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The Great Remote Work Debate

Return to office mandates are growing, but workers are hesitant to give up flexibility.



COVID-19 completely transformed the way we work. During the early phase of the pandemic, firms and workers were forced to remain distant from one another. A hybrid model then emerged as public health normalized. Remote work has evolved from a survival tool to a normal part of the professional experience. But in many locations, the balance of time spent at home and in the office is still in flux.

As economies slow, employers are starting to regain their negotiating power with workers. Corporate return to office mandates are growing. Yet workers are hesitant to give up flexibility. According to a [survey](#) by WFH Research, employees around the world would like to work from home on average two days per week, a full day more than their employers are

willing to offer. This gap is the largest in emerging economies like Brazil, Mexico and China and the smallest in developed markets like the U.S., the U.K. and Australia.

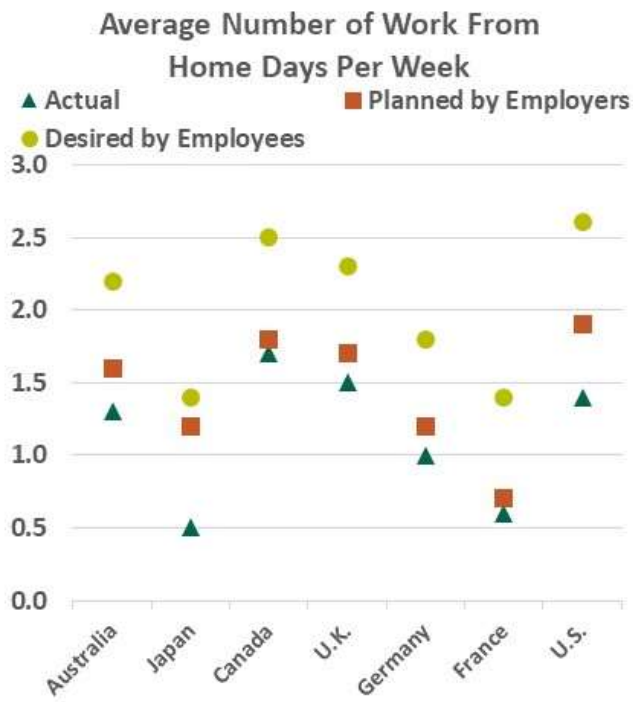
Big tech firms, which enabled so much remote activity, are now calling their employees back to the office on set schedules. A large social media company wants its employees back for at least three days of the week in the workplace. The largest search engine company's return to office directive includes tracking attendance, which will be included as a factor in performance reviews. Some organizations are even beginning to make remote work a thing of the past. Five-day weeks are back for good at some of the biggest American banks; however, many aren't still showing up.

Employees and management generally agree that some time spent in the office is beneficial. According to WFH Research, 56% of workers would like a flexible arrangement and only a minority want to work entirely at home or in the office. A Pew Research Center survey of American workers with location flexibility found that only about one-third choose to work remotely full-time. Even in countries like Japan, where remote work has been less common, employees are seeking to spend more than a quarter of the week at home.

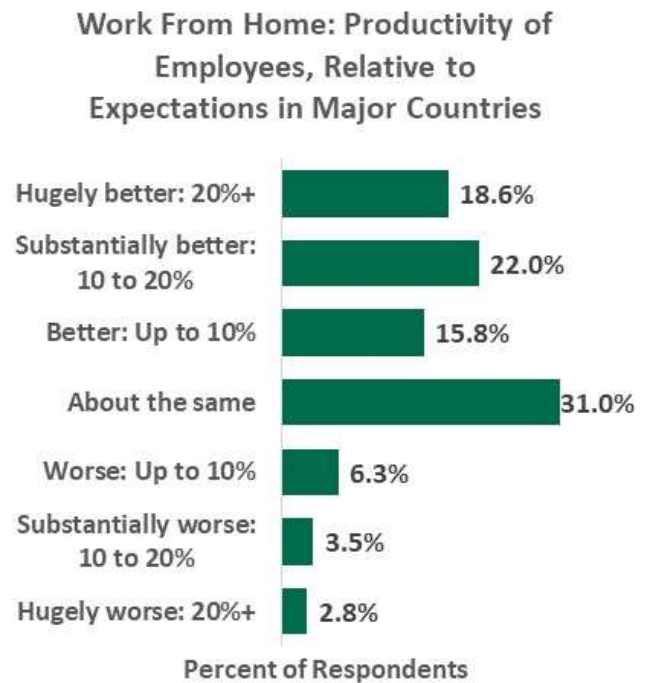
The most important reported benefit of a hybrid workplace policy is the time and money saved on commuting to the office. On average, workers around the world save 72 minutes a day staying home, which translates to two weeks in a year. In densely populated countries like India, workers spend about seven percent of their day commuting to their offices. Other advantages include better work-life balance and increased flexibility to work from locations that may be more convenient for employees. As a result, workers are reporting less stress and higher productivity.

A persistent sticking point in this debate has been the impact on productivity. Evidence from several studies has been inconclusive. A [survey](#) by Great Place to Work showed that the shift to working remotely during the pandemic boosted worker productivity by 6% on average. A [paper](#) by Stanford University concluded that remote workers were 13% more productive than their in-office counterparts. Remote workers have more flexibility to collaborate across time zones, and many report fewer distractions in their home than in the office.

On the other hand, businesses fear that remote work dents efficiency. Workers sitting in solitude make fewer interpersonal connections. New hires and less experienced workers have a harder time learning the culture and getting the training they need to reach optimal performance. Recent research bears this out. While productivity got a boost in the initial switch to remote work, a [study](#) of data-entry workers in India revealed those working from home were found to be 18% less productive than their peers in office. Weak labor productivity is a major concern for both businesses and policymakers, as it could lead to slower economic growth and higher inflation.



Sources: WFH Research, NBER



For corporations, the hybrid set-up can reduce office costs. Companies can downsize their office space and save on rent, utilities and supplies. Some firms are already adapting. One of the largest banking and financial services institutions of the world is set to shift its global headquarters from Canary Wharf in London to considerably smaller premises in the city, in response to post-pandemic hybrid working arrangements and a cost-cutting drive. Two of the Big Four professional services firms have announced plans to reduce their real estate footprint. As we wrote [here](#), this trend will weigh on the outlook for the commercial real estate sector. Firms and their staffs are still seeking the proper balance between working in offices and working remotely. The ultimate equilibrium will depend, in part, on additional evidence on productivity and the strength of labor markets. But don't expect cubicle culture to return anytime soon.

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