

# Breaking the RTO Plateau

Workers and managers are in a tug-of-war over return to office policies.

By Ryan James Boyle



I didn't fully appreciate the revolution in office culture until my family came to visit me recently. While my spouse and I enjoyed a now-complimentary coffee, the kids were entertained by the views and televisions in the newly-opened tenant lounge and the foosball table in the cafeteria. I'm happy to report that when they grow up, they want to work for Northern Trust. Improved workplace amenities were the friendly enticements for employees to return to the office. They may have helped some workers decide to leave their home desks. However, the professional reopening has hit a plateau. In badge-swipe data from Kastle Systems, the revival of office occupancy leveled off in the second half of 2022. Workers settled into rhythms of hybrid work, coming back to the office at a cadence they personally found convenient.

### *The tug of war over returning to offices is likely to intensify.*

As the new year unfolds, more managers will contemplate less sociable requirements to return to the office (**RTO**), setting minimum attendance requirements. Bosses who have taken a **hard line** in favor of RTO cite the needs for collaboration, cross-training and building culture. While intuitive, these are hard goals to quantify. And lease payments are difficult to justify for vacant offices.

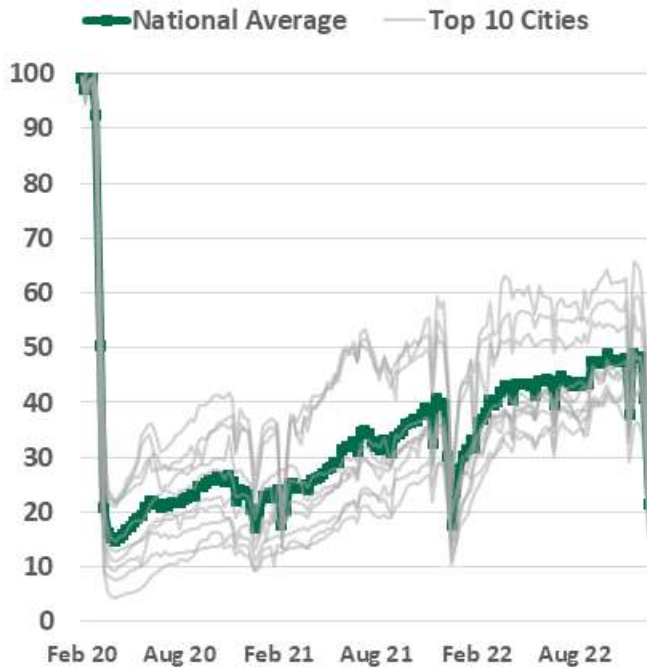
Some managers may expect higher productivity in the office, but this is a topic of strong opinions and **much ongoing research**. Workers cite their reclaimed time from commuting, lunch lines and casual interactions as offering more time to work. U.S.-based workers who skip a morning commute gain more time to communicate with overseas time zones.

However, evidence of reclaimed time **actually being used for work** is mixed. Productivity data did show improvement in 2020, but as this is a measurement of output per worker, the gain was likely driven by layoffs. The measure has since stagnated, falling 1.3% year over year in the third quarter of 2022. Managers should temper their productivity concerns in light of the great resignation: **newer workers have a learning curve**, which is even steeper to climb remotely.

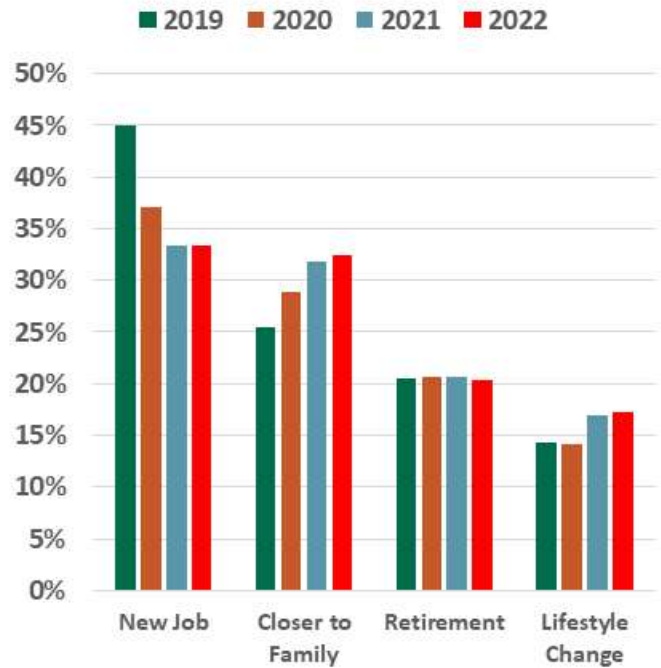
Much of the debate is subjective and qualitative. Managing a remote workforce requires different techniques. Leading a team is easier in person, and many managers were challenged to adapt. For employees, working alone at home is both liberating and isolating: we gain autonomy to manage our time, but we lose a precious source of human interaction.

The clearest argument against a push back to the office are the real results seen in the depths of the pandemic. Professional workers got their jobs done amid shutdowns and postponed reopening days. To this day, many jobs and even some employers are permanently remote. Workers who relocated on the assumption of remote work will be particularly challenged. The 2022 National Mover Study by United Van Lines confirms that since the pandemic, far fewer people are making long-distance moves for their careers, instead citing a change in lifestyle or being closer to family. Getting called back into a very distant office may be difficult to contemplate.

### Office Activity vs. Feb. 2020



### Reasons for Interstate Moves



Source: Kastle Systems, Bloomberg, United Van Lines

### *The future of work is still murky.*

The tight labor markets of the past year have accrued to workers' favor. They have been in a position to negotiate the terms of work in ways that were hard to fathom pre-pandemic; not long ago, allowing one day a week from home would have been quite progressive. If in-person demands are seen as unreasonable, professionals have been able to find an employer who offers their preferred terms. In a difficult recruiting environment, employers are loath to see resignations, leading them to limit the stringency and enforcement of RTO policies. If labor markets loosen, workers will lose some of their leverage, and RTO requirements may become more rigid.

Of course, a great number of occupations never faced this dilemma. Workers in vital sectors like healthcare, transportation, construction—and even some bank employees—never had an option to work remotely. If more office workers are demanded back, we will be in good company. And we can look forward to some fun games of table football.



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Ryan James Boyle is a Vice President and Senior Economist within the Global Risk Management division of Northern Trust. In this role, Ryan is responsible for briefing clients and partners on the economy and business conditions, supporting internal stress testing and capital allocation processes, and publishing economic commentaries.