

Working From Home - a productivity re-evaluation

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Abstract

During the COVID-19 pandemic and the various 'lockdowns' that resulted from it, there was an enforced trend towards working from home. This proved popular with employees who valued the flexibility, and the lack of commute but a number of firms/employers voiced concerns about negative impact on productivity. Unfortunately, there is little hard data to show the impact of working from home on individual or organisational productivity; much of the literature and commentary is based on survey data or anecdotal evidence. This paper explores the productivity impacts of working from home and seeks to identify evidence based on measured data rather than personal reflection but remains cautious about generalising in the light of evidence from qualitative studies which suggest that there are clear benefits accruing from working from home. The paper then goes on to suggest ways in which organisations should react to the evidence. The conclusion is that approaching working from home in a positive manner can help create competitive advantage and attract new talent.

Introduction

The pandemic did not start the working from home (WFH) phenomenon, but it certainly accelerated what was a slow-growing trend and brought it into the mainstream. For obvious reasons, when the edict is to always maintain specific distances between people, crowded workplaces are not helpful. Most firms had workspaces and working arrangements that were impossible to maintain within COVID-19 constraints and restrictions.

Firms were swift to see that WFH was the obvious solution to complying with those constraints and restrictions whilst maintaining some sort of workflow within the organisation. Luckily there was already software available to support remote communication - both synchronous and asynchronous though more tools emerged as the pandemic progressed.

Of course, only certain jobs are suitable for remote working - principally those centred around administrative and professional support activities where those activities can be carried out with only a computer and access, via the Internet or company Intranet, to company data and communication tools. Australian census data from 2016 shows that approximately 35% of workers had jobs that were amenable to working from home. (Productivity Commission Research Paper, September 2021).

Of course, the fact that many jobs are not suitable for home working means the productivity effects of the pandemic are wider than simply the effects of home working. For example, R&D and innovation activities are difficult to replicate remotely and, if the pandemic had continued over a longer period, this could have had a significant effect on longer-term productivity (Escudero & Kleinman, 2022).

Many employees reacted favourably to being asked to work from home. They valued the lack of commute and the increased flexibility, especially as many had other problems caused by the pandemic as, for example, schools were closed and childcare became a priority. The main negative impact most cited by those working from home is the increased feeling of isolation. (For most people, this was exacerbated by the imposed isolation of 'lockdowns' and 'social distancing'.)

Interestingly, though many people's first thoughts were that working from home might add distractions (of domestic life and family), a number of surveys have suggested that many of those working from home found such distractions to be fewer than 'normal', office-based distractions such as telephone calls and chats with colleagues, though the absence of

such 'distractions' does seem to increase feelings of isolation.

Where is the evidence relating to productivity?

Galanti et al (2021) argue that social isolation is significantly and negatively associated with working from home outcomes concerning job productivity and engagement and positively associated with working from home stress-related levels. Thus, WFH was seen to both reduce productivity and increase the stress levels of the workers.

Galanti et al (2021) also posit that autonomy (the ability to self-manage work tasks and schedules) positively associates with productivity and engagement but negatively with stress experienced when working from home.

This reinforces the view that the link between WFH and productivity is not a simple, straightforward issue - especially since productivity is itself a complex and sophisticated phenomenon.

During the pandemic, employees settled into a pattern of working and meeting other commitments, which suited their current pandemic-defined lifestyle and were grateful to still have their regular salary. The fact that many of them had to supply their own technology - laptop, mobile phone and Internet connectivity - did not seem to deter them. In fact, US workers invested an average of 15 hours of time and \$560 to upgrade their home work spaces, equivalent in aggregate terms to an estimated 0.7 percent of annual GDP (NBER Working Paper, 2021)

They also found out that they could take advantage of tax relief for appropriate expenses associated with setting up a home office and working from home. For workers who could satisfactorily perform their duties remotely, the advantages generally outweighed the disadvantages and minor inconveniences.

Working from home during the pandemic proved so popular that post-pandemic, we are seeing many, formal experiments and trials of structured forms of home working and of hybrid working, at the request of employees, where employees commit to a set number of days or hours in the office. Since so many of them have reported no loss of productivity, they fail to see why working from home is not a simple, long-term choice

What is the motivation behind increased working from home?

Many workers simply want to maintain the advantages they discovered during the enforced working from home of the pandemic - the lack of commute and the increased flexibility, especially parents who might be able to lower childcare costs.

Firms can have several reasons to allow or promote working from home for their employees. They may see the opportunity to reduce the size of offices and reduce property, and associated, costs.

Do employers have concerns about allowing working from home?

A number of employers do have concerns. Perhaps the chief worry is that workers who are separated from their supervisors or managers may be prone to 'slacking' or to making errors (though this perhaps says more about the supervisors and managers and their management style than it does about the workers).

The other main concern, and one I share in my uninformed world view, is that the lack of serendipitous interactions and knowledge-sharing, can negatively impact on the cross-pollination of ideas that leads to creativity and innovation. It seems inherently more difficult to collaborate at a distance.

More niche and more specialised concerns relate to the potential health and safety or well-being risks that may

accompany working from home - the use of unergonomic furniture and equipment, inadequate lighting, etc. The legal and regulatory responsibilities of employers are not entirely clear.

Does working from home affect productivity?

The evidence from Galanti et al does suggest that working from home has a negative impact on productivity. However, this is not a simple question - or answer. Many organisations, and many individuals who work from home, or have worked, from home, have made claims that it improves their productivity. This is not surprising since employees who value home-based working for the flexibility it provides, have a vested interest in demonstrating, or suggesting, that their performance does not decline as a result of the move from office-based to home-based working.

A number of organisations have made claims that productivity suffers when a significant proportion of the workforce works from home.

The problem is that the discussion becomes a series of claim and counter claim with little, if any, firm evidence.

For example, in a recent look at websites reporting on the productivity effects of a move to working from home, it was reported (Globalization - Partners website, 2022) that. "Evidence has shown that remote workers, in fact, thrive at home in contrast to an office environment."

However further reading shows that the 'evidence' for this statement is that "A survey by Flexjobs of more than 2,100 people who worked remotely during the pandemic found that 51 percent report being more productive working from home". As we suggested above, "Well they would, wouldn't they?" and 51 per cent is not exactly an overwhelming majority.

Indeed, I have made such claims before (from the other point of view), in blog posts, based on my general productivity experience. My general hypothesis has been that working from home might reduce productivity for the individual (though I would readily accept that it might be a neutral effect) but, almost certainly, reduces the productivity and creativity of the organisation, as an effect of the reduced communication and reduced 'accidental collaboration' that results from the lack of contact between employees both formally and informally compared to in-office working.

This paper set out to identify some 'harder' evidence of the effects of working from home on productivity and did find some such evidence. If evidence does exist of a productivity effect (positive or negative), it would be particularly useful as the COVID pandemic was, by definition, a global phenomenon and evidence may be available to suggest the generic nature of any findings, or, conversely, specific regional or cultural differences.

Gibbs et al (2021) use personnel and analytics data from over 10,000 skilled professionals at a large Asian IT services company (over a period of 17 months), using data from staff working both from home and from the office to make direct comparison possible. The staff involved received no performance-related pay or bonus, so remuneration should have had no effect on performance or on the manipulation or 'gaming' of the performance measurement system.

Their main finding shows that productivity fell between 8 and 19%, as a result of staff working longer hours (including outside of 'normal office hours') to produce a slight decline in output (as measured by each employee's primary performance measure).

Employees with children at home increased their working hours more and had a larger decline in productivity than those without children.

The productivity of women declined more than that of men, but the researchers had no clear evidence as to why this was,

suggesting that it might be due to increased pressures placed on women in a domestic setting whilst working from home.

Output was more likely to decline for employees with a shorter company tenure and the researchers speculate that employees who are more familiar with, and adapted to, the culture and processes of the firm are better able to perform when working from home, where there is no colleague at the next desk for quick help or advice.

Perhaps unsurprisingly, the time spent on communication and coordination activities (including online meetings) increased, while uninterrupted work hours shrank considerably.

Employees communicated with fewer individuals and business units, both inside and outside the firm.

Importantly, the effects on working time and productivity began immediately as employees moved to home working; they did not change gradually as the pandemic developed in nature or in magnitude.

Bloom et al (Bloom et al, 2020) researched the productivity impacts of COVID-19 in the UK and USA (though they claim that their findings are more widely applicable). They found that total factor productivity (TFP) fell by up to 5% during 2020-21. Of course, they were looking at the impact of COVID-19 rather than specifically working from home, but perhaps the spread of COVID-19 acts as a proxy measure for the spread of working from home.

What are the implications of the findings of this paper?

Though employers may feel that a return to office-based working is necessary to recover pre-pandemic levels of productivity and economic performance, the preferences and perceptions of employees may force these employers to moderate their approach to include at least some degree of working from home and various forms of hybrid working may emerge as permanent working arrangements.

Employers will then have to maximise the productivity - and minimise any perceived lack of collaboration and creativity - of selected working arrangements by providing appropriate and effective communication channels and processes (especially those that might come nearer to providing the 'richer' communication provided by face-to-face contact), equipment (and perhaps furniture) for employee home offices, training, coaching and mentoring processes.

The 'experiments' with WFH during the pandemic have given organisations the chance to study the effects of such approaches to home and remote working, and, hopefully, to think about how such approaches might enable them to extend their talent pool to potential employees outside of their commuting range, even in other countries. This could facilitate other approaches to work organisation, such as the introduction of open innovation (Chesbrough, 2017)

If employees want to keep working from home (for at least some of their time) post-pandemic, employers should create a WFH policy against which any request for home working can be assessed and considered. The policy will identify who can work from home, under what circumstances, and it will set any limits on home or hybrid working. It will describe how requests will be assessed and how decisions will be made - and, of course, it will conform to any national or industry-based regulation or guidance. The policy should lay down clearly the expectations on, and responsibilities of, employees when working from home. Employee contracts of employment will need to be checked to see if they need amending in light of the WFH policy.

Firms may retain (possibly smaller) offices as gathering places (for social interactions, meetings, and training), rather than the traditional process and task-driven spaces of the past. This will require thoughtful re-design of the spaces to provide more 'social' spaces, perhaps surrounded by shared and 'hot desking' workspaces. The office/workspace will have less time to carry out its role of connecting an employee to the company and to fellow workers, so it has to perform

this role more efficiently.

Because communication is very important, the policy should spell out working hours (in total and in terms of 'availability hours' when employees should be easily contactable via company communication channels. Existing policies relating to the use of these channels may need to be reviewed and revised. Similarly policy and practice relating to IT support and IT/online security may need updating.

For employees who are expected to have video calls with customers or other key stakeholders, it may be necessary to establish a dress code.

It is possible to search online for a templated WFH policy to provide a basis for your thinking and eventual policy.

Some of this requires changes on behalf of the organisation, which should be considered as the WFH policy is developed. It also requires the development of specific skills, competencies and attitudes on behalf of employees so they can fully take advantage of new communication skills, new technologies and new forms of supervision and management. It is much more effective to make the changes in readiness of a move to WFH rather than as a result of enforced WFH resulting from another pandemic or other disaster.

(As a side thought, the changes in traffic patterns that are likely to result from a significant portion of the workforce working from home have clear implications for transport services and retailers who normally rely on office workers for a significant part of their income.)

Though the impact of WFH on productivity is not a simple issue, this paper suggests there is hard evidence which suggests that impact is likely to be negative. However there is also considerable, softer evidence to suggest that many employees value the opportunity to work from home and post-pandemic, wish to continue the practice for at least some of their working hours. Employers may be able to use this satisfaction to increase employee engagement and productivity. Separately, they may be able to use a positive attitude towards WFH as an attractor for talented individuals from a wider catchment area than would apply for those applying for employment which required physical attendance.

Employers should therefore consider WFH as an opportunity to improve the well-being of the workers and to increase organisational productivity. Approaching WFH in a positive manner can help create competitive advantage and attract new talent.

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