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EMPLOYER PERSPECTIVES ON EMPLOYEE RECOGNITION: COLLA

bruegel

1. Introduction

The forced mass-scale shift to work-from-home during the COVID-19 pandemic has changed both employees' and employers' perspectives on work location, demonstrating that more jobs could be done remotely than we could have imagined before. As we emerge from the pandemic, there is an ongoing debate about return to office, hybrid, and remote work. Employee surveys across different countries consistently indicate that employees prefer to remain working remotely and do not want to return to the office full time (Aksoy *et al*, 2022; Teevan *et al*, 2022). At the same time, many companies are trying to bring their employees back to the office.

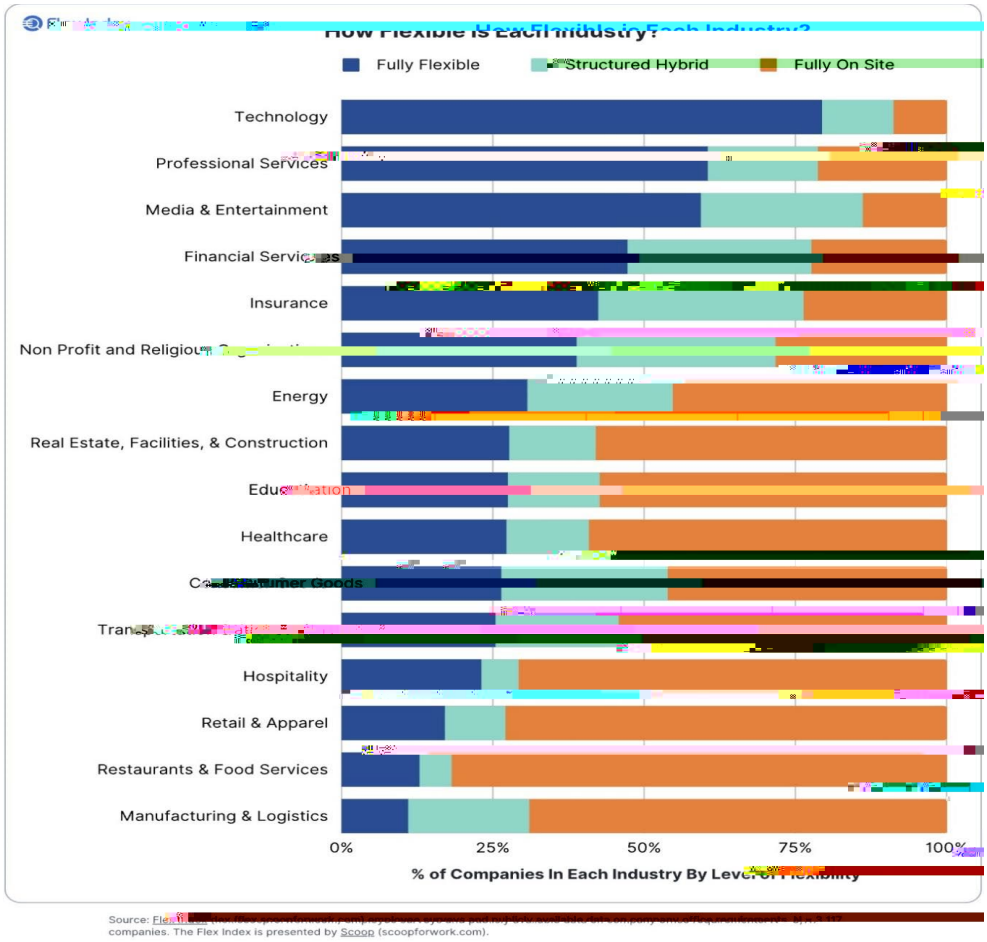
A comparative study across 27 countries concludes that the employers in those countries wanted employees to be back to the office for more days a week than employees would prefer (Aksoy *et al*, 2022). The discrepancy between employee and employer preferences on average is one full day. Aksoy *et al* (2022), in a sample of 36,000 respondents, also found that employees have such a strong preference for remote work that they are ready to accept a pay cut of 5 percent on average in exchange for the opportunity to work remotely 2 or 3 days a week. A full 26 percent of respondents said that they would quit immediately or seek a new job that allows remote work if their employer announced that all employees must fully return to the office.

It's not surprising that employees prefer to work remotely since evidence suggests that remote work can improve employee well-being, work-life balance, and job satisfaction (Allen *et al*, 2015). In addition, data collected during the pandemic indicates that employees feel that they are just as productive working remotely as in the office (Aksoy *et al*, 2022).

Given those positive results, what drives employers to bring their employees back? What are their challenges and concerns and how does bringing people back to the office help them deal with those? In this paper, we set out to explore these questions. We specifically focused on addressing 'the three Cs' of employee collaboration, culture, and control. Those three factors were frequently cited in the press and in corporate leader interviews as reasons to bring employees back to the office. Our goal was to further explore, define, and understand each of the three Cs as important drivers of corporate work

Consistent with this explanation, the Flex Index data by industry suggests that the distribution of fully flexible, hybrid or fully on-site work location policies differs dramatically by industry sector (see Figure 1).

Figure 1: Work location varies across industries; tech companies are the most flexible



Source: Flex Index (2023a).

Flex Index (2023a) also suggests that the size of the company plays a role in the work location policy it has (see Figure 2). Larger companies dominate the "*fully in office*" group (48 percent), while smaller companies represent the majority of the "*fully flexible*" group (65 percent). This data is particularly interesting in the light of the extant research, as the latter demonstrates that full flexibility of employee work location comes with additional coordination challenges at the organisational level and requires dedicated efforts in managing those challenges (eg Rockmann and Pratt, 2015; Lautsch and Kossek, 2011; Lautsch *et al*, 2009). For example, a recent study of 1,500 Dutch companies (Groenewegen and

Hardeman, 2023) found that in the middle of pandemic, the companies that had well-structured management practices were more likely to plan to adopt flexible work location policies after COVID-19. It has been shown that larger companies are likely to have more structured management practices (Bloom *et al*, 2019), hence one would expect that larger companies are more likely to be better prepared to adopt hybrid and flexible work. Figure 2 suggests the opposite trend and it would be interesting to explore why smaller companies are more flexible now with their work arrangements.

Figure 2: Large companies are returning to the office while small companies stay flexible

Source: Flex Index (2023a).

Hybrid work means different things to different employers. Some require minimum time spent in the office, while others specify the number of days (usually per week) an employee needs to be on-site. The Flex Index (2023b) acknowledges huge confusion around the terms 'hybrid' and 'remote' work, as they mean different things to different employers. Figure 3 contrasts the data from Flex Index (2023a) and Dublin Chamber and Savills (2023), demonstrating the variance of the minimum number of days in office per week. Here the differences between two samples are much smaller, ane 9o Tder3(9o T d)15 (a)-1 (y)5 (s)3

Figure 3: Hybrid work policies: most companies require 2-3 days per week in the office

wide policies mandating employees to be in the office for a specified number of days. The latter, in their turn, varied from considering exceptions for individual circumstances to requiring everyone to follow the policy strictly.

team performance indicators for organisational teams. They also demonstrate this neutral relationship in organisational teams holds across several different contextual conditions. Meta-analysis of the studies that focus on organisational-level performance in the companies that used remote work demonstrates positive effects (Harker Martin and MacDonnell, 2012).

At the same time, some individual studies point to potential negative effects of remote work on performance – especially th2eF> (n)6 (1t)1 (h)6 (a)-1 (m5 (y1d1 (m5 Tl.18-m)5 (o (e))]TJ0 Tc 02 Tw [1 (h)6 (a)t)1 (

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performance a bit higher than in-office workers, and their number of lines of code they wrote (work output) was higher as well. Gibbs *et al* (2021) compared pre- and post-pandemic performance and found no changes in objective performance indicators.

The companies we interviewed all described the strong performance they experienced during the pandemic. Company results, as measured across multiple objective dimensions, including profitability, revenues, sales and productivity, were as good as, or in many cases, better than they were pre-pandemic. Our interviewees cited several examples of strong performance:

- *"We were incredibly productive during the pandemic. We've proven that this can work."*
- *"If you look at our financial outcomes through the pandemic, they were extraordinary."*
- *"Our company had excellent financial performance. We went public during the pandemic."*
- *"Sales and revenues both increased."*
- *"Our employee turnover dropped to its lowest point, our share price doubled, and we became profitable."*

The most notable finding is that none of the companies we interviewed described a decline in company or employee performance during the two years of fully or mostly remote working.

Remote working also brought about operational changes that positively impacted company performance. The most cited was the ability to hire talent in geographic locations that were (f fu4 (w)-(e)-3 (3 (-4 (,)2.1)

One reason that remote employees may work longer hours is that they re-allocate their saved commuting time to working time. Aksoy *et al* (2023) found that employees who work remotely allocate on average 40 percent of the time they saved on commuting to their job tasks. This data on overtime, compared to the overall positive or "*no-change*" impact on performance, suggests that productivity (per work hour) might decline in remote or hybrid work arrangements. A study of Gibbs *et al* (2021), based on a sample of more than 10,000 employees

remotely may suffer - employees who remain in the office can also feel professional isolation and decrease in collaboration, when their colleagues go remote (Rockmann and Pratt, 2015).

Evidence on other behaviours related to collaboration also indicate the challenges of remote work. For example, remote workers engaged less in helping other team members (Lautsch *et al*, 2009). Recent experimental research demonstrates that people are much less likely to agree to help requests made via different communication media than those made in-person and that people who seek help

- *“I would say that culture sounds more like an excuse.”*
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There is some evidence that remote employees often self-monitored their own output in response to ambiguities in their work arrangements and concerns they had about their visibility to their managers and colleagues (Cristea and Leonardi, 2019; Hafermalz, 2021; Pianese *et al*, 2022). These studies demonstrate that remote workers themselves put extra efforts into communicating frequently with their managers and colleagues and making their work progress more visible to others.

A recent study of managers of distributed, hybrid teams suggests that managers perceive the increased visibility of the work processes and hence feel less need to rely on performance metrics and output controls (Downes *et al*, 2023). Downes *et al* (2023) also found that team managers were sceptical and reluctant to use output controls, because they felt these metrics often did not suit the collaborative and complex nature of the tasks their teams worked on.

Our interviews demonstrate the same lack of adoption of employee monitoring tools. Despite the widespread availability of people analytics software and remote monitoring to track employee meeting time, web and software usage and other measures of intra-day work, no leader we interviewed used or analysed that type of data to track or evaluate other measures of productivity.

managing) more difficult than their employees (Ipsen *et al*, 2021). First-line managers (team leaders) whose job is to manage daily operations were found to be more challenged than other management levels (Andersone *et al*, 2023). Along the same lines, Dublin Chamber and Savills (2023) report that 41 percent of their respondents had concerns about managing remote and in-person teams in the new hybrid environment. The variability and perceived unpredictability of monitoring behaviours of line managers during the first months of the pandemic that Zheng *et al* (2023) identified may reflect these challenges, as line managers most likely were in the

eg it enables employees to balance their work commitments with family care responsibilities or facilitates access to work for employees with disabilities. On the other hand, remote work may amplify the challenges these groups of employees often have at the workplace, or even create additional ones. For example, Szulc *et al* (2021) report that communication problems in the virtual work environment were particularly burdensome for neurodivergent employees. They also indicate that changes in the work routines and longer hours associated with remote working (discussed in Section 3.9.1) [illegible]

Lack of organisational support left managers struggling. Many companies did not implement learning and training for managers or employees to help them adapt to remote managing or working. After the shift to remote work during the lockdowns, sharing of best practices and what was working well among teams was used in some companies, though not in all. However, after the shift from fully remote to a post-pandemic - mainly hybrid - work arrangement, the majority of the companies did not provide any support to their employees.

Based on our analysis, we propose the following recommendations that can guide managers in their decisions about post-pandemic organising of their business:

Be intentional, proactive, and strategic about supporting remote or hybrid work.

Both the review of existing research and our interviews suggest that remote or hybrid work can lead to good performance, effective collaboration, sufficient control, and/or a strong culture. It also has the potential to boost diversity and inclusion. Companies need to consciously, strategically, and proactively manage the policies and processes that support remote or hybrid work to achieve [illegible] Tc wd49l.sa[illegible]

organisational interventions. For example, Bojinov *et al* (2021) demonstrated in an experimental study that "*virtual water coolers*" as an organisational intervention targeted at newcomers had a positive effect on their integration in the organisation and their performance ratings.

Teach managers how to successfully manage remote and hybrid workers and teams.

The skills of managing remote and hybrid teams do not come naturally (or may take very long to develop). Learning and professional development are important to help managers develop the skills to successfully manage remote or hybrid employees. Companies need to develop, support, and train managers on how to communicate, coordinate, and optimize performance among geographically dispersed workers (eg Latsch and Kossek, 2011 offer a useful framework to stimulate your thinking on this).

To help managers, companies should clearly communicate expectations around common working hours, acceptable response times, and knowledge sharing procedures to facilitate successful remote and hybrid working outcomes.

Develop policies to support diversity and inclusion.

To capture the benefits of alternative work arrangements for enhancing diversity and inclusion, and at the same time minimise the risks these work arrangements may bring for the underrepresented groups of employees, companies need to consciously manage the process. For example, line managers need to diagnose and monitor the needs and challenges of their subordinates and develop team norms and expectations that lead to strong performance while considering individual employee needs and preferences. To enable them to do so, organisations need to train line managers and develop supportive guidance policies. Mortensen and Haas (2021) can serve as a useful starting point to develop those.

This intent of this working paper is to spark conversation about the employer perspective on work location –

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Appendix A: Methodology of the study

This paper is a qualitative investigation of the impacts of the shift to remote work during the COVID-19 pandemic from an employer perspective. To evaluate the benefits and challenges employers experienced, we completed a comprehensive academic literature review and conducted structured interviews with senior employees at eleven companies.

The goal of the literature review was to capture existing evidence about employers' experiences in managing remote and hybrid workforce, as well as in transitioning their workforce to fully remote work, and then to a new post-pandemic approach. In line with the focus of this paper, we particularly focused on studies that reflected the employer or company perspective. In our literature search, we considered both post-pandemic and pre-pandemic research (where it was relevant to our research questions). We prioritised the most recent empirical evidence, in order to capture the impact of the abrupt changes in the location of work caused by the COVID-19 lockdowns, and their early after-effects. Among pre-pandemic research, we prioritised meta-analytic or systematic literature review studies where possible as their findings are more robust against various contextual factors (Barends and Rousseau, 2018; Tranfield *et al*, 2003).

interest now as many companies are opting for this approach. For clarity of interpretation, we specify in our analysis what point of comparison a specific study used.

We also conducted structured interviews on a small sample of senior leaders from eleven organisations. We focused on companies from technology and professional services sectors as they are experimenting the most with different work location policies (Flex Index, 2023a). We sought to interview individuals in senior HR or general management roles who were knowledgeable about the organisational-level challenges and decisions made, relating to the work location of their employees. To recruit participants for our interviews, we reached out to companies that were part of Bruegel's Future of Work Excellence Network and that are current corporate members of Bruegel. We selected these companies based on their established affiliation with Bruegel, which indicated an interest in the research work we do and a likely willingness to agree to a one-hour interview and share candid perspectives with us. We also reached out to companies that were professional connections of the authors, for the same reasons. An anonymised description of the companies interviewed is included in Appendix B.

We developed a structured interview questionnaire of open-ended questions to encourage in-depth, contextual responses based on the respondent's personal experiences. The questions were based on the authors' expertise, the knowledge gained from Bruegel's Future of Work project and prior projects about remote work and

Appendix B

Description of companies interviewed

All companies we interviewed were publicly traded and had multiple offices worldwide.

Company code	Company size (No. of employees)	Industry	No. of offices worldwide
A	> 700,000	professional services	

- Have you provided any training to your managers to improve their ability to manage remote workers? If so, please describe.
- Do you use any people analytics or employee monitoring tools/software to monitor employee work time or tasks? If so, what are they?

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