



Some Alternative Work Arrangements Can Reduce Costs and Provide Employee Benefits

at a glance

Public and private employers typically adopt alternative work arrangements to improve employee recruitment and retention and to produce savings by reducing facility and overtime costs.

Most Florida state agencies have used alternative work arrangements to a limited extent, and have reported some savings. Other states have implemented statewide alternative work arrangements. Utah adopted a compressed workweek for most employees. While Utah did not achieve the level of savings it expected, it achieved reductions in energy and custodial costs and lower overtime.

To achieve savings through alternative work arrangements, the Legislature could consider three options: (1) require state agencies to implement a mandatory compressed work week; (2) require agencies to implement mandatory telecommuting; and (3) direct agencies to assess the potential for hoteling. The Legislature could require agencies to report potential savings that could be achieved through these steps prior to the 2010 Legislative Session.

Scope

As directed by the Legislature, this report examines state agency use of alternative work arrangements and answers four questions.

1. Have state agencies implemented alternative work arrangements?
2. What cost savings or other benefits can result from alternative work arrangements?
3. Have other states realized cost savings through alternative work arrangements?
4. What options could the Legislature consider to reduce costs through alternative work arrangements?

Background

Many public and private employers have adopted alternative work arrangements to realize cost savings and achieve additional benefits for their organizations. Ideally, alternative work arrangements can decrease facility and employee related costs and improve employee recruitment, retention, and morale. Typical alternative work arrangements include compressed workweeks, telecommuting, and hoteling.

- **Compressed workweeks** allow employees to work 40 hours over four days, or 80 hours over nine days. These arrangements allow employees to work more than eight hours on certain days of the week while

working reduced or no hours on other days (typically either a Monday or a Friday).

- **Telecommuting** allows employees to work from home one or more days of the week. Alternate work locations, a variation of telecommuting, enable employees to work all 40 hours of a standard workweek at home or from an alternate location.
- **Hoteling** allows employees to work off-site most of the time and at office locations on an as needed basis. When employees need to access their office location, they use a workspace reserved on an as-needed basis rather than a permanently assigned office.

Workplace technologies often support these alternative work arrangements. For example, the United States Office of Personnel Management switched from desktop to laptop computers with built-in broadband cards to facilitate work from alternate locations. The office reports that this step saved money because laptop upgrades are less expensive, and that expanded alternative work arrangements may increase access to government jobs and ensure that agencies can operate during emergencies. IBM has increased the use of compressed workweeks and telecommuting and found that it reduced desk space by 60% and positively benefited employees work life balance.¹

Questions and Answers—

Have state agencies implemented alternative work arrangements?

Current statutes do not govern alternative work arrangements other than telecommuting, and Florida’s state agencies may implement these work arrangements at their discretion.²

¹ A recent *HR World* article by David Hakala explains the work life balance as the allocation of employees’ time and energy between work and family, health activities, hobbies and all of life’s non-work requirements.

² Section 110.171(3), *F.S.*, directs agencies to identify job classifications and positions that they consider appropriate for telecommuting. Agencies that adopt a telecommuting policy must follow statutorily established guidelines.

The Department of Management Services has established state telecommuting guidelines and has issued a rule encouraging agencies to adopt family-friendly work schedules. Most agencies have some employees participating in such alternative work arrangements, generally on a voluntary basis.³

Department of Management Services provides agency guidance regarding alternative work arrangement policies. Current Florida statutes do not address alternative work arrangements other than telecommuting. Section 110.171(2), *Florida Statutes*, directs the Department of Management Services to establish and coordinate a state telecommuting program, and it has issued a telecommuting guide for managers and employees. The department also tracks what agencies in the State Personnel System have established alternative work arrangements, and the number of employees that participate in some programs.⁴

As directed by statute, the department has also issued a model family support rule. This rule, originally adopted in 1991, encourages agencies to approve flexible work schedules, job sharing, parental or family medical leave, or family leave for non-medical family reasons such as caring for an aging parent.⁵ Such personnel policies recognize employee needs to balance work and personal responsibilities and may improve employee recruitment and retention.⁶

For most state employees, alternative work arrangements are voluntary, although certain positions may be required to work compressed workweeks. For example, the Department of

³ OPPAGA gathered information on the number of employees participating in alternative work arrangements within the State Personnel System. The State Personnel System comprises Florida agencies excluding the State University System, the Florida Lottery, the Legislature, the Justice Administration System, and the State Courts System.

⁴ The state’s People First system does not identify all employees that participate in alternative work arrangements. For example, the system does not identify those employees who are hoteling or some who work mandatory compressed workweeks.

⁵ Rule 60L-34.0051, *F.A.C.*

⁶ Section 110.1522, *F.S.*

Health implemented an employee-driven compressed workweek during the summer of 2008 in response to increases in retail gas prices. Similarly, the Department of Transportation requires compressed workweeks for its road crews.

Many state agencies have employees that participate in alternative work arrangements. Department of Management Services data show that, as of December 2009, 21 agencies had employees who telecommute, and 29 agencies had employees working flexible work schedules such as a compressed workweek or other alternative schedule (see Exhibit 1).^{7,8}

According to the department, most agencies had relatively few (fewer than 30) employees participating in telecommuting, although four agencies reported more than 100 telecommuters—the Department of Children and Families, Department of Revenue, Agency for Health Care Administration, and Department of Business and Professional Regulation. Two agencies reported that they have limited or discontinued telecommuting. For example, the Department of Transportation limits telecommuting primarily

to its Office of Information Services, asserting that telecommuting is most beneficial for employees who do not interact with customers and have easily measured project deliverables. Department of Corrections officials reported discontinuing a telecommuting program due to low participation and concerns over data security and employee accountability.

Flexible work schedules are more widely used than telecommuting. Exhibit 1 shows that nearly 18,800 state employees work flexible work schedules, compared to 1,416 employees who telecommute. The Departments of Corrections, Transportation, Health, and Children and Families have the largest numbers of employees who work alternative or flexible work schedules.

Agency officials reported that the availability of alternative work arrangements may vary within an agency. As a result, agency officials lack comprehensive information on the number of employees that may be participating in alternative work arrangements. These agencies also reported that they have not assessed their workforces and policies to determine if there are any potential or actual savings. State law does not require agencies to collect outcome information on alternative work policies other than reduced office space resulting from telecommuting.

⁷ Data provided by the department represents a snapshot of state employees as of December 2009. Data also represents both full-time and part-time state employees.

⁸ Flexible work schedules applies to any employee who works a schedule that deviates from the typical 40-hour Monday through Friday schedule.

**Exhibit 1
More Than 20,000 State Agency Employees Participate in Alternative Work Arrangements Such as Telecommuting and Other Flexible Work Schedules**

Agency	Number of Employees Telecommuting ¹	Number of Employees Working Flexible Schedules
Agency for Health Care Administration	143	124
Agency for Persons with Disabilities	51	617
Agency for Workforce Innovation	57	136
Department of Agriculture and Consumer Services	1	387
Department of Business and Professional Regulation	119	113
Department of Children and Families	622	1,726
Department of Citrus	0	4
Department of Community Affairs	0	18
Department of Corrections ²	19	4,799
Department of Education	5	166
Department of Elder Affairs	0	13
Department of Environmental Protection	49	812
Department of Financial Services	12	144
Department of Health	23	2,436
Department of Highway Safety and Motor Vehicles	11	369
Department of Juvenile Justice	26	1,238
Department of Legal Affairs	6	193
Department of Management Services	9	142
Department of Military Affairs	0	12
Department of Revenue	184	703
Department of State	0	25
Department of Transportation	35	3,756
Department of Veterans' Affairs	2	159
Division of Administrative Hearings	0	23
Executive Office of the Governor	0	0
Fish and Wildlife Conservation Commission	20	175
Florida Department of Law Enforcement	0	306
Florida Parole Commission	4	5
Florida School for the Deaf and the Blind	0	158
Public Service Commission	18	27
Total	1,416	18,786

¹ Department of Management Services officials indicated that not all agencies consistently use the telecommuting indicator in People First.

² Department of Corrections officials eliminated the agency’s telecommuting policy in 2004 and indicated that information contained in People First is in error.

Source: Department of Management Services data on agencies in the State Personnel System.

What cost savings or other benefits can result from alternative work arrangements?

In theory, alternative work arrangement policies can reduce agency costs and provide personnel related benefits. Cost savings can be achieved if agencies can consolidate office space as the result of alternative employee work arrangements, attaining lower rent, energy, and maintenance fees, and the

arrangements may help reduce overtime expenses. Alternative work arrangements may also provide benefits including improved employee recruitment, retention, and morale.

Agencies can realize cost savings if they can reduce office space needs through alternative work arrangements. Certain alternative work arrangements such as hoteling and telecommuting can enable agencies to reduce the amount of leased space needed for employees.

Hoteling allows agencies to reduce their space while providing offsite employees with periodic access to work stations and supervisors. Employees that typically work offsite may not require dedicated workspace. When they do need to meet with supervisors or access fax machines or other equipment, these employees are assigned to use a non-dedicated or non-permanent workspace that they reserve on an as-needed basis. Thus, an office may be temporarily used by multiple employees who use the space on alternative days. Hoteling can also reduce costs if employees from two or more agencies share office space in one building.

In July 2007, the Department of Children and Families developed a hoteling pilot program for child and adult protective investigators, and it expanded this initiative statewide for all these staff during Fiscal Year 2007-08. Subsequently, the Legislature reduced the department's budget by \$3.2 million to reflect its lower need for leased space.

Telecommuting can similarly result in cost savings if agencies can reduce their space needs because employees work from their homes. For example, in Fiscal Year 2008-09, the Department of Revenue closed or consolidated over 20,000 square feet of leased space, with some of the affected employees shifting to telecommuting. The department reported saving \$262,349 annually due to its reduced leased office space.

Alternative work arrangements can produce savings by reducing office energy consumption. In some cases, compressed workweeks may produce modest energy cost savings by closing state office buildings an additional one day each week. The Department of Management Services constructed two models to assess the potential savings from a mandatory compressed workweek and estimated savings ranging from 2% to 4% (\$203,834 to \$407,667 annually) for buildings in the Tallahassee Capitol Complex.⁹

⁹ The first model estimates savings by assuming there is a direct link between the reduction in building operational hours and

However, department officials reported that these models assume a direct link between building operational hours and energy consumption and may overestimate savings because some functions such as data center operations cannot be shut down as a result of compressed workweeks.

Research suggests that compressed workweeks can reduce employee productivity because staff may become tired at the end of longer workdays; it can also reduce total hours worked because fewer staff stay at work to finish tasks after their regular 10-hour days. Compressed workweeks can be inconvenient to the public if services are available on fewer days. In addition, longer workdays may be problematic for employees who have child and elder care considerations.

Alternative work arrangements may produce personnel benefits that ultimately reduce costs. Many experts suggest that some alternative work arrangements improve employee morale and reduce turnover, which can reduce agency personnel-related costs for recruitment and training. For example, telecommuting can enhance employee's ability to balance work and personal life by eliminating commuting time. Flexible hours can similarly enable employees to tailor their workdays to personal needs, which may improve employee morale and reduce turnover. The Department of Children and Families reported that its hoteling program improved staff morale by reducing travel time. In addition, alternative work arrangements may reduce employee sick leave and related agency costs. For example, sick employees may be able to work from home when telecommuting and employees working four-day workweeks have an additional day to schedule medical, dental, and other appointments, reducing absences from work.

potential energy cost savings. The second model performs a standard linear regression using national-level data predicting the building energy use intensity based on building operational hours. The second model also assumes that there is a direct relationship between the reduction in energy use intensity and cost savings.

Have other states realized cost savings through alternative work arrangements?

Several states, including Arizona, Colorado, Georgia, Utah, and Virginia, have implemented alternative work arrangements for their workforce. Colorado, Georgia, and Virginia adopted alternative work arrangements to achieve personnel-related benefits such as improved morale and employee retention, as well as productivity and cost efficiencies and decreased road congestion.

Utah adopted alternative work arrangements as a cost savings initiative and has achieved some, but not all, anticipated savings. In August 2008, Utah implemented a mandatory compressed workweek in which most state employees work four 10-hour days with Fridays off. State officials anticipated \$3 million in annual savings from decreased building operation costs and the opportunity to renegotiate custodial contracts. Additionally, officials believed the initiative would make a positive impact on customer service, employee recruitment and retention, and reduce the environmental impact of state government operations.

Based on a preliminary report issued in February 2009, Utah's cost savings have fallen short of expectations. The state tracked energy use in 101 state buildings that housed between 80% and 90% of the state employees covered by the initiative. Utility bill analyses indicate that only half of the buildings achieved the anticipated 10-20% reduction in energy use.¹⁰ However, in October 2009, Utah officials reported an unexpected \$4.1 million reduction in overtime pay, which they believe occurred in part because employees were less likely to stay at work and accrue overtime pay after working a 10-hour day but also said that it is

impossible to know how much of the decrease can be attributed to the workweek change. Utah officials also reported that the state will save \$203,177 annually from renegotiated custodial contracts. Additionally, Utah realized positive outcomes in improved customer service and employee satisfaction and reduced gasoline consumption.

What options could the Legislature consider to reduce costs through alternative work arrangements?

The Legislature could consider three options for alternative work arrangements that may produce cost savings: (1) requiring state agencies to implement a mandatory compressed workweek; (2) requiring agencies to implement mandatory telecommuting; and (3) directing agencies to evaluate their workforce to assess the potential for hoteling. Prior to mandating such enterprise-wide initiatives, the Legislature may wish to direct agencies to estimate their potential to produce substantial savings through these efforts.

Option 1: Mandate a compressed state workweek. The Legislature could require state agencies to implement a mandatory four-day workweek for their personnel. This would result in energy, security, maintenance, and custodial cost savings if agencies can close their operations one or more days per week. However, law enforcement, data center, and other functions that must be staffed 24 hours a day, seven days a week would not realize such cost savings. Also, mandatory compressed workweeks can have negative impacts on employee productivity and public access to services.

Option 2: Require agencies to expand telecommuting. The Legislature could require agencies to expand the number of employees who work from home. A mandatory telecommuting policy could produce savings by reducing office space needs as more

¹⁰ These figures reflect buildings that are both completely and partially closed on Fridays.

employees would work from their homes. Telecommuting may also help agencies attract and retain staff.

However, agency officials have expressed concern that mandatory telecommuting could reduce their ability to oversee employees and result in lower productivity, particularly for employees without easily measured outputs. In addition, agencies could be required to provide participating employees with costly computers and communications equipment and would need to implement additional computer and data security safeguards, which could require additional expenditures. Agency officials also questioned to what degree the state's workers' compensation laws apply when employees are telecommuting.

Option 3: Require agencies to assess hoteling. The Legislature could direct agencies to assess their potential to increase shared use of workspace through hoteling.¹¹ Agencies that employ inspectors, investigators, or other employees that frequently travel to off-site locations would be the best candidates for this

¹¹ The Department of Management Services collects information from state agencies regarding the use, consolidation, and reduction of office space in order to prepare the department's annual strategic leasing report. In 2008, the department asked agencies about their telecommuting policies. The survey did not address other alternative work arrangements and was not updated in 2009.

initiative. To assess the feasibility of hoteling, agencies would need to identify the number of positions suitable for this arrangement and the potential for reducing leased office space. Agencies would also need to assess the potential to share field office space with other agencies that have locations in the area.

The Legislature could require agencies to estimate potential savings prior to the 2010 Legislative Session. There is currently limited information available to estimate the potential savings that could be achieved by mandating statewide alternative work arrangements. The Department of Management Services does not collect enterprise-wide information on all options, and agencies would need to identify the number of positions that could be accommodated through these techniques, the potential customer service impacts that should be considered, and the level of savings that could be achieved through reduced energy, leasing, custodial, and security costs. The Legislature, through the Legislative Budget Commission, could require agencies to complete this assessment and report potential savings prior to the 2010 Legislative Session. Exhibit 2 provides more specific information on the advantages and disadvantages of the three options.

Exhibit 2
The Legislature Could Consider Three Options to Achieve Cost Savings Through Alternative Work Arrangements

Option	Advantages	Disadvantages
Option 1 – Mandatory Compressed Work Week		
<p>The Legislature could require agencies to implement a mandatory compressed workweek for personnel, requiring employees to work 40 hours over a four-day period and close their operations three days per week.</p>	<ul style="list-style-type: none"> ▪ Decreased operational costs and energy usage ▪ May result in cost savings from reduced employee overtime ▪ Reduced security, maintenance, and custodial service contracts ▪ Reduced employee absenteeism and sick leave ▪ Improved employee morale ▪ Improved environmental factors such as air quality, greenhouse gases, and fuel consumption ▪ Reduced road congestion, usage and maintenance 	<ul style="list-style-type: none"> ▪ Potential to reduce employee productivity ▪ Negative public perception ▪ Employees with school-age children or elder care responsibilities may face scheduling difficulties due to longer work days. ▪ Difficult to estimate potential savings prior to change; the Legislature could require agencies to assess potential savings prior to the 2010 Legislative Session
Option 2 – Mandatory Telecommuting		
<p>The Legislature could require agencies to establish mandatory telecommuting policies to maximize the number of employees who work from home one or more days per week.</p>	<ul style="list-style-type: none"> ▪ Decreased operational costs due to a reduction in leased space, energy usage and service contracts ▪ Improved employee morale ▪ Improved environmental factors such as air quality, greenhouse gases, and fuel consumption ▪ Reduced road congestion, usage and maintenance ▪ Improved employee recruitment and retention 	<ul style="list-style-type: none"> ▪ Increased equipment costs for some agencies ▪ There are legal considerations regarding the applicability of Workers' Compensation laws to employees working at home. ▪ Loss of employee oversight ▪ Potential to reduce employee productivity ▪ Increased work load for agency staff ▪ Difficult to estimate potential savings prior to change; the Legislature could require agencies to assess potential savings prior to the 2010 Legislative Session
Option 3 – Mandatory Hoteling		
<p>The Legislature could direct agencies to evaluate their workforce and maximize use of hoteling.</p>	<ul style="list-style-type: none"> ▪ Decreased operational costs due to a reduction in leased space, energy usage and service contracts 	<ul style="list-style-type: none"> ▪ Difficult to estimate potential savings prior to change; the Legislature could require agencies to assess potential savings prior to the 2010 Legislative Session

Source: OPPAGA Analysis.

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Florida Monitor: www.oppaga.state.fl.us

Project supervised by Mary Alice Nye (850/487-9253)
 Project conducted by Chris Diaz (850/922-6664) and Brook Pace (850/487-9266)
 Kara Collins-Gomez, Staff Director, Government Operations
 Gary R. VanLandingham, Ph.D., OPPAGA Director