

# Flexible working is on the cards

The working year is changing, but what's driving the change to annualised hours? And do you need more than IT to make it work? Annie Gregory paints the picture

A recent study by the Work Foundation reports that two out of five workers say they would be more productive with more control over their working time. At the same time Jane Lodge, head of manufacturing at Deloitte is pointing out that profitable manufacturers need responsiveness, ability and flexibility. And achieving that can add significant costs unless it's managed efficiently as it demands different levels of resource, sometimes at irregular times of the day. So we could stop this article here. In theory, annualised hours solves both these issues at one fell stroke. In practice, however, a lot of companies are, frankly, pussy-footing around the whole issue because they worry it will be difficult to implement, stir up trouble with their workforce over the contract changes, and prove too complex to manage because it involves dealing with individual requirements rather than 'blocks' of labour.

T'ain't necessarily so, as the growing number of manufacturers working this way proves. Nearly one in 20 full-time employees now work annual hours, although manufacturing still trails other sectors. So why make the change? Traditionally, manufacturers manage peaks by the simple expedient of paying overtime when necessary and cutting hours when trade slackens. It's expensive; makes for unstable budgets; and it's pretty demoralising to be

periods can be used for holidays, sickness and other absences. Provided the system is set up to allow fair notice and some flexibility on both sides, it goes a long way towards the work/life balance that everybody preaches and so few achieve. The dependence on temporary staff diminishes and the shopfloor benefits from the skills of a settled, regular team, reducing stress on both sides. Absenteeism shrinks because people have some control over their own hours and it allows everyone to take more responsibility for productivity.

If only it were always that simple. As Lodge says, implementing new arrangements is not just about introducing new processes and systems; it's about shifting the behaviour of managers and employees to embrace the concept and implications of more flexible working arrangements.

## Partnership

Peter Curran of annualised hours specialist PCA is adamant that the annualised approach must be implemented strategically to deal with the real demands of the business. These are governed as much by internal factors like equipment, work practices, quality standards, attendance patterns, even culture, as they are by external factors like legislation, competition and the order book. "It is not just about working time. New flexible ways of working can be introduced to match a carefully analysed real demand profile. 'Thinking in a new way' is important in the process as it challenges everyone's views and assumptions about what is possible." It needs partnership from the outset to encourage everyone to see change as an opportunity for all-round improvement.

Among the preliminary analyses he carries out with clients are the timing of critical tasks and skills required to meet specific demand levels. But he also focuses on designing more efficient roles and ways of working, defining job groupings and 'time-critical' staffing levels. Teams may need restructuring, with extra training, to give the flexibility so that the whole team does not need to be rostered at once. PCA uses modelling techniques to align skills needs against demand patterns to ensure the whole thing is set up correctly in the first place.

Curran says: "Realistically, there have to be tangible benefits for employees, possibly in terms of higher guaranteed pay, training and development opportunities and an incentive to have more say in how work is done and reducing the hours needed to do it."

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Alan Bishop, Thomas Sanderson

put on short time after working into the ground to meet surges in the order book.

Instead, annual hours let you match working hours to the demands of the business. Although patterns vary, the basic principles are simple. You pay a straight salary without overtime. At less busy periods, employees are rostered to take blocks of time off between shifts. This can be as much as two continuous weeks in addition to annual holidays. The company 'banks' the unworked hours and calls them in when the pace hots up. Conversely, the hours banked in credit accounts during the busy



ILLUSTRATION: OLIVER BURSTON

It sounds sensible but daunting – and doubtless introducing annualised hours can be a tough call, particularly in larger enterprises. Take British Nuclear Group's Sellafield site. In 1999, under its old name of BNFL, it agreed with its unions (GMB, TGWU, Amicus, Prospect and its staff union) a package of radical changes to working practices, hours and employee benefits, including annualised hours. It was designed to help deal with an ingrained high-overtime, long hours culture. Overtime was running at an average of 10-15% and, in some cases, 40% above contracted hours.

Employee relations manager Barry Mann says an element had crept in so that work got done in overtime rather than contractual hours: "We wanted to give people the opportunity to think of better, more efficient ways of doing things." Now employees are paid at time and a quarter for banked hours that range, according to position,

from 30 to 100. These hours are called in when there is a real, unforeseen business need. Added flexibility comes from 'credit time' which allows managers to work out arrangements within teams for both personal and work reasons, often giving time off in lieu instead of resorting to banked hours.

Despite the initial costs of the new contract, it has saved millions of pounds per year through reductions in overtime and shift pay. No overtime has been paid for the last five years, yet output is up. Without management/union partnership it wouldn't have worked. It's not perfect – there are still reservations that, in some areas, banked hours are regarded as untouchable and both sides are looking at ways to change that.

It is, however, the kind of massive shift that puts many off the whole idea. But it doesn't have to involve huge negotiations, upheaval and stress.

## IT in practice Time & attendance

Armstrong Metal Ceilings has proved a simple but well-thought out alteration to basic working patterns can be welcome and advantageous to workforce and management alike. This Stafford-based subsidiary of the 15,000-strong building products multinational Armstrong World Industries makes suspended metal ceiling systems. With only 60 people on site, it wanted a flexible and easily managed way of matching its two-shift working to the peaks and troughs of seasonal and unpredictable demand. "We are a highly ethical company – we don't want to manage demand by laying people off and taking them on again. We believe in the welfare of our employees," explains Maxine Worthington, management information manager.

Plant manager Torquil Goodwin hit upon annualised hours as a potential solution. One year on it is, according to Worthington, working brilliantly. There are three basic shifts: a short one of 32 hours, a normal one of 37 hours and an extended shift of 41 hours. The shopfloor is given two weeks' notice of a change in shift by nothing more sophisticated than a notice by the swipe machine. No overtime is paid for weekday working although it is still due for rare weekend call-ins. Instead they are paid a guaranteed weekly wage. Armstrong tracks the hours and totals them on 31 December. Hours due to the company are written



absences and holidays; the rules prevent manning levels falling below minimum level on key sections. It is also useful for identifying individual absence patterns, spotting recurring health problems in specific work areas and giving instant graphical information about who is on site for capacity planning.

Armstrong introduced annualised hours without dissent. It was accepted instantly on a works ballot with the full agreement of union reps.

In fact, Worthington says they were a bit stunned because it was such a good deal. "It's the decent thing to do and it fits our parent's ethical policy. It's treating our employees with respect – and we can expect the same from them."

This example illustrates the role that IT – and notably T&A – can play. Simon Macpherson of software specialist Kronos, which worked with PCA, says it is impossible to monitor such a scheme without some sort of automated system. T&A is not only vital in tracking hours worked; it also keeps companies compliant with the Working Time Directive (WTD): "Longer working days might mean WTD regulations are exceeded at some points in the year. Using Kronos, employers can change the 17-week rolling reference period in order to average out working hours over a longer period of time." He points out employees can use shopfloor PCs to keep track with hours worked against their annual total, saving supervisory time.

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Maxine Worthington, Armstrong Metal Ceilings

off; hours due to the employee can be taken as holiday or paid at time and a half. "It gives us extra capacity when we need it and it gives the shopfloor some security and helps with their financial planning," says Worthington. It also means a better work/life balance for employees. It is much easier for them to take time off for personal reasons; instead of docking pay, it is simply deducted from the running total of hours worked.

Worthington manages this through Equator time and attendance (T&A) software from McGuffie Brunton. The system, which uses magnetic swipe cards, was originally implemented for a host of reasons, including easier payroll calculation, access control, and simply to get away from the dehumanising aspects of clocking in. But Worthington is adamant: "We simply could not have done this using clock cards. It would have been a nightmare trying to maintain the level of detail we need." It allows Armstrong to set its own rules up including individual shift patterns, breaks and payment rates. Everyone, including the boss, swipes in and out. Equator is also used to book

### Work/life balance

Finally, annualised hours aren't always greeted with deep suspicion. Take Thomas Sanderson, supplier of conservatory blinds and awnings which introduced it with the help of Smart Human Logistics. It meant control of its labour costs while the staff still got a fixed monthly income. Nigel Campkin, executive director, explains: "We were able to say to the staff 'how would you like to work less hours, earn more money and have more time off? It wasn't too tough to sell – once we convinced everyone we were serious."

The scheme has driven up staff retention and allowed the company to distribute some of the savings among the workforce. Work/life balance has also improved; staff can work less hours as it suits them in line with the manufacturing programme.

Productivity levels are controlled and labour costs are constant and predictable. "This year we've seen an improvement in productivity of 25% and our labour costs are lower than two years ago," says Campkin. No overtime has been needed since the scheme was introduced.

"There's no way we'd go back to the old system, says manufacturing manager Alan Bishop. "The new one means we can match our rosters to the sales forecasts every year. This year has been absolutely superb, we're already seeing cost savings just from controlling our hours." ■