



Is Work-from-Home Really the Wave of the Future?

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INTRODUCTION

Zillow CEO Rich Barton recently tweeted that he was giving all employees the option to work from home for the rest of 2020. “My personal opinions about WFH (work from home) have been turned upside down over the past 2 months. I expect this will have a lasting influence on the future of work ... and home.”

Barton’s epiphany about working from home – echoed by other U.S. business leaders – may mark a decisive shift toward pervasive telework in the post-pandemic economy. Before COVID-19 appeared, just [five percent](#) of the U.S. workforce worked remotely full-time. Now, thanks to America’s extensive digital infrastructure, [two-thirds](#) of employees are working from home.

Some companies say they have witnessed an immediate bump in productivity as workers save time on commuting and have fewer in-office distractions. The temporary switch to remote work has gone so well at Twitter that the company has decided to make it the permanent default for most employees. Other tech companies may soon follow suit.

But before too many companies go all in on work from home, there is an important reason for caution: the current increase in productivity may be an illusion.

DRAWING DOWN ON ORGANIZATIONAL CAPITAL — NETWORKS, CULTURE, AND PROCESS

Even as they work from home, employees are leveraging the relationships, routines, and habits they developed from interacting with coworkers in person on a daily basis. Over time, however, as workers begin drawing down on this social and organizational capital — culture, structure, and processes — we may find that they become less productive as collegial networks and opportunities to acquire new skills erode. Ironically, the demographic that most identifies with telework — millennials — would likely be most harmed over the long run, since more senior employees typically have a deeper reservoir of institutional and professional knowledge.

As employees switch jobs, problems linked to the withering of collegial relationships may start to seem more obvious. Eventually, companies will have trouble hiring the right people and integrating them into a cohesive team.

The Federal Reserve Bank of St. Louis took a closer look at this phenomenon and found that professional networks are, indeed, central to the career advancement. In a 2016 paper titled "[Network Search: Climbing the Job Ladder Faster](#)", the authors found that "...jobs found through a worker's network have (i) higher wages and (ii) longer employment duration and (iii) workers experience shorter unemployment spells."

EVERYONE'S DOING IT RIGHT NOW. BUT FOR HOW LONG?

Work from home also faces a systemic collective action problem — when every company does it, then it's easier for each company to do it. That dynamic is a tailwind right now because

so many workers are telecommuting. But as some companies start to revert to their previous policies, it will quickly become a headwind.

These things are extremely difficult to quantify but they must be important. Otherwise, companies wouldn't invest heavily in offices and travel aimed at building personal and professional relationships and trust. For any kind of creative work, the serendipity of sharing ideas in informal and unscheduled collaboration is crucial.

It seems unlikely that all this sunken investment in office culture and relationships is irrelevant, as the newfound enthusiasm for telework often implies. What's more, we've seen spurts of interest in telework come and go.

It wasn't so long ago that the trends in corporate America were moving away from work from home. In 2013, newly installed Yahoo! CEO Marissa Mayer [ended the company's work-from-home option](#), forcing several hundred employees to either move to the nearest office or quit. In the next few years, IBM, Bank of America, Best Buy, and Aetna followed suit.

COVID-19 WON'T BE THE LAST DISASTER TO FORCE WFH

But Mayer's all-or-nothing approach doesn't seem quite right either. It's time to think about making work more resilient against unforeseen catastrophes like COVID-19. Central to that thinking is finding the optimal balance between office work and work from home for white-collar employees.

For instance, periodic telework commits individuals to exercise their "remote work environment". This forces employees to spot-check necessities such as network compatibility

and hardware and software updates, which can be essential to business continuity and resiliency planning in the event of emergencies suddenly dictating work from home.

Additionally, organizations need to address the increased cybersecurity risks associated with a remote work force, which provides new opportunities for sophisticated attackers to insinuate themselves within a network. As Verizon Business Group CEO Tami Erwin [told Reuters](#), “A lot of people ended up sending workers to work from home without really thinking through what were some of the security elements in the future. I think employees working from home are probably more vulnerable to attacks.”

Overall, as workers spread out, risk increases and corporate decision-making needs to respond appropriately. A challenging economic environment only compounds the difficulty in managing new risks due to work from home policies. According to a recent Moody's investor [research note](#), “As profits fall, strong governance will be required to ensure that any reduction in cyber security budgets does not expose issuers to increased cyber risk.”

Insurance alone cannot be the answer – legal liability precedents are still in their infancy and the entire cyber insurance offering is under defined and risky. And even if insurance does mitigate some risk, it can't prevent negative reputational impact, harm to employees (trust, retainment, etc.), and damage to client and customer relationships.

According to one executive of a Chicago based firm that specializes in cyber security risks and responses for large corporations, “Those who

started mitigating increased telework risks before Covid-19 are doing well, and those trying to play catch up are making mistakes that will be amplified due to the distributed workforce and economic pressures.” They noted that time is not the only thing lost: “It'll cost more too.”

CONCLUSION

Remote work can include financial advantages in lower fixed costs like office space, and lower benefit outlays for commuter and daycare. Employers are even seeing a decline for lower overall worker salaries as qualified employees are [willing to take less pay](#) in exchange for telework benefits.

And the technology supporting remote work has clearly improved, especially in the last five years. The “consumerization” of enterprise software means there are finally products for telework that employees want to use, from videoconferencing, to instant messaging to new tools for managing relationships with customers. But because of heavy investments in organizational capital, companies are beginning to realize that having the right tools wasn't the only thing holding them back from transitioning to full-time work from home earlier.

The future will likely feature a robust and variable mix of telework and office work. Companies that leap prematurely to the conclusion that their ability to prosper during the shutdown proves that the “office” is obsolete risk burning through their organizational capital, just as their rivals start to build it back up.



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