

# Advancing the American Workforce

ALIGNING POLICY SOLUTIONS & BEST PRACTICES

SPOTLIGHT ON

## **Workplace Flexibility and Employee Engagement**

Employee engagement is a priority for company leaders because of its link to employee wellbeing, retention, productivity, and reduced absenteeism, all of which positively impact profitability and customer experience.

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# About this Series

HR Policy Association (HRPA) represents nearly 400 of the largest companies worldwide. Members employ more than 10 million individuals in the U.S. This report articulates the perspectives of our members regarding the trajectory of work in the U.S. and the need for specific changes in both corporate and public policies to effectively advance the future of the American workforce.

HR Policy Association's "Advancing the American Workforce" series equips policymakers and business leaders with insights from Chief Human Resource Officers (CHROs) of major companies. The profound changes employers and society have experienced over the past five years have transformed the way large employers and their employees think about work, the workforce, and the workplace and how each needs to be structured for long-term success. HR Policy provides the perspective, not only from employers, but from CHROs who bridge the goals of their companies with the talents and needs of its greatest asset: employees.

New technologies, evolving demographics, and shifting political winds demand a strategic approach to HR. Chief Human Resource Officers are at the forefront of navigating these changes, and their perspective provides invaluable insights for policymakers. This multi-part series offers practical experiences and perspectives on the critical trends shaping the future of work, and suggests policy approaches to ensure the American workforce remains at the vanguard of global excellence in the years to come.

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# Workplace Flexibility and Employee Engagement

The COVID-19 pandemic brought about significant changes globally to how, where and when people work, with today's workforce placing high value on flexibility. Chief Human Resource Officers have been at the center of efforts to restructure the way work gets done while achieving business success, reinforcing company culture, and maintaining employee engagement (involvement and enthusiasm of employees for their employer, work and workplace).

**Engagement: Involvement and enthusiasm of employees for their employer, work, and workplace.**

## Levels of Engagement<sup>1</sup>

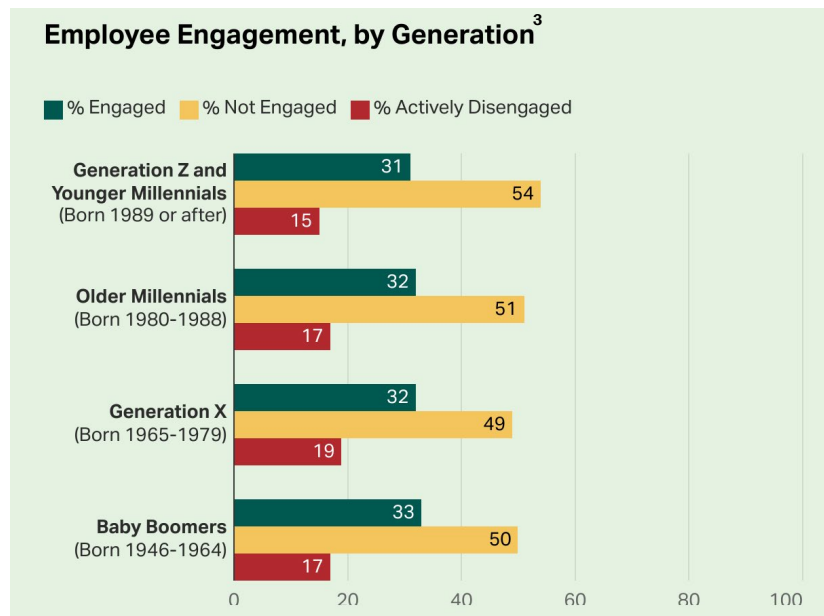
- **Engaged:** Employees involved and enthusiastic about their work and workplace.
- **Not engaged:** Employees with ambivalence towards work and workplace. Think “quiet quitting”
- **Actively disengaged:** Individuals openly dislike their job and are vocal. Think “loud quitting.”

Employee engagement is a priority for company leaders because of its link to employee wellbeing, retention, productivity, and reduced absenteeism, all of which positively impact profitability and customer experience. In fact, Gallup estimated that in 2023, non-engaged or actively disengaged employees cost the U.S. economy \$1.9 trillion in lost productivity.<sup>2</sup> As a result, employers of all sizes continue to explore flexible work arrangements for both desk-based employees and deskless/frontline workers as a way to increase engagement. Differences in expectations among generations, geographic locations of employees, and varying business needs require employers to craft solutions that fit their workforce. Employees continually rank flexibility, whether related to location or hours, as one of the most important factors they consider when accepting a job or choosing to stay at one, making it a critical component of employee engagement.

The trends described below make it clear that remote, hybrid, and flexible work arrangements are here to stay because they provide for a more engaged and productive workforce, and correspondingly make employers more competitive globally. For these reasons, policymakers should facilitate, rather than inhibit, increased flexibility and ensure that workplace laws are adapted to support flexible and varied work arrangements, just as CHROs must consider their own company's culture, employee preferences, and employee engagement to create the best options for their company.



## Looking Ahead: Why Flexibility and Engagement Matter

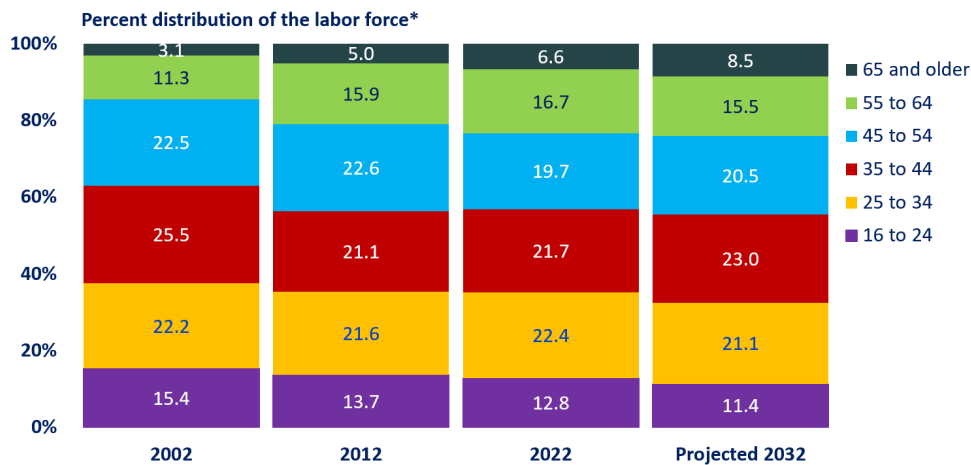


Employee engagement levels dropped to 30% in 2023<sup>4</sup>, the lowest level since 2013, after record engagement levels of 36% in 2020. Engagement is a critical data point for CHROs because it is linked to positive outcomes for both employees and the company. Engagement levels differ depending on age and job responsibilities, with engagement levels since 2023 among Gen Z

employees (those born between 1997-2012) down six points and among those that work exclusively from home down five points.<sup>5</sup> Gen Z and Younger Millennials (those born 1989 or after) are more likely than their older colleagues to be “not engaged” at work, at 54%. 49% of Generation X and 50% of Baby Boomers are considered “not engaged” according to Gallup.

**A new generation of employees.** Understanding the expectations of Gen Z is paramount to a company’s success as the U.S. Bureau of Labor Statistics estimates that Gen Z will make up 30% of the workforce by 2030.<sup>6</sup> Many Gen Z employees entered the workforce during the COVID-19 pandemic, impacting their expectations and experience with their employers, particularly when it comes to where and when they work. While flexibility is popular among all generations, Gen Z and Millennials are 59% more willing to leave their job than older colleagues if flexibility is not offered or taken away.<sup>7</sup>

## Labor Force Share, by Age Group, 2002, 2012, 2022, and Projected 2032<sup>8</sup>



\*Data may not sum to 100 percent because of rounding

These expectations have impacted CEO views on workplace policy. In 2023, 64% of CEOs surveyed by KPMG stated they expected a full return to the office (5 days a week). A year later, only 34% of CEOs expect employees to come in five days a week.<sup>9</sup>



**Company culture and values serve as the blueprint for CHROs' flexibility and engagement strategies.** As employers establish new and long-term policies around how employees work, CHROs rely on, and emphasize, company values and the importance of positive customer experiences as the guiding principles in making these decisions.

The main drivers of employee engagement are purpose, development, manager relationships, and open communication. Employers with

highly engaged employees place an emphasis on these levers. For example, communication regarding expectations around flexible work policies is an integral part of fostering employee engagement and promoting individual and team accountability. As demonstrated during the COVID-19 pandemic, transparent communication around times of change reduces anxiety and builds trust among employees. Gen Z employees and job seekers are especially interested in company culture and values, looking to work somewhere that shares their values on political and social issues such as DEI efforts and sustainability.

**Flexibility is at the center of many engagement strategies.** In 2023, for remote capable employees, **only 20% work in an office setting full time, compared to 60% in 2019.**<sup>10</sup> Since the end of the pandemic, employers have focused on what workplace strategies and flexible work arrangements to put in place to maintain a productive and engaged workforce.

**Employers increasingly believe having some in-office time is vital to maintaining company culture, particularly for newer and younger employees.** Despite flexibility being a high indicator of employee engagement and loyalty, both employees and employers are still concerned about the impact of remote or hybrid work on career growth. 97% of women believe taking advantage of

flexible policies would affect their likelihood of promotion<sup>11</sup> and data seems to partly back up this presumption. While there is no difference in promotion rates between hybrid workers and those in the office five days per week, fully remote workers are at a disadvantage in terms of career progression. Remote workers were promoted 31% less frequently than their hybrid or in-office counterparts.<sup>12</sup> This data demonstrates that in-person connection does make a difference when it comes to professional growth.

### **Building culture and equity in hybrid and remote workplaces**

To address potential discrepancies in career growth for fully remote employees, employers have implemented several strategies including:

- Training managers on how to lead remote and hybrid teams
- Frequent check-ins between employees and managers
- Remote training and professional development courses



**58% of American workers work fully on-site and cannot do their jobs remotely.<sup>13</sup> While many employers have been able to settle on flexible policies for remote capable employees, addressing the needs of deskless employees has been more challenging.**

These employees have lower engagement rates and limited flexibility as compared to their colleagues that can work remotely. Deskless employees recognize that the nature of their jobs may not allow for remote work and over half of deskless workers reported they are “not at all” bothered by the fact that others can work from home. However, this does not change the fact that these employees value and desire flexibility as well. To provide additional flexibility to those who cannot do their jobs remotely, many employers have implemented shift flexibility and hope to use technology to introduce tools to allow for more capabilities here, including shift swapping with other employees.

The shift towards hybrid, remote and other flexible work arrangements that was catalyzed by the COVID-19 pandemic is in part a product of employers meeting employees where they are. Both employees and employers are invested in creating a flexible work environment that allows for work to be done in ways that make the most sense. As technology – and particularly artificial intelligence – continues to broaden the spectrum of ways work gets done, flexibility will become an even larger cornerstone of the employee value proposition. Flexibility must therefore be a touchstone for lawmakers as well.



**Policy Recommendations.** The twin goals of policy change related to workplace flexibility and employee engagement should be reforming existing laws to better fit the modern workplace and ensuring that any future regulation promotes continued flexible work arrangements.

Many new types of laws that would govern the flexible work environment are beginning to take shape, both inside and outside of the United States. Right to disconnect laws, privacy and workplace monitoring laws, four-day work week laws and others, attempt to protect and empower workers in the remote work environment. Such laws, when necessary, must be developed in partnership with the business community to ensure they reflect practical realities and, most importantly, allow companies to continue to offer sought-after flexibility to their employees. To that end, HR Policy supports the following policy recommendations:

### **1. NLRA reform that allows better employee engagement**

The National Labor Relations Act creates unnecessary roadblocks to meaningful and effective relationships between employers and their employees that boost employee engagement. The NLRA is a relic of a previous era and is largely based on – and intended for – an adversarial model of labor relations pitting factory owners against factory workers. This framework is hardly suitable for modern workplace realities. As currently written and applied, employers and employees are essentially prohibited from engaging meaningfully with each other on workplace matters without the presence of a union. Specifically, the law – and Boards applying it – consider nearly any formal interfacing between employers and employees to address workplace issues to be an unlawful company-dominated union. This approach not

only attempts to solve an issue that no longer exists – company unions – but also unnecessarily disincentivizes any efforts to meaningfully engage with employees without the presence of a union.

Currently, measuring and addressing engagement (at least for the purposes of improving terms and conditions of employment) is largely limited to employee surveys, informal small group or one-on-one discussions, and employee resource groups. Employee resource groups have become extremely popular with both large employers and their employees as a tool (for the employer) to create and measure engagement and boost morale, and (for the employee) to join together with like-minded employees on workplace issues.

However, employers are inhibited by the NLRA from having anything more than tangential





involvement with these groups. While employers use such groups to increase engagement, they are prevented from actually engaging themselves. Employees may raise workplace concerns, but employers are prevented from actually working together with these same employees to address such concerns. Instead, multiple degrees of separation must exist – and many steps must be taken – before employers can effectively hear and address any concerns.

Employee resource groups are merely one example of the inefficiencies – and in many cases inhibitions – the NLRA as currently written and applied creates regarding meaningful engagement between employers and employees. The law should serve to foster effective relationships between employers and their employees to the end of better workplaces for all – instead, it currently restrains them.

***The NLRA should be amended to allow for better engagement between employers and employees through formal or informal groups or channels.*** Specifically, at minimum, clear intent on the part of the employer to avoid a union should be required before declaring engagement efforts unlawful. The threat of company-dominated unions is simply nonexistent in the present; the NLRA should be amended to reflect that change. Allowing employers and employees more opportunities to come together to meaningfully improve workplace conditions will

benefit both parties, and will allow each, in many circumstances, to more effectively and efficiently find solutions to workplace problems. Nothing in these changes would prevent or inhibit the ability of unions to champion employee interests; instead, there would simply be more channels for achieving the main goal of everyone involved: a workplace that works best for all stakeholders.

## **2. FLSA reform that prioritizes flexible work arrangements**

The FLSA is an outdated law based on 8-hour factory workdays. The 8-hour, clock in/clock out workday is simply not the reality for many American workers. Before the scope of the FLSA is expanded further – through changing overtime requirements or definitions of who is a statutory employee – changes should be made that clarify employer obligations regarding remote and flexible work arrangements. As is, employers are left in the dark regarding tracking hours for remote workers for FLSA compliance, among other issues.

***Federal lawmakers and regulators must acknowledge the increasing number of employees who do not work traditional hours at a fixed location*** and update the nation's main wage and hour law accordingly. A failure to do so will disincentivize employers from offering their employees flexible work arrangements.

### 3. A federal standard for paid leave

Our member companies offer competitive leave benefits that meet or exceed current federal and state requirements. The Association is therefore supportive of ensuring that all workers have access to sufficient leave benefits. However, the growing patchwork of state and local leave laws results in an enormous and growing compliance burden for employers.

The Association supports the development of a national standard that provides uniformity and consistency in the paid leave area. Ideally, a federal paid leave system would preempt all state and local requirements; at minimum, however, a national standard should at least provide employers with the option of adhering to such a standard or a relevant state or local counterpart for compliance purposes. Doing so would allow employers to provide uniform, consistent leave policies that ensure their employees have unfettered access to paid leave.

### 4. Workplace safety laws that acknowledge remote and flexible work arrangements

Any changes to workplace safety laws, such as the Occupational Safety and Health Act, should integrate the realities of remote and flexible work arrangements. While employers are obligated to provide safe work environments for their employees, employers should not have any obligations when it comes to work done, by the choice of the employee, outside of the space

provided by the employer. Attaching employer legal obligations to remote work arrangements is impractical and raises a host of privacy and third-party liability issues.

### 5. Laws or regulations governing remote work arrangements should prioritize continued flexibility

New laws, such as 4-day work week laws or right to disconnect laws, which attempt to regulate new work arrangements, should not inhibit employers' ability to offer flexibility to their employees. Further, such laws should acknowledge that the nature of work varies by industry and company – one-size-fits-all approaches must be avoided. Employers and their employees may indeed wish to shift to non-traditional work schedules such as four-day work weeks. Mandating such schedules, however, prevents those same employees from working the schedule they would prefer to work, while also presenting significant wage and career development issues. Employees may wish to work beyond a mandated four-day workweek to further their career, for example, or to obtain new skills or participate in mentorship programs. For hourly, non-exempt workers in particular, a mandated four-day workweek would likely force many employers to disincentivize this type of proactivity given potential overtime costs. Employers and employees are best equipped to determine what makes the most sense for them regarding how work gets done – regulators should not unnecessarily insert themselves into that determination.



## Endnotes

<sup>1</sup> Jim Harter, “In New Workplace, U.S. Employee Engagement Stagnates,” January 2024, Gallup <https://www.gallup.com/workplace/608675/new-workplace-employee-engagement-stagnates.aspx>

<sup>2</sup> Ibid.

<sup>3</sup> Ryan Pendell and Sara Vander Helm, “Generation Disconnected: Data on Gen Z in the Workplace,” November 2022, Gallup, <https://www.gallup.com/workplace/404693/generation-disconnected-data-gen-workplace.aspx>

<sup>4</sup> Jim Harter, “U.S. Engagement Hits 11-Year Low,” April 2024, Gallup, <https://www.gallup.com/workplace/643286/engagement-hits-11-year-low.aspx#:~:text=The%202024%20first%20quarter%20finding,in%202020%2C%20at%2036%25.>

<sup>5</sup> Ibid.

<sup>6</sup> Kevin S. Dubina, Lindsey Ice, Janie-Lynn Kim, and Michael J. Rieley, “Projections overview and highlights, 2020–30,” Monthly Labor Review, U.S. Bureau of Labor Statistics, October 2021, <https://doi.org/10.21916/mlr.2021.20>

<sup>7</sup> Mind the Gap Newsletter, McKinsey & Company <https://www.mckinsey.com/~media/mckinsey/email/genz/2022/05/17/2022-05-17b.html#:~:text=Much%20of%20Gen%20Z%20has,colleagues%20if%20it's%20taken%20away.>

<sup>8</sup> “Labor Force Share, by Age Group, 2002, 2012, 2022, and Projected 2032,” U.S. Bureau of Labor Statistics, <https://www.bls.gov/emp/graphics/labor-force-share-by-age-group.htm>

<sup>9</sup> “KPMG Study: CEOs tackling risks to growth including geopolitics, cyber and structural changes such as tight labor market, new regulations,” April 2024, KPMG, <https://kpmg.com/us/en/media/news/us-ceo-outlook-pulse-survey-2024.html>

<sup>10</sup> Ben Wigert, Jim Harter, and Sangeeta Agrawal, “The Future of the Office Has Arrived: It’s Hybrid,” October 2023, Gallup, <https://www.gallup.com/workplace/511994/future-office-arrived-hybrid.aspx>

<sup>11</sup> “Deloitte Women @ Work 2023: A Global Outlook,” <https://www.deloitte.com/global/en/issues/work/content/women-at-work-global-outlook.html>

<sup>12</sup> “Methodology: Remote vs In-Office Workers: 2023 Job Change Data,” Live Data Technologies, <https://www.livedatatechnologies.com/methodology-remote-vs-office>

<sup>13</sup> Ryan Pendell, “Frontline Workers Want Flexibility Too” December 2023, Gallup, <https://www.gallup.com/workplace/544775/front-line-workers-flexibility.aspx>

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ABOUT

## **HR Policy Association**

For more than 50 years, HR Policy Association has been the lead organization representing Chief Human Resource Officers of major employers. HRP A consists of nearly 400 of the largest corporations doing business in the United States and globally. These companies are represented in the organization by their most senior human resource executives. Collectively, HRP A member companies employ more than 10 million employees in the United States, over nine percent of the private sector workforce, and 20 million employees worldwide. These senior corporate officers participate in the Association because of their unwavering commitment to improving the direction of human resources policy. To learn more, visit [hrpolicy.org](http://hrpolicy.org).