

WORKING FROM HOME AND LABOUR PRODUCTIVITY

One of the lasting consequences of the Covid-19 pandemic will be the way we work with more time spent on working from home compared to the pre-pandemic situation. Clearly, the possibility to do so depends to a large extent on the industry, the nature of the job but also the country. These developments would have profound implications on where people decide to live, the role of cities, the need for office space, the use of means of transport, the needs in terms of IT infrastructure (high-speed internet), etc. A priori, one would expect a positive impact on productivity, in particular due to increased worker satisfaction and efficiency. Based on recent surveys, that is also what companies seem to expect. However, empirical research shows that the impact on productivity largely depends on factors such as the IT infrastructure, employee preferences and the way it is introduced and accompanied by company management.

It seems that one of the lasting consequences of the Covid-19 pandemic will be the way we work. Before the health crisis, only a small percentage of the labour force used to work to some extent from home but this number increased significantly last year. This enabled companies in sectors where working from home was possible and provided that the necessary IT infrastructure was available, to limit the hit of lockdowns or other restrictions on their activity. Quite soon, it became clear that this new way of working was not going to disappear.

A survey of the Federal Reserve Bank of Atlanta in May last year showed that *"the anticipated share of working days at home is set to triple after the pandemic ends—rising from 5.5 percent to 16.6 percent of all working days."*¹ The share of full-time employees expected to work at least one day from home per week was expected to see a similar increase, from 10% to nearly 30%. An ECB survey conducted in 2020 showed that *"More remote working and an acceleration of digitalisation were the most frequently cited long-term supply-side effects of the pandemic."*² More than 75% of survey participants agreed that a significantly higher share of their workforce would continue to work remotely. McKinsey Global Institute has analysed more than 2,000 activities in more than 800 occupations. Their conclusion is that the possibility for remote working very depends on the industry, the nature of the job but also the country. *"More than 20 percent of the workforce could work remotely three to five days a week as effectively as they could if working from an office."* This corresponds to three to four times as many than before the pandemic.³

1. Firms Expect Working from Home to Triple, Federal Reserve Bank of Atlanta, 28 May 2020. The survey showed marked sector differences. *"The share of people working from home at least one day a week is expected to jump markedly in the construction, real estate, and mining and utilities sectors, presumably by granting front-office staff working-from-home status. It is also expected to jump markedly in health care, education, leisure and hospitality, and other services, possibly by relying more heavily on remote-delivery options (for example, online education and virtual doctor's visits). Firms in the business services sector anticipate that working from home will rise to nearly 45 percent."*

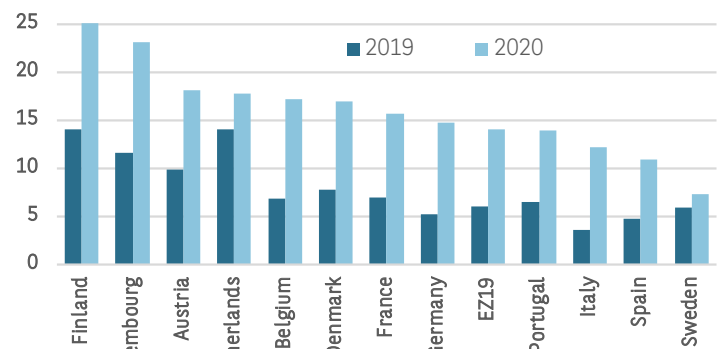
2. The long-term effects of the pandemic: insights from a survey of leading companies, ECB Economic Bulletin, Issue 8 / 2020.

3. What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries, McKinsey Global Institute, November 2020.

Clearly, if confirmed, these developments would have profound implications on where people decide to live, the role of cities, the need for office space, the use of means of transport, the needs in terms of IT infrastructure (high-speed internet), etc.

From a business and macroeconomic perspective, two factors are particularly important: productivity and innovation. Several arguments plead in favour of assuming an increase in productivity. Employees may immediately go to their desk at home when they previously left home and hence work longer hours. Meetings start on time and tend to be shorter. Reduced business travel implies less time lost on the road or in public transport. These factors may increase worker satisfaction and efficiency. On the other hand, there may be sources of distraction at home⁴, people may feel alone, there may be frustration in case of

EMPLOYEES WORKING FROM HOME AS % OF TOTAL EMPLOYMENT



SOURCE: EUROSTAT, BNP PARIBAS

4. The productivity pitfalls of working from home in the age of COVID-19 | Stanford News,

” One would expect a positive impact from working from home on productivity. Based on recent surveys, that is also what companies seem to expect. The success ultimately depends on how it is introduced and managed.



hidden overtime or an inappropriate working environment at home⁵. In a survey commissioned by Microsoft involving 9,000 managers and employees in large firms in 15 European countries about working from home during the pandemic, the percentage of respondents who thought that productivity had increased was higher than those thinking the opposite⁶. A British survey of close to 5,000 people sheds light on the employees' perspective. *"On average, employees consider they are about 2% more efficient when working from home. Certainly, there is no evidence that working from home is substantially less efficient, the big fear before the pandemic."*⁷ However, the assessment of the experience from working from home during the pandemic may be influenced by several factors such as the quality of the IT infrastructure, the possibility of using video-based communication, the sudden introduction, etc. An overview of the pre-pandemic research on this topic confirms the key role played by factors such as the nature of the job, the preference or reluctance of employees to work from home and the way this is introduced by company management. *"Although these analyses provide an overview of factors that determine whether this organisational change will be successful, they do not allow to determine the macroeconomic impact on productivity."*⁸

Nevertheless, based on the ECB survey, it would seem that companies are optimistic in this respect. *"Most respondents considered that the pandemic would have a positive long-term impact on productivity but a negative impact on employment [...] 60% said that productivity in their business or sector would increase, while hardly any saw productivity decreasing as a long-term consequence of the pandemic."* Still, the question remains up to which point working from home should be deployed. The OECD argues that there exists an inverted U-shaped relationship between working from home and worker efficiency because, beyond a certain point, negative effects – in terms of communication, knowledge flows, managerial oversight – start to dominate the positive consequences of increased working from home.⁹ However, the exact form of this relationship is likely to vary with the relative importance of these factors by sector and occupation. Empirical research will be needed to find out the optimal combination of working from home and on site.

William De Vijlder

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5. OECD, Productivity gains from teleworking in the post-COVID-19 era: how can public policies make it happen?, 7 September 2020.

6. World Economic Forum, *If pandemic productivity is up, why is innovation slowing down?*, 16 November 2020. In the survey, 39% of respondents answered that productivity hadn't changed following the widespread use of working from home. 34% (16%) thought productivity had increased (declined) somewhat, whereas 10% (2%) were of the view that employees were significantly more (less) productive.

7. *Working from home is revolutionising the UK labour market*, Shivani Taneja, Paul Mizen, Nicholas Bloom, VOXEU.org, 15 March 2021. 49% of people surveyed considered that productivity was about the same when working from home whereas 29% (21%) thought efficiency had increased (decreased).

8. *Comment le télétravail affecte-t-il la productivité des entreprises? Les enseignements très partiels de la littérature*, Pierre Pora, INSEE, 23 October 2020. Other recent articles also emphasize the importance of these conditioning factors: *What do we know about the economic effects of remote work?*, Cyprien Batut, Youri Tabet, Trésor-Eco, N° 270, November 2020; *Teleworking: how will it affect productivity*, Antonin Bergeaud, Gilbert Cette, Banque de France, Eco Notepad, n°198, 5 January 2021.

9. OECD (2020).

