Time to go home
Embracing the homeworking revolution
Tim Dwelly and Yvonne Bennion

the work foundation
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1. Introduction

Working from home has become an everyday part of modern employment practice. This wasn’t planned. No government policy or employer initiative created the trend. The power and affordability of new technology has enabled employees and the self-employed to drive it forward. Homeworking is very much a bottom-up initiative.

Perhaps this is why so many UK employers have found it hard to recognise or know how to respond to the phenomenon. The Work Foundation contacted 25 employers in the public, private and voluntary sectors by telephone interview to take a snapshot across the sectors in summer 2001, and updated this in late 2002. Although there had been some positive movement over the period, we found that half had no formal homeworking policy or guidelines. Several of the policies were still drafts. For these employers, the typical view could be summarised as: ‘We are letting more people do this on an individual basis. Perhaps we ought to have a policy now’.

Employers are uncertain how to respond to homeworking. They are torn between a sense that it is worthy/inevitable and a concern that it threatens established ways of working and managing staff. This uncertainty is sending confusing messages to employees. It is also leaving employers trailing other more dynamic organisations with a clear approach (see chapter 6).

The Work Foundation promotes the best in new ways of working. At both a public policy and practical level we help organisations to balance regulation, business and employee needs. In our view it is time for employers to come off the fence and embrace homeworking with clearly thought-through policies. The need to do so is highlighted by the new legal right from 6 April 2003, for parents of children under six (under 18 if the child is disabled) to require their employer to consider seriously requests to work flexibly. Employers also need to think through the practical implications of the outlawing of age discrimination in three years’ time.

The policies will work best if they increase flexibility rather than police it. One of the paradoxes of homeworking in the UK is the way it has succeeded in spite of the rules. Too much regulation could stifle the freedom it produces. This freedom could well be the secret ingredient behind homeworkers’ impressive productivity. Effective homeworking requires a true partnership between employer and employee. It will work less well if it is treated as an ad hoc gift or treat bestowed upon grateful staff.

Government too can do much more. It too has been slow to respond to the growth in homeworking. When it has commented, it has sent out a mixed message. While praising the contribution that homeworking and flexibility can make in various documents, ministers have left intact rules and regulations that discriminate against it or are at best offputting (see chapters 9 and 10).

In the US, the Department of Labor produced an excellent report on the potential impact of homeworking on the US economy. Telework and the New Workplace of the 21st Century recognises that homeworking ‘holds vast potential to benefit workers, employers, and the American economy as a whole’ and takes a hard look at how its benefits can be maximised. The UK government could find this document a helpful benchmark.

Homeworking should not be seen as a way to address only the needs of employees. It is about much more than work-life balance. The facts show how homeworking is not just a way to help working parents juggle employment and childcare, or a special treat for managers who want to finish a report in peace. It is a new way of working that could help the UK boost productivity, reduce traffic/pollution and spread employment opportunities to people and areas that the office world has been unable to reach. Homeworking demands its own policy response from government, with fiscal, legal and regulatory action to match.

Above all, homeworking requires employees’
contributions to be measured by their outputs rather than by the number of hours they spend at work. A simple but potentially radical concept with implications for all staff. By helping to make work measurable by outputs, homeworking can make a hard-edged contribution to productivity. This impact is potentially far more important than allowing limited homeworking as a gesture to flexibility.

It is time to take homeworking seriously. Whatever the pros and cons of homeworking, it is becoming hard to ignore. This report does not advocate homeworking as the best way to work. But it does call on employers and government to recognise its benefits and tackle the barriers that hold it back.

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**Definitions**

‘Homeworking’ is an increasingly common term for employers and employees. In this report we take it to mean *office-type work carried out by employees working from/at home*. A homeworker is someone who mainly works from home (the place where they keep their filing cabinet and computer). But homeworking can be full or part time, a regular or occasional activity. Advances in technology have meant that most homeworking today is ‘teleworking’ – work that relies upon the use of computers and telecommunications.

The 2002 EU Framework Agreement on Teleworking defines it as ‘a form of organisation and/or performing of work, using information technology, in the context of the employment contract/relationship, where work, which could also be performed at the employer’s premises, is carried out away from those premises on a regular basis.’

The term teleworking is widely used in official statistics, such as those from the Labour Force Survey, but we generally use the term *homeworking* because in practical terms *teleworking* sounds dated. This report is not seeking to address traditional manual homeworking, as this is a separate, important subject in itself, though now representing a declining proportion of the total who work from home.
2. Doubts answered, myths debunked

There are many myths and unfounded concerns about homeworking. Here are answers to the most common.

‘The homeworking “revolution” never happened, so it never will’
All the figures, worldwide as well as in the UK, show that a quiet revolution is under way. The technology that enables homeworking was unthinkable even ten years ago. Where it is a common practice, its impact is profound, demanding output rather than hours-based staff assessment. Once homeworkers are managed this way, an organisation may well apply this practice to all office staff. This does not mean that large parts of the workforce will work full time at home.

Sceptics may grumble that homeworking is not catching on because it is often informal. But its informality can be an advantage: people will often do a bit more if the flexibility of homeworking helps them too. Sceptics risk watching competitors move ahead as they increase productivity, cut traffic stress and retain and recruit independent-minded staff who might otherwise be freelance. As the recent iSociety report on mobile phones and everyday life said: ‘As people figure out uses, new patterns of activity emerge and become ingrained. The trick isn’t in the technology; it is in the changing of habits.’ In a similar way, the increase in homeworking is a response to technology as a driver and a facilitator.

‘It is too expensive’
This is a weak argument, as the cost of computer equipment and telecoms continues to fall. Even small businesses can remotely access any PC, using standard settings in the latest Microsoft Windows packages. Remote IT support is cheap and simple. Many homeworkers become self-servicing, and are easier to help than office staff with no incentive to sort out their own basic IT hiccups. When homeworking is translated into lower office overheads, it saves employers money.

‘It is divisive and unfair to office staff who aren’t allowed to do it’
This also treats homeworking as a perk. Many critics say that there is no demand and that staff like going to the office. So is it a popular option for shirkers, or an unpopular option no one wants? If it is popular, then those who can’t do it may want to move to a job where they can. They can either do this within your organisation or by leaving to go elsewhere.

‘It can mean lack of promotion’
The reality is that homeworking has its pros and cons. Those who do it gain some freedoms but make certain sacrifices. It is homeworkers themselves who can best decide if they will miss promotion opportunities. Generally homeworkers regularly come into their employer’s premises for meetings. Many large companies have intranets and post job opportunities on them, so there is less risk of being uninformed.

As long as performance measurement is output-based, there is no reason why homeworkers need be disadvantaged in promotion. The fear they might be is reason-able, so employers, especially line managers, need to take special care. It is also true that some will want to escape the ‘rat race’, prioritising freedom and productivity over status and pay, but employers should not base their approach on this.

‘It could allow people to work for other companies without our knowledge’
The rules regarding paid work for others should be the same for office and homeworkers alike. They should be clear on confidentiality and the use and misuse of equipment. There is no reason why homeworkers should not do other work, as long as it is not in breach of their duty of fidelity to their employers, their contracts and company policies.

There is, however, potential for misunderstanding and mis-trust. A reasonable question is this: ‘If homeworkers choose to spend some of the hours saved by their increased
‘Most companies have not started to review attitudes to output versus hours... The assumption is that if the work is complete before time there must be another task to be done’

productivity to work for a third party, how is this worse than paying office staff to talk about football, traffic and TV for part of their working day? Most companies have not started to review attitudes to output versus hours, either in terms of the outputs per se or their value to the organisation. The assumption is that if the work is complete before time there must be another task to be done. This is a genuine tension in homeworking, especially for more junior employees who have less choice about how they work.

Ironically, a recent US study shows that those workers with internet access at home (including those with access at both work and home) spend 5.3 hours a week at home on work activities. By contrast, those with internet access at work (including those with access at both work and home) spend an average of 4.4 hours a week on personal activities at work.

‘The team in the office will have to work harder’
Not if the communications systems are set up well. It is relatively straightforward to have telephone systems that divert to home phones and for staff to be able to reach homeworkers as if dialling an internal extension. Homeworkers also seem to be absent less (minor illness will not prevent them working as much as commuting colleagues).

‘It can make people feel isolated and depressed’
Though homeworking is not for wimps, the ‘isolation’ point can be overdone. It is raised more by sceptics than actual homeworkers. Most homeworkers do not disappear, never to be heard of again except by phone/email. They regularly attend meetings and work in the office some of the time. For those who are more remote this may be an issue, but who is to say the employer knows best? Isolation can be tackled by encouraging homeworkers to participate in freelance networks, etc. It is lack of contact with people, not with office colleagues, that causes isolation. It is also worth considering how ‘isolation’ can mean peace, quiet and productivity.

‘It is mainly helpful for women juggling work/childcare and disabled/ill employees’
The figures say this is simply not the case. Although these groups may find homeworking appropriate, many employers find that male managers without health problems predominate. It is much more about staff who want flexibility and reward it with higher productivity and loyalty.

‘You can’t combine work and family in one building’
You can. Many people do. It is true that children coming back from school can disrupt a working day, but this applies even more to people who have to leave work early to pick up their children from the nursery or childminder. However, there is a limit to acceptable levels of disruption. A room dedicated to work is usually essential. Above all, homeworking is no substitute for decent, affordable childcare provision.
Here is a checklist for employers to consider, based on findings in this report.

- Consider the business case for homeworking. Do not simply see it as an afterthought.
- Ensure that performance and reward systems are based on measuring and valuing outputs, not hours.
- Take a fresh look at assumptions about the suitability of jobs for homeworking, especially in the light of present and anticipated technology.
- Be open to all requests for homeworking, not just those from parents.
- Treat homeworking as voluntary (unless recruiting specifically for new employees to be homeworkers).
- Conduct flexibility audits with employees to establish broad needs, including the demand for and outcomes of homeworking.
- Include homeworking in flexibility options and review any flexibility policy in relation to place as well as hours of work.
- Ensure that homeworking has its own policy, to cover its particular circumstances.
- Learn from best employer practice in websites and guides from government and specialist independent agencies.
- Include employee and recognised union representatives in the process of drawing up the homeworking policy, as well as consulting through line managers.
- Where there is no formal policy and overt practice, find out and analyse the extent of informal homeworking.
- Give homeworking board level support. Hold line managers accountable for its success.
- Ensure line managers have the skills to manage and sustain relationships with homeworkers that are based on trust rather than control.
- Consider having ‘autonomous workers’, working as if they were freelance but for lower cost in return for greater job security.

- Ensure home-based workers do not miss out on promotion.
- Recognise homeworkers’ self-management role in their reward.
- Evaluate homeworking on an organisational basis against corporate goals, as well as on an individual basis.
- Include homeworking in flexibility and partnership agreements with trade unions.
- Draw up statements of the organisation’s and the homeworking employees’ rights and responsibilities – mutually agreed partnerships between employer and employee.
- Consider appropriate contributions to homeworkers’ fuel and telecommunication costs, and to the use of their home for your business.
- Develop organisational cultures and structures that encourage networking, individual responsibility and trust.
- Ensure that communication, consultation and representation mechanisms include homeworkers.
- Build in processes so that homeworkers contribute to group/team creativity and to counter isolation. Check that homeworkers can cope with demands.
- Ensure that risk management, data protection and confidentiality processes operate, and that remote working systems meet homeworking needs and are supported reliably.
4. The forces behind homeworking

The trend towards homeworking is undeniable – fuelled by technology, employee demand, proactive employer initiatives and UK and EU policy. Increasingly ‘homeworking’ means ‘teleworking’. International trends support this advance, with only the speed of development open to question.

After years of speculation, a clear trend towards homeworking in the UK has emerged in Labour Force Survey figures. Over two million people work at home with telephone and computer for at least a day a week – a figure that has grown by an average of 13 percentage points a year since 1997. Growth is highest among employees, who now outnumber the self-employed.

Who and what is leading this trend?

- Technology: the impact of email, internet and cheaper/faster ICT. Very recently BT and other providers of ADSL broadband have halved the cost of their higher speed ADSL. This means that the cost of home workers having 1 megabit connections (double the usual ADSL speed, 20 times faster than ordinary modem speed) can be as little as £50 per month. The advent of extremely high-speed links between home and office/customers is likely to make homeworking even more viable. For example, it will enable many more to have virtual private networks that allow them to save and access files at head office remotely.
- Demand: employees are demanding and expecting more flexibility and better work-life balance.
- Employer initiatives: a growing minority of employers are embracing homeworking as a means to boost productivity and loyalty, retain/recruit quality staff and reduce office costs.
- New policies: UK and EU policies are increasingly enabling/supporting homeworking.

To date, though, the push has come mainly from employees, enabled by advances in technology. More and more office staff are asking to work partly or mainly from home. They are not, generally, being asked to do so.

Employers have found themselves having to respond to this demand, which is becoming increasingly hard to dismiss as unworkable. Only a handful of employers have proactively led the process for their own benefit.

**UK trends**

There has been a growing trend towards homeworking.

- The total number of teleworkers in the UK in Spring 2001 was 2.2 million, or about 7.4% of all in employment – they worked at home at least one day a week and used a telephone and computer. This is just above the average for ten EU countries. 1.8 million could not have done their job without a telephone and computer. 1 million or 4.2% worked mainly at home or were home-based.
- The number of teleworkers has increased dramatically in the UK and other countries. The total number in the UK has increased by between 65 and 70 percentage points over the period 1997-2001.
- About two-thirds of all teleworkers are men. This compares with just over half of all employees. This difference is explained by the fact that a high proportion of teleworkers are self employed and most self employed workers are men.
- More than half of all teleworkers are employees. The self-employed are becoming a declining proportion of the total.
- There were over 400,000 teleworker homeworkers (ie,working in their home in their main job) in spring 2002, of whom just under half worked part-time.
- Of teleworkers overall, 18% are managers, 25% are professionals and 24% are in associate professional or technical occupations.
- 66% of occasional teleworkers, spending at least a day a week working at home, are men. They are predominantly employees and nine out of ten are in senior jobs.
- Around three-quarters of teleworkers are in the private sector.
- Compared with the rest of the workforce, UK teleworkers...
Homeworking are highly qualified. They are twice as likely to be graduates. 36.5% have a university degree or equivalent compared with 15.1% of the workforce.


International trends
Across the world, homeworking is becoming more common. No commentator predicts its decline. The only question being debated is how fast the trend will accelerate and the extent to which its implications will profoundly affect employment practice (see Figures 1 and 2).

The International Labour Organisation’s 2001 report, *The High Road to Teleworking*, concludes that: ‘The expansion in teleworking has accelerated in recent years and is likely to further accelerate in the years to come.’ Some argue that many UK trends are heavily influenced by what happens in the US. If so, the American shift towards teleworking will be particularly significant (see box overleaf).

Closer to home, the Irish economy’s phenomenal growth in recent years has widely been associated with investment in ICT. Ireland established its eWork Action Forum in 1999. The trend towards homeworking can be at least partly put down to the impact of globalisation, which has increased interest in outsourcing. If airline ticketing operations can be sent to Bombay, why not to homeworkers in Barnsley? Therein lie some of the trade union concerns about homeworking – that homeworkers will undercut established jobs; that the more junior homeworkers will have inferior terms and conditions; and that it will be hard to recruit and service scattered union members based at home.

The destruction of the World Trade Centre could also have a profound impact on the way western economies see the importance of the head office. With some major financial organisations having lost many staff in the disaster, decentralised work is very much on the agenda. Homeworking is likely to play a role in this.

UK policies
From a national perspective, homeworking could play an important role helping the government to:

- protect the environment – reducing traffic/congestion
- boost work-life balance – enabling more family-friendly working arrangements
- make the UK more competitive – boosting productivity; enabling more people to work
- boost the UK’s reputation for being a digital nation at the cutting edge of new business and communications
- assist regional development – enabling RDAs to encourage inward investment in employment away from the south-east
- encourage rural sustainability – enabling working people to stay/return to remote areas/villages, helping their local economies.

This has, however, been only partly recognised by the government. Like most employers, it finds itself reacting to demand to work from home rather than shaping the trend with a clear national policy framework.

Working anywhere, a cross-departmental policy document, does signal ministers’ support for homeworking. But it has not been backed up by necessary high-level policy intervention. Law and regulations that undermine homeworking, framed for (or with the mindset of) a different era, are mainly left intact (see Chapter 9).

The way we work in the UK is subject to debate. But it is flexibility, remote working and work-life balance that dominate the agenda. Homeworking remains a bit player, unhelpfully subsumed within these discussions.
The DTI launched two free guides on flexible working and work-life balance in September 2001: Work-life balance – the business case and Work-life balance – the essential guide for individuals. But these reports are mainly practical advice with descriptions of good practice. They do not carry proposals for reform.

According to the DTI: ‘Flexible working improves staff commitment and can help business performance by cutting expenditure in advertising and other recruitment costs, training, interview time, inductions and supervision, office space and absenteeism.’ This is welcome but is only one part of the story. There is an urgent need to review and change legislation and regulations that stand in the way of achieving these very aims.

‘Flexible working’ still tends to be taken to mean flexible hours rather than flexible place of work. Work-life balance is code for helping parents juggle work with childcare. Yet homeworking is about much more than working parents. It is perhaps a harder concept to endorse, but for that very reason could have more profound hidden benefits to our economy and environment.

Another problem is that government advice on homeworking is rather simplistic. The DfES suggests that employers look for the following essential attributes in potential homeworkers:

- self-sufficiency
- trustworthiness
- self-discipline
- maturity
- good time management
- good communication skills.

Yet shouldn’t all employees have these abilities? This list is quoted in some companies’ own policies, demonstrating the influence government can have. A more thorough steer from the government would therefore be of considerable assistance to employers.

**EU policies**

An analysis by the EU EMERGENCE project estimated that the number of ‘telehomeworkers’ and ‘multilocational e-workers’ will rise from 4.5 million in 2000 to 17.5 million in 2010, the greatest increase coming in the multilocational group.

The DTI hosts an informal UK working party convened to look at best practice in parallel with EU activity. This is reflected in its make-up (government, the social partners and other relevant bodies including the Telework Association and Health and Safety Executive).

Two voluntary sectoral agreements have been concluded by the social partners for telecommunicators and commerce. An EU-wide voluntary framework agreement on teleworking was also agreed in 2002 for implementation by 2005. There will not be a directive. The final European agreement gives clear responsibility for following it up to the national member federations of the European social partners, which in the UK are the CBI, TUC and CEEP UK. The government has welcomed the agreement and says it will support the CBI, TUC and CEEP UK in ensuring that it is taken forward effectively.

The DTI’s informal working group is now working on a Code of Practice to take forward the European agreement in the UK. This group is clearly useful, but the importance of homeworking as an economic and social trend warrants a higher status group that can give full-scale support and promotion to all forms of e-working, including homeworking.

**Technology**

Significant developments in information and communications technology are making homeworking more viable for employers and employees alike. The cost of computer equipment is falling fast, increasing the potential savings to be made from reduced office space. As ADSL, wireless and cable broadband capacity spreads across the UK, the speed of communication is fast accelerating, making
‘It is flexibility, remote working and work-life balance that dominate the agenda. Homeworking remains a bit player, unhelpfully subsumed within these discussions’

Trends in the USA
The 2000 Telework America survey found:

- there were 16.5 million regularly employed teleworkers in the US in late July 2000 (12.2% of the workforce), of whom 13.8 million work only from home
- the average American teleworker saves over one metric ton of carbon dioxide and 7 kilograms of other air pollutant emissions annually by not driving
- teleworkers report an average 15% productivity improvement – an average $9,712 each; nationally this represents over $160 billion
- more than 40 million would like to telework but did not believe that their employers would allow it
- teleworkers’ median personal income is two-thirds higher than that of non-teleworkers
- 53% of the teleworkers consider themselves to be employees.

Many US states have legislated to permit/encourage state employees to telework and/or to give incentives to private sector employers to allow teleworking. The most recent of these efforts was a bill introduced in Congress to require that 25% of federal employees be allowed to telework.

The US Department of Labor study, Telework and the New Workplace of the 21st Century, says: ‘Telework is best suited to jobs that are information-based, portable and predictable, or that demand a high degree of privacy and concentration. Typically, teleworkers have been information workers in mid-level or senior positions, but the trend is towards teleworking.’

According to the European Commission’s e-work 2001: ‘In all, telework remains a very robust work alternative in the US, with the annual numerical growth rate in the year 2001 expected to remain close to 20%.’
5. Barriers to homeworking

Establishing homeworking as a recognised company practice is not straightforward for either the employer or employee, even where it already happens informally:

● the employer must put in place consistent, fair policies that translate key processes and protocols – eg, for the home, risk assessment, health and safety and confidentiality
● homeworking challenges managers' traditional authority and skills
● homeworking can raise issues for employers of infringing employees' privacy
● homeworkers need to be measured on output and quality more than time, but the hours of work culture is ingrained
● not all jobs are suitable for homeworking and even employees who want to be homeworkers do not always take to it
● tax and NI in relation to homeworking is complicated to the lay person
● domestic commitments and unsatisfactory living conditions may stand in the way of employees who would be willing to work at home
● employees fear they may face extra costs or be prevented from working at home if they tell insurance companies, landlords, etc.

Disincentives for employers

The speed and nature of business suits more decentralised organisations and more devolved responsibility. Correspondingly, increased individual responsibility fosters motivation, even 'empowerment'. Even so, there are many organisations where this has not translated into daily practice, and where the support is unlikely to exist for homeworkers. The culture that makes it a matter of trust that homeworkers will get on with the job is unlikely to be there. Nor will people be likely to feel that they can ask to work at home.

A policy on homeworking needs to be seen to have board support and for line managers to be accountable for its success. HR can initiate and enable change, but they are not the ultimate deliverers.

To work up a good policy is very time-consuming. The move from a few people working informally at home to a wider, formally recognised practice is a significant change. Homeworking grants a relative freedom. It cannot be universally enjoyed, because many jobs are unsuitable for homeworking and not all employees will want or be able to homework successfully. Employers will be concerned to avoid building into their policies and practices the potential for discrimination or unfairness, and will want to be satisfied about, for example:

● the suitability of the employee's home
● confidentiality
● the provision of furniture and equipment
● health and safety risk assessments
● whether the computer system will deliver remote working successfully
● unintended tax and other liabilities incurred by the employee or the company.

Where the policies and practices that provide the infrastructure for homeworking lag behind, the initiative will be undermined or discredited. Even where the company – or at least the HR department – encourages homeworking, some line managers do not agree with it. They are not comfortable unless they can see people working. Simply trusting employees to get their work done can seem a very real challenge to managers whose perception of their authority has rested on control. Yet when managers commission consultants, freelances and subcontractors this is often what they have to do.

There are several forces that could change the landscape of how people work contractually. At one end of the scale a developing minority of highly skilled and 'knowledge-rich' workers have more of an independent contractor-type relationship with their organisations. But to many managers,
employees working in a similar way to a freelancer can seem odd. The skills for managing homeworking have much in common with managing project workers. Managers of traditional departmental teams will not automatically have these skills.

Everyone knows how easily off-site employees can become out of touch. Many companies build in processes and practices to deal with this. The same approach needs to be taken with homeworkers. This is important to bring out the kind of creativity that only crackles when people are together. It can also relieve the isolation that even very successful homeworkers can experience. The companies we interviewed that were most relaxed about and supportive of homeworking had moved to competence and output-based performance and reward systems. Organisations without systems that enable them to measure outputs will not manage homeworking effectively. The aim should be to support trust not guesswork.

But the most fundamental barrier is the entrenched attitude towards time. As a report from The Work Foundation, *Time out – the case for time sovereignty*, said: ‘Fewer than one in two workers have any control over their hours. Fifty-four per cent of those who decide their own working hours are completely or very satisfied with their job, compared to 42% of employees whose hours are decided by their employer.’

The concept of work being synonymous with time spent working is deeply ingrained. It is reinforced by legislation. For instance:

- hours of work are one of the matters required in the written statement of employment particulars (Employment Rights Act 1996)
- one of the qualifying requirements for statutory sick pay is that the employee is incapable of work for four or more consecutive days (Social Security Benefits Act 1992)
- the calculation of a week’s pay is relevant for a variety of statutory claims such as unfair dismissal awards and redundancy payments. This applies to workers with or without normal working hours (Employment Rights Act 1996).

Encouragingly, there is some recent recognition in the National Minimum Wage legislation that special provisions are needed to cater for workers, such as homeworkers, who have no normal working hours, and over whom the employer does not in practice have any control over hours worked.

Employers must abide by these time-related regulations, which exist for good social reasons. But they are evidence of how the prevailing mindset about time proves so resistant to change. The challenge for lawmakers is to draft legislation which recognises new working patterns but does not condone a reversion to bad working practices. This may not be so important for highly paid managerial and professional employees who have a good deal of choice about how they work. But it is critical for other homeworkers. For all homeworkers, employers should be concerned that shifting the emphasis on getting the job done, as opposed to time spent at work, does not mask excessive hours and employees’ inability to manage their time.

**Disincentives for employees**

There will be many employees who prefer not to work from home. However, homeworkers may find they are more productive and finish their work more quickly. This has repercussions for the perceptions of both office-based managers and fellow employees of how long a piece of work should take. A journalist we met while writing this report remarked: ‘I found I had often done my work by three o’clock, so I thought perhaps I had better slow down.’

There are others who would appreciate the chance to homework but feel they are being encouraged not to – or that their employers may take advantage of them. A young post-graduate told us: ‘I don’t have much space. I don’t want to sit on my bed hunched over a laptop. I’m saving office
‘The most fundamental barrier is the entrenched attitude towards time. “Fewer than one in two workers have any control over their hours.”’

Negative factors for employees can include:

- an unsympathetic employer
- lack of space, suitable area or furniture to work at home
- unsuitable or lack of IT equipment and remote working infrastructure
- a sense of guilt that colleagues will have to cover for them
- a feeling that working at home will be seen as a lack of commitment and/or not wanting to be part of the team
- fear that working at home is ‘out of sight, out of mind’
- difficulty separating work from domestic commitments
- fear of red-tape problems with planners, tax authorities, insurers and mortgage lenders/landlords.

Surreptitious homeworking

One of the most common complaints of homeworkers is their perception that much of what they do is best kept private, even secret. There is a widely held belief that it is not worth the risk telling your mortgage lender, insurer or council what you do – in case they ask you to pay more, withdraw cover, refuse use of residential property for business, etc. This does not foster a supportive atmosphere. Many of these factors are nothing to do with employers. But it is easy to see how, coupled with any reluctance on an employer’s part to embrace homeworking, they can make someone decide not to bother.

Insurance

Many employers advise homeworkers to inform insurers of their activity. Household contents and buildings policies often restrict ‘business’ use of the home, even for an employer. It is therefore essential that all work-related equipment is covered by the employer. In practice though, a home-based worker often uses their own facilities and equipment for work. Who covers this?

At worst, if the insurance policy restricts business use of the home, the employee breaching the policy by working at home could find that their insurance policy is invalidated altogether. Letting the insurer know will not necessarily mean a higher premium. If the home is occupied for more of the time, it is less likely to be at risk of burglary.

Mortgage lenders and landlords

Mortgage lenders routinely check on applications whether a home is to be used for business. Few explain whether this is acceptable or would incur additional cost. Some landlords, including registered social landlords, are even more restrictive, with tenancy agreements that do not allow the home to be used for anything other than residential use. Potentially, homeworking can legally be grounds for eviction. This is hardly an effective way to support employment opportunities for less well-off workers.

Red tape affecting homeworkers

According to Living at Work – a new policy framework for modern homeworking (Joseph Rowntree Foundation, 2000), red tape problems include the following.

- Insurance companies tend to split commercial and home divisions. There are only a few policies available to homeworkers.
- Insurers usually charge extra despite lower risk of fire/burglary with the worker in situ.
- Only a niche market of insurers offer special packages. Homeworkers are less likely to get special offers via mortgages etc, reducing their choices.
- Lenders are wary of business use (business mortgage rates are higher) leading to much non-disclosure by borrowers working from home.
- Some covenants in leases/freeholds stipulate no business on the premises.
- Tenancy agreements also often explicitly restrict non-residential uses.
6. Employers’ attitudes to homeworking

- Organisations are either positive or neutral towards homeworking. They are not usually negative.
- Employers support homeworking on a voluntary basis.
- Informal homeworking and working partly from home are widespread.
- Homeworking is often seen as one item among flexible working options.
- Working from home on a permanent basis is limited.
- Homeworking on a contractual basis is only for a minority.
- Business need or organisational culture are frequently cited as drivers.
- Most organisations do not evaluate homeworking.

In late summer 2001, The Work Foundation (then The Industrial Society) took a snapshot of 25 large and medium-sized organisations’ attitudes towards homeworking through phone interviews and questionnaires. The organisations were from public, private and voluntary sectors. Their attitudes were borne out by responses from members of The Industrial Society’s Personnel Executives’ Employment Law Club. The results confirmed that the organisations now broadly fit into two groups: those that have embraced/are embracing homeworking with policies and practice, and those that have not yet done so but think they might soon or would if they thought it appropriate – the positives and the neutrals.

The absence of negative employers was notable. Only one organisation made a case against homeworking per se, and this was after a single bad experience. This suggests that staff homeworking may be set to increase as employees push through an increasingly open door.

**Overall attitudes to homeworking**

**Positive employers**

‘The experience has been excellent, in terms both of cost savings and benefits for individuals. But even in a hi-tech organisation, it takes time to understand the cultural changes required.’ BT

‘The team is fantastic. We have excellent communication, understand each others’ problems and support each other.’ Vertex Customer Management


‘Homeworking is established where there is a clear benefit to both the business and the individual. We save office space and retain individuals who might otherwise have left. Individuals enjoy the role and appreciate the advantages. As a result they are flexible and productive.’ John Lewis Partnership

‘Homeworking is part of our overall accommodation strategy now, and we must consider the increase of our homeworkers in the context of the amount of space we have in our contact centres.’ Vertex Customer Management

‘Is this about homeworking or working from home? We have working from home, although companies like BT support complete homeworking. Last year we were awarded a grant from the DTI to improve flexible working. We are working with Deloitte & Touche to establish guidelines for managers on flexible working ahead of the new legislation. While this is likely to involve contractual change we will also take the opportunity to try to develop a more enlightened approach towards working from home. There are issues around trust, workload and facilities, but nothing that can’t be overcome. We will make some recommendations that should meet both individual and business need.’ British Airways

**Neutral employers**

‘Homeworking is just one of many working practices that employees can undertake at Manpower. As a flexible employer we consider the needs of the business and each individual employee to develop the most practical and productive working practices and environments on a case by case basis.’ Manpower
‘This has been strongly pushed by senior managers and Human Resources, but there is a resistance from some managers of small teams with routine client contact.’ Shelter

‘Our project has been going for a year now and we are looking for ways of promoting it. It is for volunteers, and is on an ad hoc basis. In the future people might be asked to do it. Already some managers are starting to think about suitable posts. But no one is being forced into it. We anticipate an increase in the number of homeworkers.’ London Borough of Haringey

Shelter

‘Our project has been going for a year now and we are looking for ways of promoting it. It is for volunteers, and is on an ad hoc basis. In the future people might be asked to do it. Already some managers are starting to think about suitable posts. But no one is being forced into it. We anticipate an increase in the number of homeworkers.’ Shelter

Company policies on homeworking

Many of the organisations contacted for this report do not yet have homeworking policies but are developing them or intend to do so. There is a wide variety of approaches, and evidence of some uncertainty over how to proceed. When asked what national/benchmark guidance was used as the basis for their policy, few could cite anything concrete.

In contrast, BT was involved from the outset of the recent surge of interest in homeworking. It benchmarked its policy against those of other blue chips. It has sponsored and participated in conferences and seminars on work-life balance. It is seen as a useful benchmark by others.

‘There wasn’t much around two years ago, but we have drawn on the experience of Surrey County Council and have been influenced by the government’s work-life balance initiative’ said one local authority. This comment shows how there is a perceived vacuum in guidance. Alternatively, a policy may come through organisational change. Birmingham Midshires had an informal arrangement. It is now part of HBoS and staff are covered by an HBoS policy as a result of the overall integration of terms and conditions across HBoS.

Positive employers

‘We have a robust and well-researched policy. This ensures that all homeworkers work from a common explicit framework, with no opportunities for interpretation. The policy is board-approved with senior management support.’ Vertex Customer Management

‘Our policy was drawn up following investigations into working patterns and home/work-life balance and as a basis to start the homeworking pilot. The policy is available on our intranet.’ Microsoft UK

Neutral employers

‘Our policy states that “while all members of staff are eligible to apply for homeworking, no member of staff can be compelled to work from home, nor can they claim an automatic right to work from home.” We are also currently rewriting our “Guide for Homeworkers” which covers management issues, claiming expenses, health and safety, security, etc.’ Cabinet Office
‘It’s not really a policy – more an extension of our working practices. If you have a requirement to work from home on a particular day, then as long as your team at work is covered, that is fine. We provide online support, laptops and mobile phones where needed.’

St Luke’s Communications

‘We don’t have a policy. Homeworking is not mentioned in our flexible working policy. But we are open to requests.’

Surrey Police

What do policies seek to encourage?

Responses illustrated how organisations have quite different aims for allowing, enabling or encouraging homeworking.

‘Our policy aims to shift the culture away from a hierarchy to an adult mentality: recognising that BT people are adults who know the vision, standards and principles expected. It aims to encourage diversity in the ways people work towards these.’

BT

‘The intention is to encourage managers to consider the possibilities of homeworking for staff generally. It means there should be a good reason for not allowing homeworking, rather than the other way round.’

Shelter

‘Trust is a critical factor; recruiting the right people is vital. So is giving very clear expectations and ensuring that people are treated equally in terms of promotion. We also try to ensure that others understand the role of homeworkers.’

Vertex Customer Management

‘Our policy encourages people to think about their jobs – whether they need to be in the office for meetings, if they need to be there for their team. It also encourages them to think about their home – if there are other people in during the day, if there is external noise, if they have the space for an office and so on. We also want them to think about themselves, whether they can work on their own without having their team around them and

Practice in 25 organisations

Although this was very much a qualitative inquiry, headline results were:

● 23 organisations believed homeworking should be on a voluntary basis.
● 12 said homeworking happens ad hoc/informally.
● 4 had employees who worked fully or mainly from home.
● 20 said they had employees who worked partly from home.
● 21 did not/had no plans to evaluate their homeworking practices.
● 13 saw homeworking as a flexible working/family-friendly option.
● 13 organisations said homeworking was driven by a specific business need or existed as part of the established culture/normal working practices.
● 4 said office space economy was a driver.
● 5 organisations said homeworking was on a contractual basis for some employees.

What’s missing?

Evaluation of homeworking systems: very few employers had done any formal evaluation of their approach.

Cost benefit analysis: surprisingly few had conducted any research into the cost or saving to the organisation of continuing to support or increasing homeworking.

Projected growth of homeworking: with some exceptions, the employers we contacted had not made any projections or targets, despite their broadly supportive approach. It is doubtful many are
prepared for any sudden or sustained increase in
demand to work from home.

Retaining and recruiting quality staff: some employers
see this as a strong advantage in having a positive
approach to homeworking. But most have not explicitly
used it as a tool to do so.

Environmental/traffic impacts: although some
employers recognise the benefits of reductions in
commuting, few had connected this to any local/central
government initiative to reduce CO2.

The impact of government policy: very few had
developed homeworking in the context of any
government or agency guidance. Employers are
generally aware of government work-life policies but are
not clear where it stands on homeworking. Three had
won a Work-Life Balance Challenge Fund award for their
flexible practice, a few others felt their approach was
influencing national policy, not vice versa.

The pros and cons – employers’ views

The advantages of homeworking include:
● attracting/retaining staff in a competitive jobs market
● happier staff
● improved productivity/ability to concentrate
● flexibility of location
● lower office costs
● boosting appeal of employer at recruitment
● meeting young people’s higher expectations of
employers
● multi-skilling
● staff self-managing
● general flexibility

● work without unnecessary interruptions
● no need to commute – which reduces stress
● better customer service – more time spent with
clients than colleagues
● more freedom – boosts morale and encourages
creativity
● balance between home and work life
● helps retain the best employees
● creates a culture of trust and personal responsibility
● job satisfaction via increased effectiveness
● quality work environment.

Disadvantages are:
● has to be on trust – no checking systems
● potentially open to abuse
● it is more difficult for workers to leave work behind, as
it’s always there
● tendency to work longer hours
● isolation
● status of employee
● suitability of employee
● less team spirit
● remote management – eg, IT problems
● meeting delays
● are systems secure?
● fairness – not everyone can do it
● process of building organisational understanding
● high set-up costs
● face-to-face contact diminished
● offices hold access to company information
● too much productivity – burn-out
● reduced networking.
what they expect to gain from homeworking. We also take health and safety seriously, to ensure they are working in a suitable manner to reduce any stress or strains.” — Microsoft UK

Are homeworkers mainly managers?
Responses suggest that in this first wave of homeworking, it is managers and professional staff that dominate. This is backed up by statistical evidence: Over a third of UK workplaces that allow homeworking are in managerial and professional grades, compared to a fifth of other workplaces.

The ‘managers first’ tendency is probably a product of employers’ concerns to ensure that those who work from home are self-motivated and trusted. But this may generate resentment among ordinary employees, who could see homeworking as a perk for those who are powerful enough.

‘It’s open to anyone, but mainly suited to professionals, policy/project officers etc.’ — London Borough of Haringey

‘All our homeworkers are managers or specialists. It is always done at their request.’ — Surrey Police

‘When we ran our homeworking pilot we made a conscious decision to ensure that staff from all grades could participate, regardless of whether they were managers or not.’ — Cabinet Office

‘It is probably mainly lower to middle managers who work from home.’ — British Airways

‘97% of people on our Option 2000 package are managers, 90% of all other people who homework are managers.’ — BT

Are homeworkers mainly women?
Responses to this question varied but in many cases men outnumber women significantly. This challenges the myth that homeworking is all about helping women juggling family and work commitments. There are many men and women working from home for other reasons: productivity, preference to work unusual hours, the appeal of freelance-style working, distance/time from office, health reasons, transport costs, etc. Homeworking should be considered in its own right, or linked to flexible working policies.

However, given the tendency for managers to work from home, any male emphasis could be attributed to the proportion of managers that are male.

‘It is mostly men, although the opposite was expected,’ says Shelter. ‘Generally women manage their time better as they are better at multi-tasking. Probably a higher percentage of women work from home,’ says British Airways. In BT the figures are:

- non-management – 318 men and 154 women
- junior management – 862 men and 763 women
- middle manager – 751 men and 269 women
- professional sales – 1,884 men and 471 women.

Whose idea was it?
Most organisations said that homeworking was prompted by an employee’s request. This demonstrates the extent to which the phenomenon is demand-led. In many cases organisations begin by agreeing to individuals’ requests and then, once homeworking becomes more familiar, look to formalise arrangements with policies and procedures.

When homeworking is formalised it is important that flexibility is built in, enabling the employer to remain as responsive to staff needs as when they first agreed to it. It is also important to consult staff carefully about what would suit them. An arrangement that suits the employee will often be the one that creates higher productivity and loyalty to the organisation. Many who work from home report a sense of duty and want to demonstrate to their employer that the arrangement was/is worthwhile.
‘I don’t have much space. I don’t want to sit on my bed hunched over a lap-top. I’m saving them space, but how about some help with my mortgage!’

‘All people who are contracted as homeworkers have volunteered to do so. They have usually reviewed our policies on homeworking and its implications on a dedicated website.’

BT

‘95% of people requested to do this due to their circumstances.’

Microsoft UK

Why support homeworking at all?

‘Our policy was developed to showcase the technology and its capabilities to other potential customers, to reduce accommodation costs and to demonstrate that BT is a flexible employer.’

BT

‘Here it was driven very much by the chief executive, who was keen to introduce a family-friendly approach.’

London Borough of Haringey

‘Flexibility and providing staff with a sense of responsibility as a co-owner are parts of our working culture.’

St Luke’s Communications

‘We become more attractive as an employer, recruiting and retaining the very best people. We manage our office cost-effectively. And we live out our vision of the future.’

Microsoft UK

‘We had an informal arrangement but as we are now part of HBoS we are covered by the HBoS policy, as part of the overall integration of terms and conditions across HBoS.’

Birmingham Midshires

Who pays for office equipment?

Responses suggested that companies generally provide IT equipment and reimburse telephone costs. Those with more extensive homeworking are also more likely to provide furniture and support the use of the home as an office.

‘We supply laptops and pay phone bills, but may pay for furniture if necessary. All other costs are paid by the employee.’

Amerada Hess

‘We supply docking stations and laptops, and desks and chairs, etc, if they are requested, but many people already have them. We also supply mobile phones and pay for itemised calls. Staff get remote access to our IT system.’

London Borough of Haringey

‘Over the last few months Microsoft has commenced the deployment of ADSL into the homes of all its UK employees.’

Microsoft

Who pays the bills?

Employers’ assistance varies enormously. It is probably fair to say that many staff are paying – directly or indirectly – for things their employer would cover as standard at the company office. Staff may feel that this is an acceptable ‘price’ for greater freedom and flexibility. Whether they would feel this after long periods of homeworking is less clear.

For employers, the missing ingredient is clarity. It is much simpler to have systems that are transparent and easy to administer – for example, dedicated work/modem phone lines. Also, what may seem an additional cost in supporting a
Homeworker needs to be set against the potentially large savings that can be made on head office rental costs. Supporting a home office is generally much cheaper than supporting, say, a central London office space. But the savings will only apply if homeworking is fully embraced and the employer’s office space reduced.

‘Depending on circumstances, costs may be recoverable by the individual. S/he has the ability to use software giving access to office email at home; but unless an approved user, the individual will pay the cost him/herself.’

**How are homeworkers managed?**

Homeworking requires output-based management appraisal. It is a waste of time to monitor homeworking staff by the hours they work and the number of meetings they attend. Arguably, the same approach should apply to office staff.

Many employers already recognise this, but in practice managers will often apply value judgements to staff’s timekeeping, etc, and will look badly on homeworking staff who don’t answer the phone during office hours, whether or not the nature of their work requires them to be ‘on call’.

It is also important to ensure that promotion prospects are not damaged by invisibility. Although some homeworkers are happy to downshift and come off the careers ladder as part of their implicit ‘deal’ with their employer, this does not apply to all. Yet management might assume this to be the case. Proactively testing a homeworker’s interest in job development and promotion is a good example of the need for specific approaches to homeworker management.

The notable thing about responses to this question is how few have developed specific homeworking management policies. These are essential, as office-based systems will not always be appropriate. Managers themselves will often need help/training to be effective managers of homeworkers.
‘An arrangement that suits the employee will often be the one that creates higher productivity and loyalty to the organisation’

“We use the same system as for office-based employees.’

John Lewis Partnership

‘Existing systems measure outcomes and are therefore still applicable/suitable for remote workers.’

Surrey Police

‘Performance is measured in terms of output, not hours, and therefore working at home does not require any special management tools in terms of performance and hours worked.’

Manpower

‘The support/supervision policy now says that those homeworking should have at least one in four of their supervisions in their home environment so that managers can monitor the suitability of the work environment. Staff are required to attend supervision meetings, team and client meetings, but we try not to be too prescriptive.’

Shelter

‘Regular target setting and evaluation methods apply equally to homeworkers. When gathering feedback on our homeworking pilot, we also asked participants and their colleagues to comment on how well homeworking managers were able to maintain contact and interact with the people they managed.’

Cabinet Office

‘This depends on the individual, the manager and the job. People use timesheets and maintain contact by email. If the reasons for homeworking are to do with health, caring etc, people might negotiate individual agreements with their manager.’

HBoS

What is the attitude to working hours?

‘Rotas are agreed six weeks in advance, with subsequent flexibility in hours worked in agreement with the team manager. Managers also monitor to ensure people are not working over their agreed hours; eg, through spot checks on when emails have been opened.’

Vertex Customer Management

How is health and safety addressed?

Legally, employers must check that employees’ working conditions are safe and healthy, with regulations which apply to the home as much as to an office environment. Requirements include a risk assessment of the work activities, conditions and environment of the homeworkers – especially for pregnant homeworkers; responsibility for suitable equipment and training for the employee to use it. But the survey found that few employers have a systematic approach.

‘The main concerns we have are around health and safety issues and the isolation of the worker. We are about to have a new health and safety adviser appointed who will be working 100% from home, so that should help us in this regard.’

Shelter

‘There are no specific checks. Everyone has H&S awareness training which includes homeworking elements.’

‘It’s not done frequently enough for this to have become an issue, but if anyone raised concerns we would help.’

‘All homeworkers are required to use our supplier to source furniture and we have a list of recommended equipment they should have in their home. They are also requested to complete a health and safety questionnaire which covers aspects of reporting accidents, nearest first aid facilities – fire exits, etc.’

How are essential meetings organised?

‘We have moved towards far more telephone conferencing and occasional video conferences.’

Manpower

‘Many homeworkers use Microsoft technology – Net Meeting (online), Meeting Place (voice conference). Our homeworkers set aside a specific day when they are in the office for meetings.’

Microsoft UK
7. Ways to make it succeed

The business case
An increasing number of employers believe that homeworking can be good for business. The main potential benefits are cited as:
- productivity boosts – homeworkers get more work done
- potential reduction in office costs
- less commuting stress, which can require office workers to spend first hour/s at work recovering their peace of mind
- savings in travel cost/time – commuting time can be work time instead
- beneficial impact of ‘meetings that count’ when homeworkers do come into the office
- impact on profitability of output management and trust-based staff/management relations
- harder for employees to give false impression of worth – some office staff can do this by working long hours, attending lots of meetings, etc
- homeworking can be an attractive alternative to higher pay to help recruit/retain quality staff
- no need for company cars
- flexibility – home-based staff more willing to work unusual hours.

The AA recently found that working from home boosts productivity by up to 30%. Working from home, where clock-watching is usually irrelevant and output dominates, could begin to reverse the mismatch and influence how staff are judged inside the office too.

The TUC produced a report in 2001 which suggested that the homeworking trend was not taking off as had been predicted. The TUC is fearful that new technology is too often being used to add to work pressure. Its fears are not without justification, but the changes under way in how we work are complicated. In many cases neither organisations nor individuals have them worked out to their satisfaction. While it is true that employers will pile on the work, there is plenty of anecdotal evidence to suggest that homeworkers need to manage their time and work better to avoid work pervading their whole lives. As our inquiry demonstrated, demand to work from home is rising and employers are taking it more seriously. The Labour Force Survey also shows a continuing trend towards it.

Even if the trend slowed, homeworking is still likely to change the way we all work. Even if only a minority of employees work from home regularly, this will have implications for how their employer operates. For example:
- supervision, appraisal and promotion of homeworkers will need to be consistent with office-based staff
- applications to work from home will need to be treated consistently
- managers of homeworkers may need training
- potential resentment at not being able to work from home will need to be managed
- it may be that office staff management systems will need to be reformed, to apply output rather than hours-based management appraisal.

Cost issues
The US Department of Labor’s Telework and the New Workplace of the 21st Century argues that: ‘Many companies now regard telework and other flexible work arrangements as vital to attracting and keeping the employees they want. Losing valuable employees is expensive. By one estimate, it costs an employer one-third of a worker’s annual salary to replace that individual. If telework can reduce turnover, it can be a high-return investment for employers.’

The flexibility paradox
A peculiar aspect of the homeworking revolution has been the way it has been led by employees. Employers have only just started to catch up, a few by developing comprehensive policies to apply to all future homeworkers. Should other employers follow their lead, defining every nook and cranny
of the company’s approach to homework in a rigid document?

The uncontrolled nature of the homeworking trend may have been one of its strongest assets. By filling a policy vacuum with their own initiative, many homeworkers have found a way to work that not only suits them, but boosts their productivity.

Those who mainly work from home represent only about 4.5% of the UK workforce. But the importance and quantity of the work they do may be much more significant.

When managers say they are working from home to finish a report, that report might be an exceptionally important document, whose quality is enhanced by the home environment. This is an argument managers will use to justify their own homeworking but seem less ready to apply this to other employees.

Almost every analysis of homeworking to date cites substantial increases in output by homeworkers. If any other innovation were to do this, employers would seize on it and introduce it fast to gain competitive advantage. Some of the managerial reluctance to embrace homeworking may be because of a lack of hard research, as opposed to anecdotal evidence, of productivity gains. Certainly, the latest US analysis sees this need: ‘Nowhere is research more needed than on the question of whether telework increases productivity. Some objective evaluations do exist, but most often claims of increased productivity are based on subjective evaluations by the teleworkers themselves or by their supervisors. Most of these subjective evaluations report productivity gains of 20% to 35% or more.’ However, as the report points out, self-assessment should be treated with scepticism. More research is needed.

Employers and individual managers can find it hard to embrace such freedom for those in their charge. It may even feel like a challenge to their own jobs. Homeworking is ideally suited for people who work with information and especially those in intellectual capital-rich businesses, as much dependent on wider networks as on traditional organisational structures. These businesses live out the paradox of control and trust – and this is very much a feature of the relationship between manager and homeworker.

Employers are used to developing detailed policies, for legislative compliance, to standardise approaches throughout the organisation or simply as much for reassurance that a system exists as for any practical application.

But simply having a policy is no measure of progress. In practice they are often more realistically seen as aspirational. In most sizeable companies a policy is the place to start, to be thorough and systematic.

The rise of the homeworker is related to the rise of the freeworker. Today’s skilled workers are wanting more and more freedom. If they cannot get it through their employer, they are willing to move on or to go freelance and work for themselves, ending their ‘wage slavery’.

Gaining the freedom to work from home is one way freeworkers may be prepared to remain employees. Interestingly, around 30% of knowledge workers, identified as among the most productive in the UK labour force, are already homeworking full or part time (Mitel, 1998).

Above all, employers should avoid drawing up policies that restrain homeworkers’ innovation and flexibility. The byword should be: the rigid application of flexibility.

Challenges and dilemmas for managers

Homeworking does not work by itself. To assume that homeworking team members can be managed with the same skills used for an on-site team is likely to be ineffective. It could cause communication problems, misunderstandings, even the alienation of the homeworker.

Not all jobs or people are suited to homeworking and if the IT infrastructure is non-existent or unreliable, an experiment in homeworking is doomed to fail. But if well
Homeworking can also help cut office and recruitment costs. The important step for managers is to think outside the box and look at the possibilities for homeworking that may not have entered their minds.

In future, employers may see the sense in having their staff sharing facilities like this themselves. Options could include:

- forming partnerships to co-fund resource centres for homeworkers from different organisations
- funding remote homeworkers to join and use networks/centres that are primarily for the self-employed
- cutting the cost of supplying each homeworker with expensive equipment they rarely use (e.g., photocopier)
- pooling resources across organisations to make local facilities available to homeworkers and encouraging them to network with one another.

In the network economy, it is now recognised that staff's contact with people working for other organisations (or themselves) can be just as valuable to an employer as their links with office colleagues.

Those without homeworking policies

Why do so many employers have no clear approach to homeworking? In many cases this does not indicate hostility, rather it shows how unsure many are how to proceed. Clearer governmental guidance would help. But there may also be a reluctance to commit to policies on something that is changing fast.

As we argue elsewhere, this may be no bad thing: rigid rules and policies can stifle the creativity and productivity of voluntary homeworking arrangements. Managers are reluctant to disturb informal arrangements when they work but the time may come when they realise that more than just a few people work in this way. They will be concerned not to create precedents that might treat some employees unfairly.

Employers without a policy

‘At the present time, the Community Fund does not have a formal policy on homeworking, although it is something that is under consideration.

We do have some informal arrangements in place in response to individual need/circumstances. We also recently participated in a pilot project on work-life balance. In light of the recommendations arising from this, senior management have agreed to run a homeworking pilot in one of our regions. The outcome of this will inform future policy. There is increasing pressure/expectation from existing staff and potential new recruits to provide more flexible ways of working. However, there are technological issues, as well as other factors such as health and safety, which the organisation will need to consider.’

‘Birmingham Midshires does not have a formal homeworking policy. However, we do have a small team (approximately eight people) whose base location is home. We make a small payment, around £30 per month, to cover heating, lighting, etc, and provide fax, laptop, email facility, etc. In addition, people are able to “work at home” on occasions. This is an informal arrangement, usually at managerial or professional level, and no payment is made towards it. Around 30 to 40 people take advantage of this facility. Using myself as example, I tend to work at home once a week or once a fortnight, depending on my workload/meetings, etc. I find that I get more done at home, and usually transfer my work phone to my home number so that I can continue receiving calls’
Getting the policy right

The list of questions to be addressed in a homeworking policy is daunting. Insurance and tax questions cannot be answered with certainty as to how the regulations may be interpreted for individuals. But this does not mean that the employer should duck these issues. Nor is it much use having a splendid policy if the mechanics, such as the IT infrastructure, fail to support homeworking effectively or if managers are sceptical. Because homeworking is dependent on trust, these ‘hygiene’ factors are critical.

A matter of trust

As Nationwide says: ‘Trust can become a real issue when the manager is unable to physically monitor and observe employee productivity and approach to work. Line managers need to be as flexible in their attitude and approach as the people they employ and aware of the impact they can have on the success of this working arrangement.’ Or as Ursula Huws, a leading academic expert on homeworking put it: ‘Clear and open communication between human beings who understand and trust each other is still essential to a successful remote working relationship. There’s no electronic substitute for the occasional exchange of pheromones.’

Depression and isolation

Policies need to be explicit on the suitability of homeworkers. Many employers balk at the prospect of making subjective judgments, but choices have to be made. For example, as Nationwide states, homeworking will be unsuitable for people with illnesses symptomatic of depression.

Homeworkers – a special case?

Interestingly, rather than saying that homeworkers have the same opportunities as office based staff, Nationwide says: ‘Training issues assume a greater level of importance for homeworkers. Since they are detached from the workplace, contact is often limited and managers will need to make sure that homeworkers are provided with the necessary support and “tools for the job”. However, you should take responsibility for your own development and consult with your manager on training and development needs for your role and the environment in which you work.’

Overdoing it

‘For the rest of us, taking work home after the pressures of the day, managing a busy factory has always been part of the job… Portable equipment has helped here, however the email typed at 11:30 p.m. then downloaded the next day to be sent to the recipient has long lost its impact in determining brownie points.’

Cereal Partners UK

Think the unthinkable

From the specialist papermakers Whatman: ‘Homeworking in the traditional sense has not been widely used – although one good example involved the retention of an employee who moved to Japan for personal reasons and has been able to carry out her duties from her new home.’

Suitable environments

Does the home provide a suitable environment for work? Is there enough space for an adequate work station meeting health and safety requirements? Is there space for a clearly defined work area to help differentiate between home and work reducing scope for domestic interruptions and safeguarding work equipment?

But as another employer said: ‘How do you tell someone that their home is not suitable or the area they live in is a security risk to our data?’

Experienced staff only?

Some organisations feel that homeworking is only for experienced, tried and tested employees. This is
understandable, given that an employer who knows an employee well will have a clearer idea of whether they can self-manage from home. Many people, at least initially, feel they need to be in the workplace community to be recognised and valued. But many can also become more effective in a stand-alone environment, which is why managers often prefer their own office.

The argument that staff are more creative when they work face to face may sometimes be true. But all day, every day? This creativity has to feed into outputs. Arguably occasional creative meetings (in person and/or via phone/web) can be transformed into productivity when these creative ideas are applied in peace and quiet. No one writes good strategies while sitting around a table with creative colleagues!

Skills and qualities for homeworking

Employers expect homeworkers to have these key attributes:

● self-motivation, organisation and discipline
● ability to work without close supervision
● good time management skills
● flexibility
● good communication skills
● resilience and self-reliance
● ability to cope with conflicting demands of home and work.

Ironically, the very attributes homeworkers are said to need are much the same as those asked of people who work conventionally. Obviously, managers need to make an assessment at recruitment or a judgment of an existing employee: can they translate these skills to the home office? Sometimes employees will not enjoy homeworking or find it clashes with domestic responsibilities. Some employees – for example, those who need a lot of direction – and some jobs will simply not be suitable. The key is the transparency of the criteria and clarity about how these are applied in decision making, avoiding unfairness or discrimination.

The office substitute

A valid criticism of homeworking is the way it can deprive people of the experience and reassurance of office life. If the office is ‘home from home’, how can this be replicated?

For many homeworkers this is not an issue. Most visit the main office frequently, often more than once a week. And they do so in a productive way, getting the most out of the team contact by visiting when it is necessary.

For those who are more remote, other ways to replicate office contact are emerging. In Surrey, the County Council runs telecentres for its staff to work closer to their homes as an alternative to working at County Hall, and has set up several bookable hotdesk facilities. The growth of contractual homeworking has been slow – the growth has been in occasional homeworking. ‘We think “task not job” – and staff are encouraged to see working at home in the context of the task to be done – rather than rule themselves out because their job is office based. It is part of a menu approach to working – enabling staff to put together a blend that suits them, the tasks to be done, the team they operate in and most importantly their customers.’

Employers could learn from emerging initiatives to support micro businesses and freelancers. Telecentres and networks are becoming more common as places where self-employed people can meet and use equipment they would otherwise find too expensive or impractical for their home/small office. In West Cornwall, for example, the Digital Peninsula Network runs a drop-in centre with broadband and high-end ICT equipment for its mainly knowledge/ICT worker members to use (visit www.digitalpeninsula.com).
A family affair
Prospective homeworkers will want to talk through their plans with their partner and other family members living in the household. Their support for the proposed homeworking is key, as the homeworker’s presence at home will obviously affect and potentially disrupt them.

The change to the household routine will need to be discussed to agree ground rules; such as those on taking work phone calls. Employers and colleagues too should follow the ground rules, by not contacting the homeworker outside the specified times.

These points are important, but beware – homeworking lends itself to give and take, but the highest ideals can slip… As recent Nottingham Trent Business School research reported: ‘In a number of the cases we looked at, the homeworker, especially if they were female, found themselves more and more involved with domestic management because they were always available. In another case the homeworker felt that he was being stretched out thin and that everyone got only a little part of him.’

‘The policy aims to avoid a work-life imbalance for homeworkers. However, in reality, the culture is such that people will “do the job” and work excess hours if necessary.’

Coming off the ladder
There is always the fear that the homeworker is ‘out of sight, out of mind’. But where performance measurement is genuinely output-based and there is access, for example, to company intranets showing job opportunities, this is a diminishing worry. However, promotion to line management is difficult for homeworkers. Some may accept this corporate realpolitik and see homeworking as a trade-off to gain more freedom over their lives. But in future, as homeworking gains ground, it will be necessary for companies to attach as much merit to professional or specialist skills as to management abilities when it comes to promotion. Also, if office staff are measured by outputs, it will become easier for home-based managers to manage office-based staff.

Only one job allowed
Some employers may be concerned that employees are using company property for their own purposes, not only for leisure but for other work. This tends to manifest itself in rules about hardware, equipment and documents. Their concerns are also inevitably about availability and time, but that is not all.

Given that many people who work at home are skilled professionals, the real question is about their knowledge and experience and how the employer regards work outside the organisation per se, regardless of whether the employee is working at home or in the office. Some employment contracts will be clear about this, for example, that articles may only be written with the employer’s permission. An employer has the right to exploit employees’ knowledge and skill in the areas of their employment.

Organisations are becoming much more aware of the value of the intellectual capital wrapped up in their employees and concerned that it might be used to benefit others, especially competitors. This, of course, applies to employees wherever they are working. But with homeworkers, it adds an extra dimension to managers feeling they can be trusted to maintain confidentiality and not to abuse ‘company time’.

Organisations want to know that employees are available to be in contact with colleagues, suppliers, etc. Policies may stipulate core hours for this reason. But there is also an argument for saying that, if performance is output-based, we need to change the hours mindset: We do not apply this to freelance contractors, yet in practice homeworking can feel similar to being a freelance employee.'
### Comprehensive policies
Most employers do not have thorough homeworking policies. Here we show what could be included. Although defining homeworking in too much detail can constrain its flexibility, those who have such policies are at the forefront. They are most likely to enjoy the benefits of homeworking, and are worth benchmarking against.

#### Definition
- Formal/informal/at home/from home/other – occasional, temporary or by exception
- Link to overall flexible working policy

#### Benefits of working at home
- For employee and employer

#### Important considerations
- Making a business case: costs/economic viability, savings and gains
- Job suitability
- Individual suitability
- Self-discipline and self-motivation/time management/isolation
- Communication/organisational skills/adaptability
- Effect on team/colleagues/customer
- Agreement to work at home
- Employer's right to refuse or revert
- Caring responsibilities

#### Physical environment/requirements at home
- Suitability of environment
- Security/confidentiality for equipment and documents
- IT and data protection protocols

#### Need for and use of IT/telephone/equipment/office supplies/home
- Who sets up and who pays
- Allowances

#### Communication
- Addresses, home telephone numbers
- Post and mail collection arrangements, including privacy for home addresses
- Meetings in the employee's home

#### Health and safety; safe system of work
- Risk assessments
- Suitable environment
- Access to employee's home
- Accidents
- First aid

#### Effects on terms and conditions
- Voluntary
- Contractual
- Base location/place of work
- Hours and flexible working
- Overtime
- Performance-related pay
- Travel and subsistence
- Allowances/expenses
- Appraisal and performance
- Development and training
- Promotion
- Discipline/termination (partly in relation to return of equipment and documents)
- Moving house
- Review and evaluation

#### Insurance and tax
- Employer's liability
- Home insurance
- Mortgage/tenancy agreements
- Council tax
- Tax
- Planning authority
Home office costs
There is a variety of practice, from automatically providing full kit to providing it if asked, or providing nothing except essential IT equipment. Telephone costs will usually be reimbursed and sometimes an allowance paid to cover other costs.

This apparently straightforward issue is anything but. Employers will be concerned not to confer a tangible benefit to some but not others doing the same job. The Inland Revenue will permit, from the 2003 Budget, employers to give tax-free allowances to cover extra heat and lighting. There has been some relaxation of their rules on travel expenses and use of office equipment in the home in favour of homeworkers. Also, employees may prefer to have minimal office kit at home to avoid the sense that work is taking over their lives.

Keeping homeworking under control
One organisation’s policy illustrates the suspicious approach of some employers to homeworking: ‘This arrangement is only available on an occasional/temporary basis, rather than on a full-time basis. Working from home must give demonstrable positive (value added) benefit to the work of the team… It may be agreed where the employee is fit to work but contagious, has a backlog of administrative tasks, needs quiet time to write a paper or report, has a sick relative who they must care for, or has difficulty in getting into work because of a public transport dispute… The employee should have suitable, (undisturbed) workspace, and the respect of family members for their working time.’

There are many more who think like this but do not have policies that say so.
What employers can do to comply with the existing law

Homeworking is an area where management issues and legal issues and risks inter-relate. This table highlights the relationship. Legal issues are dealt with more fully in Chapter 8.

<table>
<thead>
<tr>
<th>MANAGEMENT ISSUE</th>
<th>POSSIBLE LEGAL ISSUE</th>
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<tbody>
<tr>
<td>● Protecting the employer's equipment</td>
<td>● contract terms&lt;br&gt;● data protection&lt;br&gt;● insurance&lt;br&gt;● health and safety</td>
</tr>
<tr>
<td>● Confidential information, data protection, email</td>
<td>● contract terms&lt;br&gt;● Data Protection Act 1998 and Codes of Practice&lt;br&gt;● The Telecommunications (Lawful Business Practice) Regulations 2000&lt;br&gt;● Human Rights Act 1998</td>
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<tr>
<td>● Health and safety</td>
<td>● health and safety regulations&lt;br&gt;● contract terms&lt;br&gt;● negligence (personal injury)</td>
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<tr>
<td>● Redundancy and transfer of undertakings</td>
<td>● collective consultation (The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 1999&lt;br&gt;● unfair dismissal</td>
</tr>
<tr>
<td>● Inadequate communications with homeworker</td>
<td>● breach of contract (mutual trust and confidence)&lt;br&gt;● constructive dismissal</td>
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</table>
8. Legal issues

The present law can accommodate and protect homeworkers. But it does not give them the right to insist on this arrangement. Given that homeworking needs an environment of trust to operate successfully and that some jobs may not be suitable for it, the way forward lies in removing any barriers to working at home and encouraging best practice by example rather than coercion.

The current law

In legal terms, employees who work at home have the same rights as their colleagues who work in the office. Under the Employment Relations Act 1999, a homeworker is specifically listed as an individual who can benefit from the statutory right of accompaniment at disciplinary and grievance hearings. Homeworkers are also entitled to be included in any collective consultation for redundancy or TUPE purposes.

Employers of homeworkers have significant obligations relating to health and safety duties, which apply to the home as much as to an office environment. Requirements include:

- A risk assessment of the work activities, conditions and environment of the homeworkers. This should include an assessment of screen equipment to ensure that it is not harmful to their health. The same applies to furniture arrangements – whether the homeworker has enough room to move freely, etc.
- Employers who provide homeworkers with equipment must ensure that they provide the right equipment and that the homeworker is trained to use it. The employer must also ensure that the equipment is checked regularly and kept in a safe condition.
- Employers who supply electrical equipment are responsible for its maintenance.
- Employers who employ female homeworkers of childbearing age must carry out a risk assessment as to the health of pregnant women and are under a duty to do so whether or not they have been informed of an actual pregnancy (Day v T Pickles Ltd [1999] IRLR 217).

Health and Safety Executive inspectors have a right to visit homeworkers to ensure compliance with the regulations, and employers can be prosecuted for breaches of them.

Equality of treatment

Employers that fail to treat their homeworkers in the same way as office-based staff, that fail to update them about matters relevant to the organisation and to themselves, that do not comply with health and safety regulations, and so on, may be in breach of the implied term of ‘mutual trust and confidence’ in employment contracts.

There have been no reported cases dealing specifically with homeworkers in this context, but the potential is there as courts continue to develop the meaning of this implied term.

Some gaps in current law

There is no clear legal right to work at home, although women returning from maternity leave (and men with childcare responsibilities) may succeed in an action for sex discrimination if not allowed to do so (Lockwood v Crawley Warren Group Ltd 2001, IDS Brief 680).

There is no legal right to work part-time either. However, from 6 April 2003, certain employees of children under six (under 18 if the child is disabled) have the right to require their employer seriously to consider requests to vary their contracts to allow them to work flexibly (Employment Act 2002). The contract variation can relate to the amount and timing of the employee’s working hours and to their place of work (home or office). Employees wishing to take advantage of this right must have 26 weeks’ continuous service with their employer, must have or expect to have responsibility for the upbringing of the child and have a relationship with the child as defined in regulations.

There is a formal procedure with time limits for making
and dealing with applications, and employers can only turn down a request for one of a list of reasons specified in the legislation. Employees can complain to an employment tribunal if the correct procedures are not followed. According to the legislation, the role of the tribunal is simply to ensure procedural compliance by the employer. Although it can examine whether the facts on which the employer’s decision was based were correct, it is not permitted to examine the merits of the employer’s decision. The employee will need to bring an indirect sex discrimination complaint to do this and may well do so.

Many homeworkers fix their own hours and are therefore excluded from the Working Time Regulations 1998 (Reg 20). But this situation may suit both the employer and the employee. Homeworkers who do work set hours (for instance, if they are on call to answer queries between certain times) would be covered by the regulations.

Legal solutions
There are some simple steps which employers can take to minimise the legal risks arising from homeworking. Some of these may seem ‘at odds’ with a flexible approach, but it is clear that employers will not take homeworking seriously unless they can make decisions about the risks and take steps to minimise their exposure. These steps also enable homeworkers to know where they stand.

● Ensure that employment contracts for homeworkers include a contractual right for the employer to insist that they come into the office when required. Otherwise employees could legitimately refuse to attend work-based or even disciplinary meetings at the office.

● Ensure contracts allow visits to the employee’s home at certain times and for certain purposes, eg to ensure compliance with health and safety and data protection laws.

● Clarify in writing who is to provide equipment and maintain/insure it.

● Ensure that policies and procedures take account of homeworkers’ circumstances – for example, are absence procedures workable? If not, what is needed instead?

● Provide necessary health and safety training.

● Ensure homeworkers are included in any organisation-wide training initiatives and get equal access to necessary training.

● Ensure that homeworkers understand and comply with Data Protection Act 1998 if applicable. Provide training if needed.

● Ensure that job descriptions and appraisal arrangements reflect outputs and their delivery to required standards. Time-based arrangements are unlikely to be workable for employees who can fix their own hours.

● Ensure that the level of communication required is established at the outset of homeworking, including the manager’s responsibilities.

● If possible keep any homeworking policy out of the contract. This avoids breach of contract claims for failure to follow it to the letter and means that changes can more easily be made to accommodate future needs of both employer and employee. See also the checklist in Chapter 7.
9. Tax issues

The cost of home-based working is an emotive subject for both employers and employees, and the tax position is not readily understood.

Employers with homeworking policies usually make it clear that it is the homeworker's responsibility to check their personal tax position with the Inland Revenue. The employer's advice to employees can be daunting in its attempt to describe all eventualities, some of which are most unlikely to be applied by the Inland Revenue to homeworkers who are not self-employed.

The Inland Revenue has made useful legislative changes in recent years to help homeworkers and make the tax legislation easier for employers to apply. These are

- the new travel rules of Schedule 12A ICTA 1988, introduced in Finance Act 1998, that ensure that for many homeworkers travel from their home to the employer's premises will qualify for tax relief if it is not undertaken on a regular basis
- the exemption for computer equipment provided by employers in Section 156A ICTA 1988, introduced by Finance Act 1999
- the new exemption for provided equipment, supplies or services at Section 155ZA ICTA 1988, introduced by Finance Act 2000.

The effect of these changes is that employees working at home can now be provided with the essential equipment for work without any tax or NICs charge, and that in most cases their business travel qualifies for tax relief.

A further change has just been added in the 2003 Budget regarding payments by employers towards the incidental costs of homeworking. The Budget proposal will introduce a specific exemption covering such payments.

The Inland Revenue says that: ‘these measures reflect support for employers that seek to provide better work-life balance opportunities. Our perception is that tax issues are a relatively unimportant factor in the decision about whether to work at home but we have made changes to prevent the tax rules acting as a barrier.’

The questions that employees raise often centre round the travel expenses and the proportion of home expenses, such as heating, lighting and electricity, which can be claimed.

There is as yet no specific Inland Revenue guidance for the general public on tax and homeworking. However, the Revenue hopes shortly to publish on its website welcome guidance for employers on benefits and other facilities that can be provided for employees working at home. This will include guidance on:

- homeworking overall
- supplies and services provided at the employee’s home
- meaning of ‘use for private purposes’ and ‘not significant’
- meaning of ‘sole purpose’
- exemptions for computer provided to the employee at home
- internet access paid for by the employer
- how the computer exemption works
- employer’s contribution to employee’s household bills

The Revenue is also looking at what other guidance it can provide to employees and others who work at home. For now, its lay guidance on homeworking is found in booklet 490, Employee travel – a tax and NICs guide for employers.

On the one hand it covers the basis on which a journey qualifies as a business journey for tax purposes. It does allow employees who work from home to claim the cost of travel expenses to a temporary workplace. This is a benefit to site-based employees who, for example, have no distinct office base and work at a succession of locations, in between which they work at home.

On the other hand, the guidance demonstrates the strict view the Inland Revenue may take of what constitutes homeworking. It says: ‘Most employers provide all facilities necessary for work to be carried out at their business
premises. So where employees work at home, they usually do so because it is convenient rather than because the nature of the job actually requires them to carry out the duties of their employment there. However, where it is an objective requirement of an employee’s duties to carry out substantive duties at the home address, then his or her home is a workplace for tax purposes.’

The Zurich Financial Services homeworking policy comments: ‘This is a very prescriptive test. If you work mainly on the road, the Inland Revenue may argue that you are not a homeworker (notwithstanding that you have no office base), but that you work on the road. However, if you have to prepare reports, etc., at home because you have no office base, the Inland Revenue may accept that you are a homeworker. Unfortunately, there is no definitive rule on the subject. Your tax treatment will depend on your individual circumstances.’

A variety of individual and organisational circumstances will give rise to different decisions, though the Inland Revenue aims to ensure consistency where possible. The Revenue says: ‘We have an obligation to police the boundaries imposed by the tax system, but if payments are made that are exempt from tax or subject to a dispensation then subject to our usual compliance concerns we do not see any particular difficulties. However, employees who elect to work at home for, say, two out of five days a week simply because this saves on commuting time and reduces the need for office space at the main office, will not be regarded as home-based. Therefore, they will not be entitled to claim costs for travelling between home and the main office, or a deduction for a portion of home expenses.

A leading accountancy practice commented: ‘The number of employees who will be accepted by the Inland Revenue as homeworkers may not be as many as would perhaps be expected. While it can be understood why the Inland Revenue does not want all employees, whether truly home-based or not, claiming tax-free expenses for travelling to work, their somewhat strict and harsh interpretation of the legislation does not assist matters.’ And a prominent financial services employer told us: ‘It is hard to see the Revenue changing its approach in this area without significant support from the government for a fundamental change in working patterns.’

There are arguments that people who work at home are saved expenditure – notably on travel; that giving them tax deductible allowances is unjustifiable; and that there is more benefit in homeworking for the homeworker than for the employer. This may be so in cases where the employer does provide all facilities and equipment for employees to work in the office, but this is usually not the case. Many employees with desk-based jobs work across a spectrum, from the well-equipped office, to ill-designed open plan, ‘hot-desking’ or to total working at or from home in ways that suit and benefit the employer. In some cases new offices are designed on the basis that it will not be necessary to provide for the full complement of employees.

The 2003 Budget changes the position on payments by an employer towards additional household costs incurred by an employee who works at home. When an employer contributes to additional household costs incurred by an employee who works some or all of the time at home, the employee would normally be charged income tax on the payment. The new Budget measure means that employers will be able to meet some or all of the incidental household costs incurred by employees who work at home without it giving rise to a tax charge. Such payments can already be made without giving rise to a NICs liability. Employers will be able to pay up to £2 per week (£104 per year) without supporting evidence of the costs the employee has incurred. If an employer pays more than that amount, the exemption will still be available but the employer must provide supporting evidence that the payment is wholly in respect of
additional household expenses incurred by the employee in working at home (see www.inlandrevenue.gov.uk/ budget2003/revbn03.htm).

It should be borne in mind that the change will operate as an exemption through the employer, not the employee. The Inland Revenue says it would be concerned if employees who elect to work at home were led to think that they are entitled to relief under current law for any part of their household expenses. ‘We state at Paragraph 3.28 of Booklet 490 that relief will only arise where it is an objective requirement of an employee’s duties to carry out substantive duties at home. This may be regarded as prescriptive but it is in our view an accurate explanation of current law and it was supported recently by the High Court in the case of Kirkwood v Evans.’ (See www.inlandrevenue.gov.uk/manuals/ senew/se32786.htm)

Tax Bulletin Issue 49 (TB49 October 2000) explains Schedule E benefits in kind – calculating the cash equivalent of a benefit when there is part-business and part-private use. TB49 sets out the position, following the extensions in the Finance Act 2000, on the exemption to benefits provided for work purposes. Previously this exemption only applied where the employer supplied equipment etc solely for an employee’s use. The Inland Revenue recognised the impossibility of employers being able to monitor sole business use and the law now allows an exemption where ‘any use of (the benefit) for private purposes by the employee is not significant’.

Significantly for homeworkers, exemption is also allowed for benefits provided other than on the employer’s premises, as long as private use is not significant and ‘the sole purpose of providing the benefit is to enable the employee to perform the duties of his employment.’ An exemption has also been made for computer equipment up to the value of £2,500 which is provided in the home, whether there is private or business use. These are welcome provisions.

‘Not significant’ private use has not been statutorily defined. The Inland Revenue says it ‘will depend on the circumstances of the case, but a significant factor will be the employer’s policy for allowing employees to make occasional private use of work items.’

The decisions at governmental, regulatory and workplace level need to be about finding a reasonable balance between employer and employee needs. This was not lost on the Trade Secretary, Patricia Hewitt. As e-commerce Minister, she said at the launch of Living at Work – a new policy framework for modern homeworking (Joseph Rowntree Foundation, 2000), at the Telework 2000 conference: ‘We’ll certainly be… considering whether we do need to make changes in the regulation and the tax environment, to enable fair treatment of those who are working from home alongside those working from the the office or the factory.’

For its part, the Inland Revenue told us: ‘Changes have been made and the door has not been closed to further changes in legislation if a convincing case can be made.’

As an employer, it is itself coming to terms with the technological and other changes that are now making homeworking a real option for employers and employees. The Revenue has a very clear policy on homeworking for its own staff which can be seen in the Incomes Data Services Study 729 on Teleworking.

Homeworking in practice is so often about ‘give and take’ in ways that are mutually beneficial to employers and employees but do not lend themselves to cut and dried regulation. The Inland Revenue’s relaxations and new guidance for employers are welcome. Simply written guidance for employees is needed too and should be clearly labelled/signposted as ‘homeworking’ in documents and on the Inland Revenue website.
This chapter outlines suggestions for government, local government, RDAs and agencies.

Minister to champion homeworking
One minister should have a remit to ensure co-ordinated policy response to homeworking. They should be within a department made responsible for pulling together all relevant issues currently split between departments: work-life balance, productivity, e-commerce, transport, etc.
Responsibility: government

E-working taskforce
The DTI-hosted teleworking taskforce is helpful but does not have a sufficiently wide remit. A separate, high-profile, proactive taskforce is needed, with broad industry and commerce membership to promote all forms of e-working, including homeworking. Remit: to be a catalyst across government, facilitating initiatives, removing barriers and co-ordinating UK with EU policy objectives. Reporting to the minister suggested above.
Responsibility: government

Homeworking tax, NI and benefits review and guidance
A review to recommend how tax, NI and benefits can further support homeworking and its contribution to productivity, traffic reduction, etc., beyond the steps taken so far by the Inland Revenue. Transparency, consistency and clear guidance to be essential. Tax incentives should be considered in return for contributions by employers and employees to achieving key government policies. Tax assumptions that particularly need questioning are that employers provide what is needed at business premises and that homeworking is for employees’ convenience.
Responsibility: Inland Revenue, Department for Work and Pensions

Regeneration incentives for homeworking
Make available incentives to employers to develop homeworking, especially in remote, congested or deprived areas. Regional Development Agencies should encourage and promote homeworking to help ease traffic congestion and spread work to UK non-urban areas. Consider funding, in partnership with employers, embracing homeworking, networks and resource centres. Enable homeworkers to use them to gain access to quality information and communications technology equipment and to tackle isolation by networking.
Responsibility: government offices, RDAs

Right to ask to work from home
Extend to all employees the new legal entitlement proposed to give to parents of young and disabled children the right to have a request to work flexibly given serious consideration by the employer.
Responsibility: Department of Trade and Industry

Local strategies to demonstrate and boost homeworking
Draw up strategies to create work opportunities for remote/excluded communities and/or to reduce local commuter traffic. Homeworking policies should be pursued vigorously for council staff, to create local models of good practice that employers in other sectors could benchmark against.
Responsibility: local authorities

Support for home-based micro-businesses
Address homeworking as an aid to the development and start-up of SMEs. Consider ways to help small businesses with home-based employees, for example by co-funding networks/resource centres.
Responsibility: Small Business Service
11. Reform required – a summary

Rather than remaining neutral towards homeworkers in policy terms, all levels of government should consider ways to extend its benefits. These include:

- reducing traffic/congestion
- enabling more work-life balance working arrangements
- boosting productivity, enabling more people to work
- boosting the UK’s reputation as a digital nation at the cutting edge of new business and communications
- enabling regional development agencies to encourage inward investment with employment away from the south east
- enabling working people to stay/return to remote areas/villages, helping their local economies

There are some ‘big picture’ issues which the DTI’s current review of teleworking could usefully consider:

- To what extent will larger global corporations pursue flexible and homeworking arrangements with staff in the UK if there are some fiscal carrots introduced to encourage it?
- Is the government prepared to offer further tax benefits to companies with some staff working at/near home in return for the reduction in congestion/pollution this would produce?

Avoiding red tape

It is essential that policy reforms remove barriers and red tape, rather than seek to impose approved top-down ways to work.

It is homeworking’s flexibility that boosts productivity and should be encouraged by the government. In establishing how the new Framework Agreement will work here, it may be necessary for the UK to resist EU attempts to introduce EU-wide systems for ‘teleworking’. A one-size-fits-all approach would be counterproductive.

Making welfare benefits relevant

Social security entitlements should recognise the growth in homeworking. Because it is based on output rather than hours worked, benefit regulations based on days/hours are anathema. A review of the tax/benefit system is required to ensure that benefits fit with output-based work, rather than vice versa, especially given the new emphasis on benefits in work.

Fiscal encouragement

In our recommendations, we call for a review of the tax regime for homeworking by a special Taskforce (see chapter 7). Many homeworkers get contributions from their employer towards costs such as electricity. A tax-free allowance for incidental homeworking expenses is now possible under the 2003 Budget of up to £104 a year without evidence of costs incurred (and more with evidence). The new measure will need monitoring to see whether the £104 threshold is sufficient to act as an incentive.

Suffolk County Council has agreed a local arrangement with the Inland Revenue for home-based trading standards officers. This allows work-related home expenses to be deducted from income tax. This pilot could be extended.

Fiscal measures such as these could be introduced by the Chancellor with limited impact on public finances. The signal they send could encourage and enable more homeworking, boosting productivity and reducing pollution and traffic. The new Budget proposal on incidental expenses is a step in the right direction.
There are numerous websites that provide information for individual homeworkers. The ones listed here will be helpful for employers and those with public policy interests.

- www.flexibility.co.uk Leading source of flexible working information provided by HOP (Home Office Partnership) Associates.
- www.dti.gov.uk/work-lifebalance
- www.tca.org.uk The Telework Association.
- www.wfh.co.uk BT Workstyle Consultancy Group: Working from home.
- www.new-ways.co.uk New Ways to Work.
- www.workingfromanywhere.org International Telework Association and council.

Reports, articles, official documents and guides:

- Blurring the home/work boundary – profiling employers who allow working at home, Alan Felstead, Nick Jewson, Annie Phizacklea, Sally Walters, Centre for Labour Market Studies, Leicester University 2001.
- Employee travel: a tax and NICs guide for employers, IR490, Inland Revenue.
- e-work 2001, EU 2001: Status report on new ways to work in the knowledge economy, available from email ist@cec.eu.int
- From motors to modems, Telework Association and RAC Foundation, www.tca.org.uk/downloads/m2ml.pdf
- Quality of experience for homeworkers, Dr Jeanne Moore and Tracey Crosbie, Economic and Social Research Council (ESRC), April 2003.
- Tax Bulletin issue 49: Schedule E benefits in kind – calculating the cash equivalent of a benefit when there is part business use and part private use, October 2000, Inland Revenue.
- Telework and the New Workplace of the 21st Century, US
Department of Labor, 2001.
- Teleworking in the UK: the trends and characteristics of teleworking in the UK and comparisons with other Western countries, Ulrike Hotopp, Labour Market Trends, vol 110, no 6, June 2002.
- The complete guide to flexible working, HOP Associates/Toshiba 2001 from www.flexibility.co.uk/Guide/index.htm
- Working anywhere – exploring telework for individuals and organisations, DTI, DfEE, DETR 2000 revised.
- Work-life balance – the business case, DTI, 2001
- www.ukonlineforbusiness.gov.uk/main/resources/publication-htm/working-anywhere.htm