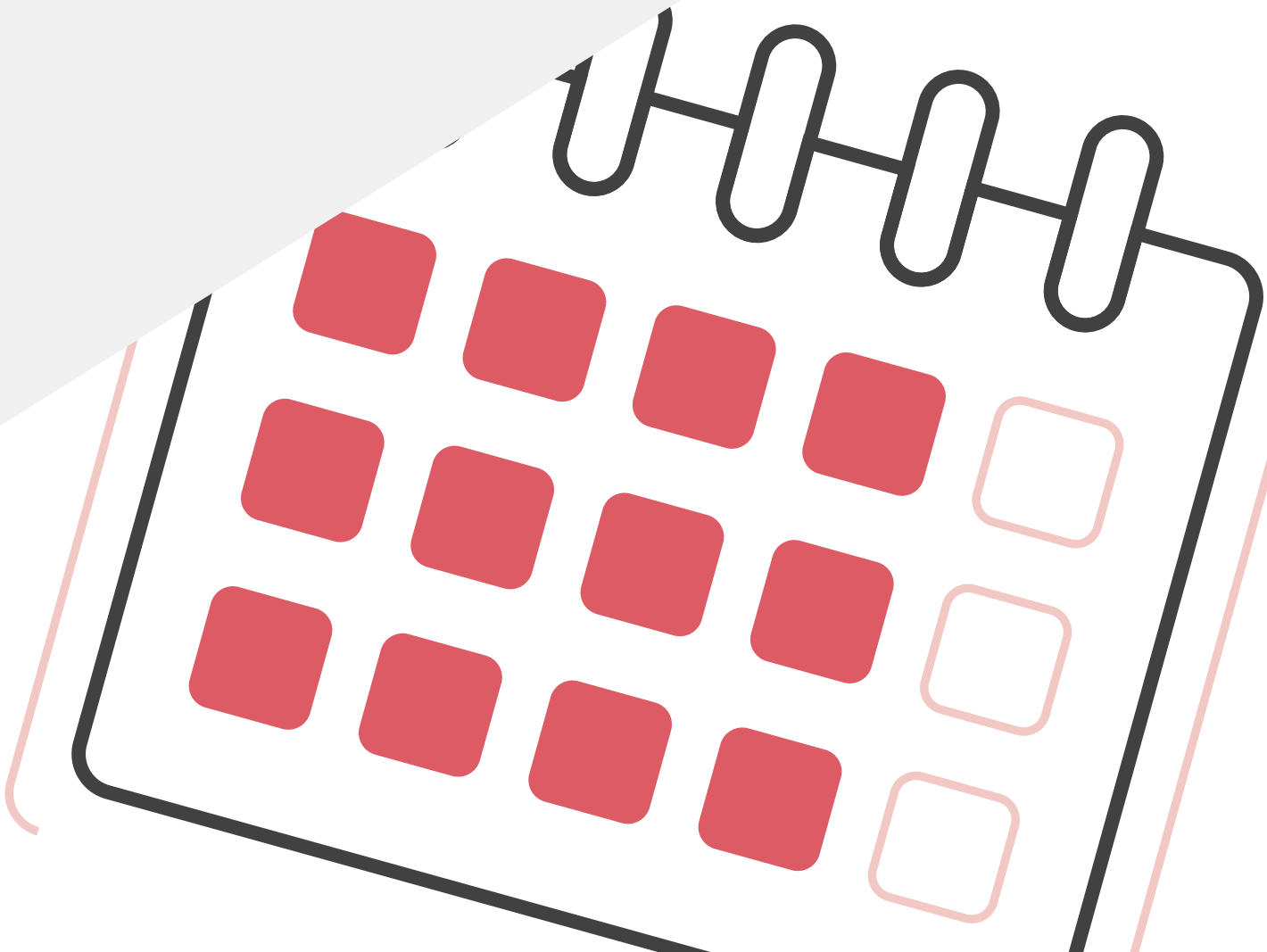


IS LESS MORE?

TOWARDS A 4 DAY WORK WEEK.



The global pandemic is encouraging employers to embrace disruptive trends, including a radical new approach to the work week...

2020 has brought more significant changes to the working world than any other year in recent memory, with millions of businesses across the United States forced to rapidly adapt to *new professional and social situations*. While the changes haven't necessarily been positive, expected, or even desired, they have nonetheless affected every single employer and employee, in every industry and sector, and seen a collective effort by governments and individuals to adapt to a 'new normal' way of doing business.

Opportunity from crisis

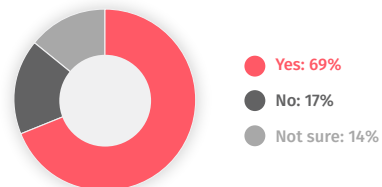
The economic impact of the coronavirus pandemic has been unprecedented. In the US, 100,000 businesses were forced to close as a result of lockdown measures, 1.43 million Americans filed for unemployment, and the economy *shrank by 32.9%* - the biggest drop since records began. While the price has been high, the emerging irony of the crisis is that it has also made business owners explore new ways of working that would have seemed unfeasible, if not impossible, only months earlier, in order to keep their employees safe and to continue to deliver goods and services to customers.

Social distancing, perhaps the most visible regulation of the coronavirus era, has forced businesses to think carefully about the number of employees physically present in their premises at any given time - a requirement that has, by extension, prompted employers to make changes to the amount of time that employees spend at work. Practically, that has meant reorganizing shift patterns, controlling customer volumes, arranging new schedules with suppliers, and closely managing workflows. One of the most interesting adjustments to the coronavirus turmoil, however, has been the *prospect of 4-day work weeks* in businesses across the US.

Long considered an *unrealistic paradigm-shift*, the 4-day work week has emerged as a potential method for employers to deliver as close as possible to their normal output during the coronavirus crisis, with fewer resources and within a narrower timeframe. More interesting still: rather than limiting output, in many cases 4 day work weeks have been accompanied by benefits to productivity, employee morale, and health.

As the effects of the global crisis ebb, the changes that businesses made in order to survive are set to linger. With that in mind, we decided to take our own closer look at the notion of the 4 day work week with a dedicated survey of 272 employees working across the United States. We were interested in how those employees felt about a 4 day week and how they thought it would affect their workplace...

Do you think a four day work week would be beneficial to your workplace?



“I was way more rested and ready for the work week after having a longer weekend”

“It’s easier to focus on work 4 days a week”

“10 hours instead of 8 makes for a long day, but getting an extra day off each week could be worth it”

Through necessity or convenience, the 4-day work week has become a realistic option for businesses in the US and across the world, with employers beginning to grapple with the possibilities it offers and asking themselves: is less more?

Could the 4 day week work?

While often cast as a pipe-dream, the 4 day work week isn't the progressive 'white rabbit' that many employees and employers think it is. In fact, 4 day weeks have already been implemented in the United States, and around the world, for years, giving analysts a treasure trove of raw data with which to examine the ways in which businesses have benefited, and suffered, from the transition.

THE DATA:

Microsoft Japan:

In August 2019, *Microsoft Japan* tested a 4 day work week, as part of its 'Work-Life Choice Challenge', with employees taking every Friday off but being paid for a full 5 day week. Results from the scheme showed that productivity increased by 40% with the added revelations that electricity costs had fallen by 23%, 59% less paper was used, and employees took 25% less time off.

MRL Consulting:

In May 2019, UK recruitment firm, *MRL Consulting*, began a 6 month trial into the 4 day workweek with a full day off every week for all employees. The trial resulted in a 25% productivity boost along with a 95% staff retention rate and a 40% cut in short term absences. Employees reported feeling both generally healthier and more rested after a 3 day weekend break.

Shake Shack:

In March 2019, *Shake Shack* began a trial of a 4 day work week in its Las Vegas outlets, allowing managers 40 hours of normal pay and benefits spread out over fewer days. The initial pilot scheme saw a 20% uptick in employee productivity and employees reporting increased happiness. The scheme was deemed so successful that Shake Shack decided to roll it out to locations across the US.

Perpetual Guardian:

In March 2018, New Zealand trust company, *Perpetual Guardian* ran an 8 week trial into the 4 day week, effectively changing its work model to ensure that each of its 240 employees received a paid day off per week. The study, monitored by the University of Auckland, found that employees were 20% more productive and reported both a 24% improvement in their work-life balance and a 7% reduction in feelings of stress. Since the study, Perpetual Guardian has made the 4 day week permanent with the option for employees to come in for an extra day should they choose to do so.

The Workforce Institute:

A 2018 study by *The Workforce Institute*, The Case for a 4 Day Work Week, gathered data from almost 3,000 employees in the US, Canada, the UK, Mexico, France, Germany, India, and Australia, on attitudes to a reduced work week. 78% of employees thought that they could do their daily work in under 7 hours if they could work uninterrupted, while 45% believed they could do it in under 5 hours. The employees cited a range of non-essential tasks, meetings, and admin, as major drains on their ability to perform their core roles.

What does a 4 day work week mean?

While the numerous trials and studies provide food for thought, it's important to acknowledge that the concept of a '4 day work week' isn't set in stone.

Different employers may have different ideas about the shape their 4 day week would take. Some may seek to ensure that workers only work the equivalent of the hours they would work across 4 days, while others may seek to compress the work hours from 5 days into 4. Some employers may designate a single day per week on which workers don't come in at all: that may, for example, be Friday in order to give employees a longer weekend (although it could be designated as any day of the traditional work week).

Similarly, the 4 day work week doesn't need to be framed by the traditional Monday-to-Friday convention of most office settings and could instead be spread out over 7 days - an approach that would likely be a necessity in customer-facing work environments where service is expected on every traditional work day (if not also weekends). While many employers could choose to offer employees

the equivalent of 5 days' pay for their 4 days of work, others may seek to simply offer employees the prospect of a healthier work-life balance as an incentive.

That variance makes the interpretation of 4 day week trials challenging. Not only do applications of '4 day' models vary but so too do the characteristics of the firms that implement them. To understand how a 4 day work week model might function in a given workplace, it's important to take a more functional, practical perspective: in other words, why would it work - or not work - in your business?

How would a 4 day work week affect your business?

When people talk about the 4 day work week, it's hard to separate the aspirations associated with it from its practicalities. It seems intuitive that everyone (or at least most people) would like to work less, if they could, and enhance their mental wellbeing, but how would that affect the businesses that employ them? While statistical data from relevant studies offers some insight into that question, previous implementations of the 4 day work week can't capture its impact universally.

With that in mind, let's take a closer look at the potential pros and cons.

The benefits

Productivity:

I think my productivity would be improved by a four day work week.



While the prospect of working 'less', or working within a shorter time period, may suggest that employees won't accomplish as much, trials of the 4 day week have instead revealed that employees became more productive during their truncated work time. This implies that employees operate with a greater focus and efficiency during the 4 days in which they are at work and that existing workloads may have been stretched artificially over 5 days as a consequence of in-work delays.

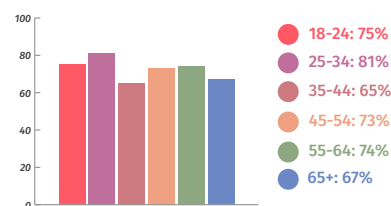
"I'd be able to focus better"

"A 4 day week would be amazing. My productivity is hindered by being overworked."

"I'd work harder knowing I had more free days coming"

Interestingly, when broken down by age group, the younger and older employee demographics were more confident that a 4 day week would lead to a productivity boost, than employees aged 35-44. The split suggests that career-focussed middle aged employees may benefit from an optional fifth day of work, similar to the model implemented by Perpetual Guardian.

I think my productivity would be improved by a four day work week, by age group

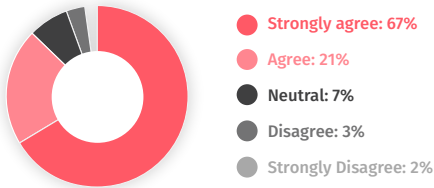


The benefits

Cost reduction:

In contexts where a 4 day work week means one day per week when everyone is out of the office, both employers and employees would see a reduction in costs. For employers, the 4 day work week would mean lower utility bills and sundry costs for employers, while employees would save a day's commuting expenses and have lower in-work costs such as lunch and coffee purchases.

I think my work-life balance would be improved by a four day work week.



Employee morale:

Employees that spend less time in work get to spend more time at home with their families or time engaged in social activities. Depending on how their 4 day week is implemented, employees could regularly receive a 3 day weekend, giving them more opportunities to plan for activities, events, and holidays. The resulting morale boost promises peripheral benefits, including increased loyalty to employers.

“More personal time makes a happier employee.”

“A couple hours more every day to get another whole day off? A no brainer”

“I don’t like that I see my coworkers more than I see my family.”

Health and wellbeing:

In addition to the physical benefits of spending less time in work, in an employment landscape where stress is an increasingly important issue, the 4 day work week could have important health benefits. By reducing the time that employees spend at work, employers can significantly reduce stress-related absences and help to address the numerous mental health issues associated with over-work.

Employee retention:

With increased employee satisfaction and boosts to morale, employers that implement a 4 day work week tend to see increased levels of employee retention, as demonstrated by the MRL trial. The prospect of 3 day weekends and a progressive work environment also has reputational benefits, helping employers not only motivate existing employees but attract the best talent.

How do you implement a 4 day work week?

The pros and cons of the 4 day week reflect the diversity of the employment landscape: every business will implement the change differently and be differently affected by it. With that in mind, all the trials, research, and real-world evidence of the benefits of the 4 day week can only ever go so far. Ultimately, employers that feel it could and would work for their company and their employees must think carefully about *their own approach*.

That process should involve the following significant steps and considerations:

How do you define the 4 day week?

The first step in implementing a 4 day work week is establishing what you mean by it, and what you want to achieve for your business by introducing it. Practically, this means tackling the considerations discussed above: will you simply take an entire day out of the work week, reorganize shifts, or add hours to the remaining 4 days? Your decision must factor in your business goals - in other words: do you want to see a greater degree of productivity or beneficial effects for your employees, or both?

How will you trial your flexible work model?

Any implementation of a 4 day work week should be preceded by a trial phase which allows employers to test the effectiveness of the new system without committing to it long-term. The trial phase should prepare employers for a range of challenges - not least potential payroll complications - and help employees understand what shape the new system will take. The trial phase will provide both data and practical experience for everyone affected by the new work schedule and enable employers to tweak their approach should they decide to make the change permanent.

How do you engage your employees?

Like any major business change, you'll need to ensure strong, clear communication with employees throughout the transition to a 4 day week. However, since it will fundamentally affect their working lives, it makes sense to actively seek employees' input into your approach and, importantly, find out what they expect from it. Employees may have insights into, and perspectives on, the 4 day work week that are unavailable to you as an employer. Employee suggestions might include trimming meeting times or reducing time spent browsing online as a way to make up the time from the 'lost' day. They may also raise important departmental concerns, such as potential payroll or HR complications.

It's worth bearing in mind that any change to your work week will likely have significant compliance consequences for your payroll process. To help you gauge the impact of any transition to a 4 day work week, make sure you involve your *payroll team or provider* in the decision making process as early as possible.

How will your 4 day week impact customers?

Perhaps the most important consideration of the feasibility of the 4 day work week is the impact it will have on your customers. With that in mind, employers might seek customer input prior to their transition via questionnaires or surveys. If the issue is productivity, employers must ensure their 4 day output is compatible with ongoing customer expectations. If, on the other hand, the issue is service, employers must ensure their employees' 4 day schedules are arranged to meet customer demand at any point during the week.

The disadvantages

Longer hours:

Under some applications of a 4 day work week, employers may impose longer hours on employees in order to make up any productivity shortfall from the 'lost' day. In this scenario, the 4 day work week could lead to higher levels of exhaustion and stress and leave employees with a more challenging work-life balance during the week. Similarly, employees may find that their tasks require the same amount of time and attention regardless of the length of the work week, and so end up missing out on any intended health and wellbeing benefits.

“There’s a balance needed between work and meetings. A four day week may eliminate work time.”

Adaptability:

The transition from a traditional work week, to a 4 day work week (or flexible work model) may be difficult for some businesses and not without the prospect of failure. Employers may encounter unforeseen administrative or logistical problems or even experience pushback from employees who want to work more hours but are unable to do so. The potential adaptation problems underline the need for employers to gather as much information as possible prior to any trial or implementation of their own flexible work model.

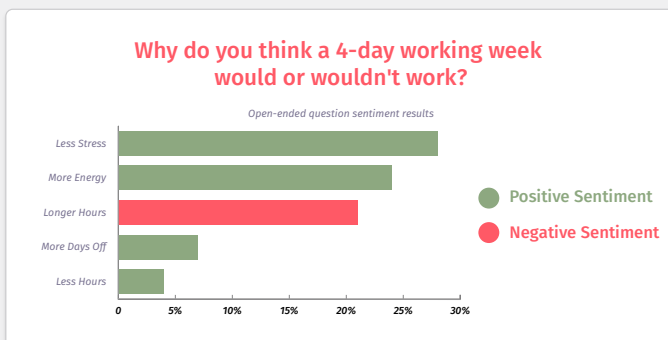
“My job is based around businesses that are open 5 to 7 days a week. They need us.”

“Potentially more stress to fit into a 4 day week”

Customers and suppliers:

While a 4 day work week may be logistically feasible, businesses may find it difficult to sell the idea to their customers and suppliers. Many service and retail organisations are expected to be open throughout the week while suppliers may be reticent to alter or disrupt their own schedules. While neither factor is likely to prevent the practical implementation of a 4 day work week, they are likely to create complications that are exacerbated in larger businesses or those with international footprints.

“It would only work if everyone else in DC also had a 4 day week. Otherwise we wouldn’t be competitive.”



Industrial disparity:

Some industries may simply be unable to participate in a 4 day work week, creating disparities across the employment landscape. These industries might suffer competitively from being closed while competitors are open, while their employees would not necessarily benefit from the 'day off' that it theoretically would provide.

Getting more from less

Whatever the practical considerations of your 4 day work week, its success will, by necessity, come down to your bottom line: as an employer, you must see its benefits take effect in order to persevere in the long-term. Most employers would accept that it would be unrealistic to assume that the implementation process would be entirely smooth sailing (or even majority smooth sailing): the key should be managing expectations against achievements.

To that end, as the 4 day week is implemented, employers need to be resilient and maintain focus on the objectives they set for themselves. In more practical terms, that means taking clear, practical steps to ensure everyone in the company understands what they have to do under the new system. Those steps include:

- ***Setting out deliverables and assigning tasks for every employee and department.***
- ***Ensuring employees have the resources they need to perform their roles.***
- ***Implementing a contact system for customers and suppliers who need to reach you in emergency situations.***
- ***Having a fallback plan in place to deal with unexpected problems.***

Beyond those practical steps, successful implementation of a 4 day work week should also involve a cultural transition from habits that are undoubtedly deeply embedded. Employers and employees should shift their mindset from 'hours worked' to the more objective-oriented 'work completed' in order to focus on, and assign value to, what needs to be done during every shift, day, week, or even month.

Conclusion: Leaps of faith

While the examples of successfully implemented 4 day weeks have been significant, they have so far been restricted to individual companies that are, to an extent, going it alone. From that perspective, the most significant obstacle to widespread adoption of the 4 day week is that it isn't (or cannot be) immediately adopted widely: individual businesses are still forced to assess and explore its potential impact, defining themselves against convention at every step.

Regardless of the merits of evidence, the 4 day work week is still seen as a leap of faith, a progressive paradigm shift that carries a huge risk-reward factor for every business. However, as the research, trial phases, and ongoing pilot schemes continue to shift that perception, more and more companies will begin to consider the possibilities for themselves. Larger firms (like Shake Shack and Microsoft) may *play an important part* in this respect: with the capability to act unilaterally, the transition by an enterprise business to a 4 day model across all locations, and for all employees, would carry significant influence and pave the way for other companies within the ecosystem to follow suit. Similarly, *smaller firms* may choose to enter into a sort of 'cooperative' 4 day week scheme where SMEs connected as part of a business community begin trial phases simultaneously, complementing each other's needs in order minimize challenges and maximize advantages.

The 4 day work week will never be a cure-all for the woes of the labor market, but those businesses that choose to take their own leaps of faith, might begin to make things easier for everyone.

If you're considering a transition to a flexible work model, and are considering how to manage the payroll challenges that will bring: get a head start by talking to activpayroll today...