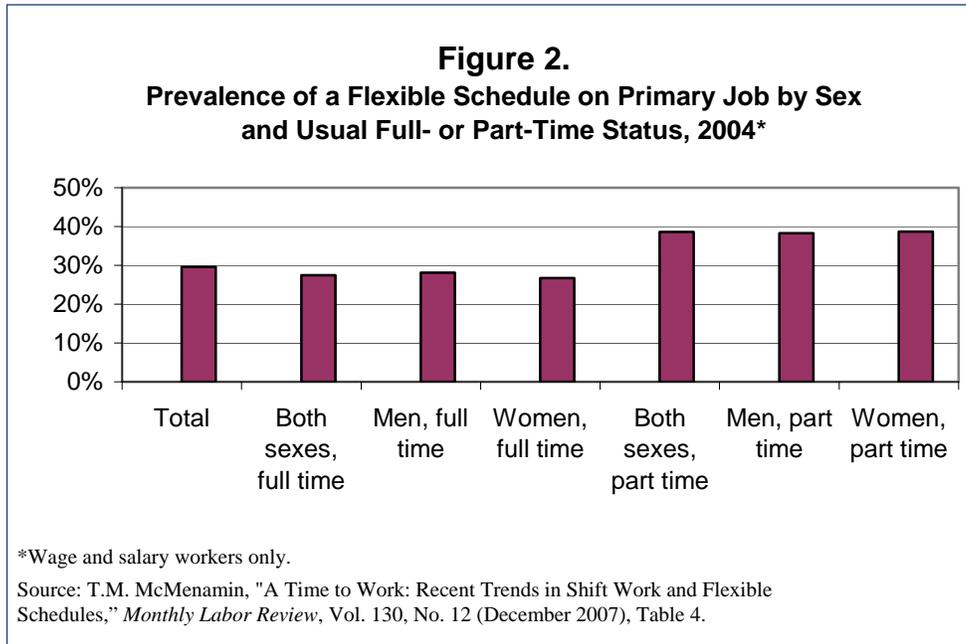
As Figure 1 illustrates, the overall proportion of men and women with flexible work schedules is about equal—29 percent to 30 percent (U.S. Department of Labor, 2005). Sex differences by age group are apparent, however. Women are more likely than men to have flexible schedules in early adulthood through their mid-40s, the time period when they are most likely to be caring for children, older relatives, or

both. By midlife, however, this changes, and among those aged 65 and over, men are notably more likely than women to be able to vary their work hours.

Perhaps surprisingly, flexible work schedules are more common among part-time workers than full-time workers (Figure 2). Sex differences in the proportion of full- vs. part-time wage and salary workers with flexible work schedules are not pronounced. Women are, however, substantially more likely than men to be employed part time. Thus, there are more than twice as many part-time women with flexible work schedules as men (6.1 million vs. 2.8 million, respectively, in 2004 [McMenamin, 2007]).

By reporting the proportions of men and women who work flexible schedules, we address the question of utilization for those already in the labor force. But these statistics do not tell us how many men and women would move into the





labor force if they had access to jobs that offered flexible work schedules. This question of “unmet demand” is much more difficult to assess. When looking at both part-time and full-time workers who have flexible schedules, the proportion of women with flexible arrangements becomes almost the same as the proportion of men with flexibility.

Without additional information it is impossible to know *why* the sex difference exists among full-time workers. Would older women be more likely to work full time if they had access to full-time jobs with flexibility? Policy recommendations will depend on a thorough understanding of such issues.

The period of most rapid proliferation of flexible schedules was during the 1990s. Indications are that the prevalence peaked around the turn of the century and has stagnated if not declined since then. Patterns of growth and group differentials are apparent in data by race/ethnicity. White workers have had consistently higher rates of schedule flexibility than African American and Hispanic/Latino workers since 1985.

That gap appears to have increased somewhat over time.

#### **Flexibility in Place of Work**

Telecommuting has received considerable attention in the literature, but the proportion of workers who telecommute (defined here as working from home at least three out of five days per week) is quite small (3.3 percent of workers in 2000) and has grown only marginally since 1980 (when 2.3 percent of employees worked at home at least 3 out of 5 days) (U.S. Bureau of the Census, 2004, Table 1.1).

Professional; scientific management; administrative and waste management services; and the education, health, and social services industries have the highest proportion of telecommuters (approximately 20 percent), with remaining industries allowing fewer than 1 in 10 workers to telecommute. More than 4 in 10 managers/professionals, 1 in 4 sales and office workers, and almost 1 in 5 service workers telecommute, but telecommuting is generally offered on a part-time basis and only to selected

workers (U.S. Bureau of the Census, 2004, Table 1.2).

### **Independent Contracting**

Although contracting has become a frequently cited alternative for workers interested in having more autonomy, it represents a different sort of employment relationship, with independent contractors being more like self-employed workers. Whereas some researchers note that working with independent contractors helps employers meet their need for rapid skill acquisition and quick adaptation to changing business environments (Snow, Miles, and Coleman, 1992), it is also viewed as undermining employee loyalty and impeding the development of unique capabilities (Pfeffer and Baron, 1988).

More importantly, the consequences of contracting from the worker's viewpoint have ranged from providing flexibility to pursue individual interests (Arthur and Rousseau, 1996), to undermining workers' stability, benefit coverage, and the job status associated with standard employment (Kalleberg, 2000). Reconciling these disparate points of view may involve more thorough study of the range of contexts in which independent contractors operate. Of particular interest is whether each worker must balance the advantages and disadvantages, finding a satisfactory tradeoff between the two, or whether the advantages tend to adhere to independent contractors in specific lines of work.

Independent contracting has also been used as a way to retain the skills and experience of older workers. For example, reducing hours of work from full time to part time as a means of accomplishing partial retirement often has an impact on the pensions, health, and other employee benefits of these older workers. In addition, IRS and Employee Retirement Income Security

Act (ERISA) regulations can interfere with paying pension benefits from defined benefit plans to beneficiaries who continue to be employed by the company. Instead of paying pension benefits to active employees, some firms terminate employment and then rehire these employees as consultants or independent contractors. Independent contractors are treated as self-employed workers for income and payroll tax purposes, meaning that the firm is not liable for withholding taxes on the worker's behalf or for paying the employer share of payroll taxes. Being designated as an independent contractor for tax purposes, however, is based on a 20-part tax law test that, in part, requires that the independent contractor must set the working conditions.

Although workers in information technology (IT) are atypical in many respects, a recent study of IT workers investigated whether contracting provided workers with personal schedule and career flexibility that was superior to standard employment arrangements (Briscoe, Sawyer, and Wardell, 2006). Discussions of contracting arrangements tend to extol their advantages, but systematic studies of the full range of experiences are lacking. In the IT sector contracting has been relatively common.

Two ethnographic studies have reported that a desire for flexibility often motivates the decision to become a contractor (Meiksins and Whalley, 2002; Barley and Kunda, 2004). However, once the change was made, client expectations—including deadlines—constrained flexibility among the individual contractors. A common view was that independent contractors had difficulty translating their flexibility-in-theory into flexibility-in-practice. As individual contractors, they relied on securing contracts with clients to maintain steady income. Keeping clients happy meant that they needed to be as

accommodating as possible, even when it was inconvenient for the worker.

These same considerations must be managed by employers from small- to large-scale businesses. One question is whether the scale of an enterprise—a single person or a small (or large) business—is a factor in being able to combine flexibility for workers with reliable and timely work for clients. Briscoe, Sawyer, and Wardell (2006) state that the differences in personal flexibility between contractors and standard employees in IT are few, and they suggest a contingency framework for studying the linkage between flexibility, the nature of the work, and work relationships.

### **Employer Perspectives on Flexibility**

Studies of employers can sometimes leave the impression that workers have greater access to flexible work policies than employees claim to have. The difference appears to be that employers can report that such arrangements are possible at the same time that workers report that these arrangements are only informally available.

In addition, employers can grant or deny such arrangements, so flexibility is not equally accessible to all employees. Finally, workers are often concerned that by choosing flexibility they become less competitive for promotions, key assignments, and other career opportunities. Employers, for instance, can truthfully report that they allow workers to take paid or unpaid short-term leave under certain circumstances, and workers can at the same time report that they are not covered by short-term leave policies. Whereas employers often refer to a willingness to work with employees on an informal basis to address their specific needs, workers are asking for formal policies that will

entitle them to choose flexible arrangements if and when they are needed. In some cases, a formal policy may be in place, but employees believe that they will suffer adverse consequences for taking advantage of such a policy; therefore, in practice, worker use of the policy is inhibited.

For example, the 1998 Business Work-Life Study surveyed a representative sample of 1,057 for-profit (84 percent of the sample) and not-for-profit companies (16 percent of the sample) with 100 or more employees. Employers reported that they had become more likely to allow employees daily scheduling flexibility. Results from the 2002 National Study of the Changing Workforce indicated that employees of small versus large firms reported no difference in access to the various forms of flexibility; however, small-business employees reported stronger feelings of support from their employers. This sense of support—presumably one element in a broader organizational culture—has been identified as a crucial element of the use of flexible options (Meiksins and Whalley, 2002).

Table 1 includes a list of 20 types of flexible arrangements that were included in the Family and Work Institute's *2008 National Study of Employers* (Galinsky, Bond, and Sakai, 2008).<sup>1</sup> Of these options, allowing at least some employees to have control over when to take breaks (84 percent); to periodically change starting and quitting times within some range of hours (79 percent); and to return to work gradually after childbirth or adoption (77 percent) were the most common offerings. When comparing small (50 to 99 employees) to large (1,000 or more employees) businesses, only one difference was statistically significant: small employers were more likely to allow all or most employees to use a compensatory time-off program (Galinsky, Bond, and Sakai, 2008).

<b>Table 1</b> <b>Flexibility Options Offered to Employees by Small and Large Employers, 2008*</b> <b>(in percentages)</b>	
Have control over when to take breaks	84
Periodically change starting and quitting times within some range of hours	79
Return to work gradually after childbirth or adoption	77
Take paid or unpaid time away from work for education or training to improve job skills	74
Take time off during the workday to attend to important family or personal needs without loss of pay	73
Take extended career breaks for caregiving or other personal or family responsibilities	64
Phase into retirement by working reduced hours over a period of time prior to full retirement	53
Work some regular paid hours at home occasionally	50
Do volunteer work during regular work hours	47
Receive special consideration when returning to the organization after an extended career break	45
Move from full time to part time and back again while remaining in the same position or level	41
Compress the work week by working longer hours on fewer days for at least part of the year	38
Take sabbaticals, i.e., leave (paid or unpaid of six months or more) and return to a comparable job	38
Have choices about and control over which shifts to work	38
Use a compensatory time-off program	36
Change starting and quitting times on a daily basis	32
Share jobs	29
Have control over paid and unpaid overtime hours	27
Work part year, i.e., work reduced time on an annual basis	27
Work some regular paid hours at home on a regular basis	23
<p><small>*Small employers: 50 to 99 employees nationwide; large employers: 1,000-plus employees nationwide. The question asked was "Does the organization allow some employees to. . .?"</small></p> <p><small>Source: E. Galinsky, J.T. Bond, and K. Sakai, 2008 National Study of Employers (New York: Families and Work Institute, 2008), Table 3, available at <a href="http://familiesandwork.org/site/research/reports/2008nse.pdf">http://familiesandwork.org/site/research/reports/2008nse.pdf</a>.</small></p>	

Employers willing to engage in time, place, or career flexibility have been more likely to offer such arrangements informally, limit them to white collar workers, and view them as special accommodations. Formal programs are more often found in large organizations employing 500 or more workers.

Workplace flexibility can be an important business strategy as well. Results from the 2002 National Study of the Changing Workforce showed that employees in more effective and flexible workplaces are more likely to have greater engagement on their jobs, higher levels of job satisfaction, stronger intentions to remain with their employers, less negative and stressful spillover from job to home and home to job, and better mental health. In contrast, workers in more demanding jobs in less supportive workplaces report higher

stress levels, coping difficulties, worse moods, and higher levels of fatigue, with negative consequences for both work and home lives (Bond, et al., 2002).

Programs can help employers attract talented workers as well as retain valued employees, thereby reducing turnover. Table 2 reports the primary reasons employers with flexible policies chose to implement them. The most frequent response offered by employers was their desire to retain employees (37 percent), with a desire to help workers manage work and family life mentioned by slightly fewer than one in five surveyed employers. But these positive results appear to depend on how flexibility is implemented. Based on an innovative research study sponsored by the Sloan Foundation—the BOLD Initiative—10 companies were invited to introduce workplace flexibility into their

<b>Table 2</b> <b>Most Frequently Mentioned Reasons Employers Give for Implementing Work Life Initiatives, 2008*</b> (in percentages)	
Retain employees in general	37
Help employees manage work and family life	18
Recruit employees in general	9
Improve morale	9
It is the right thing to do	7
Mandated by law	6
We are a caring organization	6
Retain highly skilled employees	5
Increase employee commitment/engagement	5
<p>* Small employers: 50 to 99 employees nationwide; large employers: 1,000-plus employees nationwide. Work Life Initiatives include workplace flexibility, caregiving leave, and dependent care. Employers who offered eight or more work life policies or programs were asked to report the main reasons they implemented these initiatives within an open-ended format, allowing employers to respond as they thought appropriate and report multiple reasons. Sample=1,100. Reasons mentioned by less than 5 percent are not listed.</p> <p>Source: E. Galinsky, J.T. Bond, and K. Sakai. 2008 National Study of Employers (New York: Families and Work Institute, 2008), Table 21, available at <a href="http://familiesandwork.org/site/research/reports/2008nse.pdf">http://familiesandwork.org/site/research/reports/2008nse.pdf</a>.</p>	

organizations within a “team-based, results-focused” framework. In other words, after identifying a unit in the company, management grouped workers into teams. These teams set performance goals, identified their specific needs for flexibility, and then developed work schedules to meet those needs. By engaging employees in this collaborative environment, workers were empowered to devise strategies that met both their own needs and management’s productivity goals, and they did so in a way that improved the overall work process and job performance while at the same time reducing worker stress, absenteeism, and turnover (Thomson and Fitzpatrick, 2006).

Although some employers appear to have embraced workplace flexibility, many continue to view these policies as part of the employee benefit package, and therefore define them as accommodations to worker demands—that is, the benefits accrue primarily to the worker, and the costs must be absorbed by the employer. The most commonly mentioned obstacles to

adopting policies that provide workers with more flexible options involve cost and potential productivity loss according to the *2008 National Study of Employers* (Galinsky, Bond, and Sakai, 2008). Almost one-third of employers reported that the costs of such policies were prohibitive, and more than 1 in 10 referred to potential loss of productivity.

An important consequence of the reorganization of work that accompanied industrialization was that workers lost control over the labor process. Rather than workers having discretion over time, place, and functioning, many employers’ view of effective management meant insuring that workers kept to rigid schedules, set routines, and a speedy pace of work. Through this kind of micro-management, employers believed they increased worker productivity. But as the organization of work has shifted away from manufacturing and assembly line approaches, productivity has become more difficult to measure, particularly in collaborative settings.

Employers who believe that flexibility is costly and impractical and that it opens them up to problems of negotiation and to issues of unfairness, continue to view employer-employee relationships in a more adversarial than collaborative framework. It is also a management mindset that equates productivity with tight supervision and employer control of how and where work must be performed, rather than a strategy that empowers workers to cooperate with management in developing a plan that meets both sets of interests, and views such interests as complementary rather than competing.

In spite of the accumulating evidence that flexible workplaces can improve the bottom line, some employers still voice concerns. These concerns generally involve a fear of increased costs, unawareness of effective management strategies consistent with flexibility, regulatory and legal restrictions, and difficulty in terminating unwanted employees.

Changes in the business often require new strategies, new procedures, and a shift in workplace culture. Although policies can be put on the books, changing the culture involves a constructive collaboration between employers and employees. One aspect of workplace culture—whether workers believe they will be punished for choosing some form of flexibility—has been mentioned. But other aspects of work culture must change as well. For example, if time spent on site is equated with productivity, then many flex options will appear on the surface as reductions in work effort. But the positive-side benefits of flexibility—things like reduced worker stress and increased worker investment in and identification with business success—can motivate employees to work better and smarter, thereby increasing their productivity.

## Phased Retirement

Among older workers, the notion of flexible work can also be linked to the process of retirement when it enables workers to gradually reduce their schedules. For some, this option of phased retirement allows them to reduce their hours while continuing in the same job with the same employer. For others, the option of gradual retirement allows them to cycle in and out of employment—working for a while, perhaps intensively, then taking an extended period of time off. Working as a consultant or an individual contractor, for example, would allow workers to accept specific projects but reject others. The term “phased retirement” refers to a range of employment arrangements including part-time, seasonal, or temporary work; extended leaves of absence; and deferred retirement option plans (DROP) programs.<sup>2</sup>

Renewed interest in phased retirement options has been fueled by a number of factors. As the workforce ages and labor market growth slows, employers are concerned about retaining experienced employees. In addition, recent statistics indicate that the long-term trend toward ever earlier retirement appears to have stabilized and perhaps reversed, with an increasing proportion of older workers reporting that they would like to continue working.

As the number of years people spend in retirement has increased, the nature of the retirement—as a status, a process, and an experience—has also become more heterogeneous. Whereas retirement used to imply abrupt and total withdrawal from the labor force, younger and healthier retirees have been more likely to retire from a career job but continue to work either part time or full time in a new job. Given these factors, both the demand and the supply dynamics appear favorable to developing

and extending phased retirement opportunities.

Even so, phased retirement is not generally available. Because phased retirement programs are not subject to government reporting requirements, we are just beginning to collect information about the prevalence of such programs—how these work arrangements are being structured by employers, how eligibility is determined, and how employers structure the terms of compensation (Penner, Perun, and Steuerle, 2002). Estimates of how many firms have implemented a phased retirement program range from 16 percent (Watson Wyatt Worldwide, 1999; 2001) to 23 percent (William M. Mercer, Inc., 2001), to 30 percent (AARP, 1999).

In a recent study of 950 public and private employers of 20 or more workers, Hutchens (2003) reported that almost three out of four employers who participated in the survey allowed employees to reduce their hours before they retired—however only 14 percent of these employers reported having a formal written policy in place. In addition, phased retirement was available primarily to managers or employees in highly skilled positions—workers who were better educated, healthier, and more financially secure than the average worker. Rather than being formally and generally available, phased retirement is applied more often on a case-by-case basis. Finally, phased retirement arrangements tend to be used among those who begin the retirement process at relatively young ages (Chen and Scott, 2003). Thus, phased retirement options are more likely to be available to the more advantaged workers and are of little help to the typical aging employee.

Although a detailed assessment of the legal and regulatory issues involved in expanding phased retirement policies is

beyond the scope of this report, it is important to note that employers often cite existing federal policies such as ERISA, the Age Discrimination in Employment Act, and IRS tax regulations as bureaucratic barriers to more flexible arrangements. Some of these federal provisions provide protections for older workers and their pensions; however, they can make phased retirement a complicated proposition for employers who offer defined benefit (DB) pension plans. Careful consideration of how these policies might be amended to accommodate workplace flexibility has begun (e.g., Penner, Perun, and Steuerle, 2002).

## Policy Developments

Pension rules have interfered with the accessibility of phased retirement by either disallowing the distribution of benefits before the normal retirement age (as in defined benefit plans) or reducing benefits in direct proportion to earnings levels (as in the Social Security earnings test). Recent changes in federal policies have reduced this barrier to more flexible retirement arrangements. In 2000 Congress approved the elimination of the Social Security earnings test for persons above the normal retirement age (currently 66), allowing retirees to earn as much as they could without having their Social Security benefits reduced. Although the earnings test remains in force for people age 62 to the normal retirement age who both work and receive Social Security benefits, the threshold level of earnings allowed has been adjusted.<sup>3</sup>

In 2000, the Phased Retirement Liberalization Act was introduced in Congress. Written to address DB pension plan regulations that preclude paying pension benefits before the normal retirement age designated in the plan, this bill would have permitted DB

pension plans to make in-service distributions to workers as young as 59½, at 30 years of service, or on attaining the pension plan's normal retirement age. Although this bill did not pass, in 2004 the Internal Revenue Service issued proposed regulations (that have not been finalized) for phased retirement options available to workers under DB plans.

Among other provisions, the proposed regulations would allow employees at the minimum age of 59½ to be paid a pro rata share of their accrued benefits, with the share to be determined by the reduction in hours worked. During the phased retirement period, employees would maintain a dual status: partially retired and partially in service (employed). The regulations would not allow for lump-sum distributions. Employees participating in phased retirement would accrue proportionate additional benefits regardless of the number of hours worked.

Although the goal of the proposal was generally well received, the documentation and reporting requirements necessary to demonstrate the concordance between the reduction in hours and the share of retirement benefits payable were considered too restrictive and demanding. According to Watson Wyatt Worldwide (August 2002), an important concern raised by the IRS involved the effect of such "flexible" pension arrangements on the integrity of the pension system. How someone younger than the designated normal retirement age who continued to work for his or her employer could be entitled to "retirement" benefits, and how such "early withdrawals" would affect workers' general levels of retirement income security were important considerations, which we discuss below.

Provisions of the Pension Protection Act of 2006 change ERISA's restrictions on defined benefit plan distributions to active workers age 62 and older. This change will allow older workers eligible to retire to remain with their current employer or a new employer and collect some pension benefits. Employers are allowed to offer phased retirement to broad categories of workers or selectively, for a limited time or indefinitely, and these arrangements can be offered through formal or informal programs. Participants in 401(k) and 403(b) plans who reach age 59½ can continue to work for their employer and receive distributions from their accounts. It is not clear whether the IRS will continue to work on its proposed phased retirement regulations after this Pension Protection Act change.

### **Evidence of Flexible Employment Patterns Among Older Workers**

Despite the finding that many older workers would like to be able to retire gradually rather than abruptly move from full-time work in career jobs to full-time retirement, how much flexibility they actually enjoy continues to be debated. Do "bridge jobs" provide evidence of a gradual retirement strategy, or are they accepted as incomplete substitutes for the career jobs that were lost? Are the part-time schedules worked by older employees evidence of a negotiated arrangement between management and individual workers, or are they non-negotiable arrangements that older workers—like their younger counterparts—either have to accept or reject? Do shifts to self-employment at older ages imply the same sorts of work arrangements that self employment implies for younger and mid-life workers?

Some researchers argue that the increasing proportion of self-employed workers at older ages constitutes evidence that older workers have more flexible work arrangements. According to an analysis of data from the Health and Retirement Study (HRS) (Haider and Loughran, 2001), the percentage of self-employed among persons working for pay in 2002 increased from 20 percent of those in their late 50s, to 40 percent of workers in their 70s, to 60 percent and higher for workers in their 80s. Among wage and salary workers in 2002, those reporting that they could reduce their working hours increased from 30 percent for workers in their late 50s to 63 percent for workers in their late 70s. However, research has also indicated that older workers sometimes gain job flexibility at the expense of lower wages (Haider and Loughran, 2001).<sup>4</sup>

Although older workers often express an interest in phased retirement, studies of the retirement process have consistently shown that gradually reducing work hours and effort while with the same employer is relatively rare. An analysis of HRS data by Penner, Perun, and Steuerle (2002) indicates that 26 percent of full-time employees age 51 to 65 worked for employers who allowed a reduction in hours.

Of all older workers who left their jobs (both retirees and job changers) between 1992 and 2000, approximately 13 percent (representing about 1.5 million people) said they would have stayed on the job if their employer had permitted them to work fewer hours with a corresponding reduction in pay. Nineteen percent (representing about 2.1 million people) working full time in 1998 for employers that did not allow fewer hours, said they would reduce their schedules if permitted.

Older job leavers are somewhat more interested in working part time compared to others, but access to hours-of-work reductions was higher among employees not covered by an employer-sponsored pension plan—about one in three among those not covered compared to one in five covered by defined benefit plans, and one in four covered by defined contribution plans (Penner, Perun, and Steuerle, 2002).

Some employers offer part-time arrangements to individual employees, but formal structured programs are much less common. A Watson Wyatt study reported that 75 percent of their sample of employers with partial retirement arrangements rehired their own retirees as part-time or temporary workers (Watson Wyatt Worldwide, 1999).<sup>5</sup> The private sector lags behind the public sector and not-for-profit employers in offering these programs. Employers in education, public administration, and health care are among those that offer phased retirement most often; however academic phased retirement programs are distinct compared to corporate versions of these policies (Watson Wyatt Worldwide, 1999). For example, academic phased retirement programs are explicitly authorized by law (they are legally regarded as a special case of “early” retirement), and academic employers can be required to provide enhanced benefits to their phased retirees (Penner, Perun, and Steuerle, 2002).

Two surveys of employers report that formal phased retirement policies are uncommon; however, most employers say they negotiate reductions in hours of work for older workers on an informal basis (William M. Mercer, Inc., 2001; Hutchens, 2003). We know very little about how opportunities for phased retirement are distributed or why they are distributed as they are (Hutchens, 2007).

Sloan Foundation-supported research has found that 67 percent of the establishments interviewed reported that phased retirement would be possible for a “generic white-collar worker;” an additional 15 percent said that phased retirement was possible in “selective cases.” For the most part, these arrangements were envisioned as informal and were negotiated on a case-by-case basis. What is unclear from these findings is whether phased retirement is available for a particular job, or whether employers are selecting specific workers for these special opportunities. Creative analyses of employer survey responses suggest that employers are more likely to allow phased retirement for “high performers” (Hutchens, 2007).

Although current workers say that they expect to retire later than current and recent cohorts by delaying retirement to age 65 or older (compared to the current average retirement age of 63 for men and 62 for women), it is unclear whether their actual retirement ages will coincide with these plans. Results from the Employee Benefit Research Institute’s (EBRI) Retirement Confidence Survey data for 1994 through 2006 consistently show that workers often retire at younger ages (by an average of three years) than they had planned (Helman, Copeland, and VanDerhei, 2006).

In another study Abraham and Houseman (2005) found that among respondents who said they planned to reduce work hours, only 35 percent actually did so. In addition, only 22 percent of older workers who planned to change their type of work actually did so. Many more workers than anticipated exited the labor force. Patterns were similar for men and women. Abraham and Houseman concluded that those who plan to remain employed are much less likely to behave in accordance with their expectations than workers who plan to

retire completely. Helman, Copeland, and VanDerhei also note that 67 percent of workers say they expect to work for pay after retiring; however, in the last decade only 32 percent of retirees report having worked for pay since retiring. This lack of concordance between plans and behavior raises doubts that baby boomers will in fact work to significantly older ages.

Whether older workers leave the labor force voluntarily or because they fail to find or hold on to suitable employment has long been a focus of research. Although the proportion of workers claiming voluntary retirement increased during the last quarter of the 20<sup>th</sup> century, more recent studies indicate that between 30 percent and 40 percent of older workers leave the labor force because of poor health, job loss, or for family reasons (Munnell and Sass, 2007). Would these workers find employment and/or would voluntary retirees choose to work longer if they faced a wider array of choices in work arrangements?

### **Women and Flexibility**

Women are particularly challenged by workplace policies that fail to recognize the competing responsibilities of work and family. Their biological role in pregnancy and childbirth, as well as societal expectations for mothers (versus fathers), daughters (versus sons), and wives (versus husbands), put women at the center of the family network.

Even in dual-earner households, women spend more time on housework and on child care than their husbands; adult daughters are also much more likely than sons to provide care to an older parent. But addressing work and family balance is not just about women. As a society we have an interest in ensuring that working women who want also to have and care for children, and be responsive to a

broader range of family responsibilities, are supported in their efforts. In addition, men who choose to more equally share the responsibilities of family and the home should be encouraged to take this more active role.

Unfortunately, mothers who interrupt their careers to care for their children experience higher rates of poverty in old age. Women who actively pursue their careers generally postpone childbirth and then face declining fertility and the health impacts of childbirth in later life. To the extent that women who pursue advanced degrees are more likely interested in building careers, employers' unwillingness to support women's joint roles translates into greater childlessness among women with higher education (Organization for Economic Cooperation and Development [OECD], 2005).

Dual-earner families and single-parent families, more often headed by women, are also hurt by family *unfriendly* workplaces. Many OECD countries are grappling with the policy issues inherent in supporting workers as parents (see, e.g., Organization for Economic Cooperation and Development, 2005). These governments are particularly cognizant of the relatively high child poverty rates that characterize jobless single-parent households (compared to employed single-parent households) and single-earner two-parent families (compared to dual-earner two-parent families).

As the social institutions of work and marriage have undergone change, birth rates have also shifted downward. The demographic trends of declining numbers of children and increased survivorship and longevity among the older segments of the population have challenged national economies and public finances. Across OECD countries, labor force participation rates of parents generally have increased. Countries with

relatively high rates of labor force participation among women also tend to have higher fertility rates.<sup>6</sup>

Some countries that have instituted policies that support child care for newborns to three-year-olds, flexible working hours, and favorable tax policies are also among the countries with the highest fertility rates (Organization for Economic Cooperation and Development, 2005). In Canada and the United Kingdom workplace benefits have helped reduce joblessness among single parents. Some countries, such as Austria, Finland, France, and Germany, offer long periods of paid leave for parents—up to three or more years. Even benefits that replace only a portion of previous earnings ease the financial burden of parents who want to stay home with their children, although workers may find themselves off-track in terms of their careers.

## Future Directions

Workplace flexibility is a broad policy category that addresses the time, place, and career structure of work arrangements. One purpose of this flexibility is to enable workers to combine employment with other pursuits or responsibilities. Workers in different stages of life not only may value this flexibility for different reasons, but their life circumstances may also suggest somewhat different mechanisms for configuring these flexible arrangements. For example, because of the gender inequality in child care, homemaking, and general family responsibilities, these flexible policies and programs can be particularly helpful to women's careers and could have a number of indirect health benefits by reducing the stress in women's complicated lives.

As for their relevance to older workers, flexible work arrangements can extend the timeframe during which retirement

transitions occur. Because many countries, including the United States, are interested in keeping workers actively employed into older ages, introducing more flexibility around retirement could be one way to extend working lives.

By allowing workers to gradually reduce their hours of work, modify their workplace responsibilities, and coordinate various sources of income, we may introduce a new work life stage—a stage of “phased retirement.” What makes phased retirement a somewhat different arena of flexibility is that the mechanism for earnings supplements—pensions—is already in place (although the opportunities for older workers to combine earned income and pension benefits is still viewed as problematic in some quarters).

Traditionally, pensions have been viewed as wage replacements rather than wage supplements. This view is consistent with retirement as a one-time event that occurs as a sharp transition from employment to retirement. But as the process of retirement has evolved, being “employed” and “retired” at the same time has become more common, as older workers leave full-time career employment for part-time work with the same employer, or for new and different jobs and schedules. Within this framework, partial pension benefits can serve as wage subsidies, allowing workers to combine reduced earnings with partial retirement benefits, and if their employers are willing, to gradually reduce their work effort.

By retaining the option of informal flexibility, employers can retain their ability to accommodate the wishes of some employees without making this type of flexibility generally available to all of their employees. These informal arrangements make it more difficult for employees to plan. To the extent that

workers who desire flexibility often must work longer days, switch to part-time jobs, become self-employed, work evening or irregular shifts, or accept variable and unpredictable weekly hours, it is unclear when what we generically describe as “flexible schedules” can actually improve workers’ situations.

When eligibility for and the terms of flexible options are clearly set forth, workers are able to make arrangements according to their preferences. But when these programs are shrouded in uncertainty, workers must make decisions in the hope that any subsequent requests for flexibility will be honored by their employers.

The policy challenge is how to provide widespread availability of programs to broad categories of workers without intervening in ways that are counterproductive to either workers or employers. If employers view flexibility as deregulation—removing federal oversight of program design, eligibility, and terms of compensation—access may not only vary across industry, firm size, or occupation, but it may also vary from one worker to another in the same company.

On the other hand, if certain regulations serve as barriers to employers adopting flexible policies, then worker access to such policies may not expand until these barriers are removed. Regulations that are too restrictive can become contradictory to the essence of flexible policies and programs—that is, the ability of employers and employees to collaboratively design a mutually advantageous labor process. Replacing adversarial with cooperative arrangements will require adjustments, and these arrangements will be less compatible with the organizational culture in some sectors than in others.

Other high-income nations are also grappling with these policy issues, although as noted above, employers in a number of countries are already required to provide certain types of welfare and family-friendly benefits to their workers—while U.S. employers have more often been asked to do so voluntarily. In general, the regulatory environment in the United States has been looser, and the requirements imposed on employers have been fewer than in the European Union. In addition, whether or how marginalized workers will be covered by such policies is an open question. To the extent that employers use flexibility as a reward for highly valued employees, access for marginalized workers seems unlikely.

For U.S. industry to be competitive in a global market, employers and employees must find common ground on which to build a productive relationship that allows workers greater flexibility in where, when, and how they do their work while ensuring management that tasks will be completed and expectations will be met. The evidence that workplace flexibility can provide advantages to both employers and employees has been accumulating.

Many employers remain skeptical, however, fearing that labor costs, or output, or administrative efficiency will be unfavorably affected. But the complex lives of workers, the multiple roles they play, and the detrimental effects of stress and anxiety on their health and well-being makes workplace flexibility an essential topic for policymakers. The social costs of failing to find ways to alleviate the difficult circumstances created by cross-cutting demands on workers' time and energy will continue to mount.

## Appendix

### Methodological Considerations in the Study of Flexibility

Although we have some general information from the Current Population Surveys about workers by occupation and industry, sex, or age who currently utilize flexible schedule options, large national surveys such as the CPS do not allow us to match employee actions with employer policies. Also we cannot follow workers over time to determine whether their career trajectories are compromised by their choice of flexible arrangements, or whether employees who take advantage of flexibility are indeed more productive.

Perhaps more importantly, we cannot assess the health impacts on workers (and their children or their parents), the improvement in the quality of life for workers and their families, or other sorts of consequences that could correlate with greater job satisfaction. Instead of focusing only on employers *or* only on workers, we should shift our assessments to put employers and employees in context. Employees are embedded in workplaces, families, and communities, and employers are embedded in communities and systems of local, national, and increasingly, international competition. Reducing the flexibility gap requires solutions that work in all of these contexts—solutions that recognize that these contexts differ across workers and change across time.

How we measure workplace flexibility and how we assess the relationship between flexibility and performance at the level of the individual, the team, and the organization are also important considerations. In some cases, what flexibility really means for the worker remains so ambiguous that making

comparisons across time or across groups is of little use. In other cases, flexibility is so narrowly defined that we risk shifting the debate away from the full range of flexibility policies to a much more limited set of options. Good measurement is always a prerequisite for meaningful analyses, and the study of workplace flexibility simply underscores that point.

Finally, the most useful assessments will be longitudinal, allowing researchers to see not only the immediate effects, but whether and how having access to flexibility may have longer-term consequences for a firm's competitiveness, for example—or on employees' health, rates of disability, and creativity. Gauging how and where flexibility can make important contributions will require the cooperation of employers and employees. Although self-reported data are important, validating perceptions is also important and requires access to what employers may consider proprietary information. Addressing questions of change in the aggregate (or at other sorts of summary levels) does not help us understand the mechanisms of change. We are left with comparisons in which a number of things are different—but how these threads of difference lead to meaningful disparate outcomes remains shrouded. Careful longitudinal study of how these differences are produced provides important insight not only into the dimensions of flexibility that are connected to the most favorable outcomes, but why they are connected. This also allows us to look for ways to make similar sorts of improvements for people in different circumstances.

Much of what we know about flexibility comes from studying cooperative employers and motivated workers. To expand the frame, we must be able to address the concerns of the skeptical

employers. Given that the culture of the workplace has been identified as a crucial component of successfully implementing these policies, we need to broadly consider employers' concerns in order to move forward in this arena.

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<sup>1</sup> The National Study of Employers is a nationally representative sample of employers with 50 or more workers (see, e.g., Bond, et al., 2005).

<sup>2</sup> In higher education and among other public-sector employers, DROP programs are often available. DROP programs allow employees to continue working and have retirement benefits deposited into a separate account that earns interest. Upon full retirement, the participant receives the full value from the DROP account. Participation in DROP programs is generally limited to no more than five years.

<sup>3</sup> Workers regard this reduction in benefits as a tax and often limit their work hours in order to avoid it. However, benefits reduced as a result of the earnings test will eventually be returned in an actuarially fair manner.

<sup>4</sup> These figures necessarily excluded older workers who already retired because they faced minimum hours restrictions.

<sup>5</sup> Other studies reported that around 60 percent of the samples of employers rehired their own retirees (AARP, 1999; Mercer, 2001).

<sup>6</sup> For example, the United States has one of the highest fertility rates and one of the highest rates of labor force participation among women. Some countries are also exceptions to this pattern, e.g., Turkey, which has one of the highest fertility rates but is lowest in labor force participation among women (Organization for Economic Cooperation and Development, 2005).

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