

# THE FUTURE OF THE OFFICE

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THE WHARTON SCHOOL



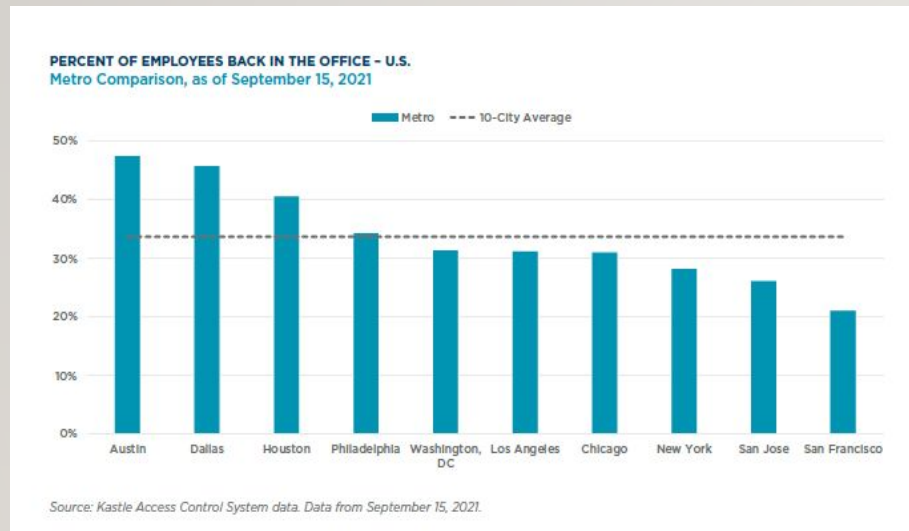
# LOOKS LIKE GOOD NEWS COMING FOR “HERD IMMUNITY”

DEATH RATE FOR UNVACCINATED 20X VACCINATED  
HOSPITALIZATION RATE ABOUT 8X

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# EMPLOYEE RETURN TO OFFICES – BASED ON CARD-SWIPE DATA



- “City of London” – 70% in offices
- Nationally – in Dec 40% were back
- Then in Jan/Omicron – down to 23%
- Across all jobs, how many are remote now?
  - 15%

## “TIME SPENT” WORKING –

BASED ON IT USE FOR 15,000 WHITE COLLAR WORKERS ACROSS COMPANIES THROUGH THE PANDEMIC...

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- **The workday has increased 1.4 hours, or 18.6% since February 2020**, from 7.5 hours to 8.9 hours in October 2021 averaging a 44.6 hour workweek.
  - But what counts as “work time”?
- **A 27% increase in time spent in meetings**, is this additional time coming out of professionals' solo working time, or personal time?
- **“Busiest” professionals with 15 or more meetings average a 10.13 hour workday**, or 50.7 hour workweek, increasing 13.2% from 9.0 hours in February 2020.

# WHAT'S THE PROBLEM WE ARE TRYING TO SOLVE?

The Google Example:

Decades of encouraging employees to live near their office  
AND to spend as much time there as possible.

Now – 20% can work remotely from anywhere

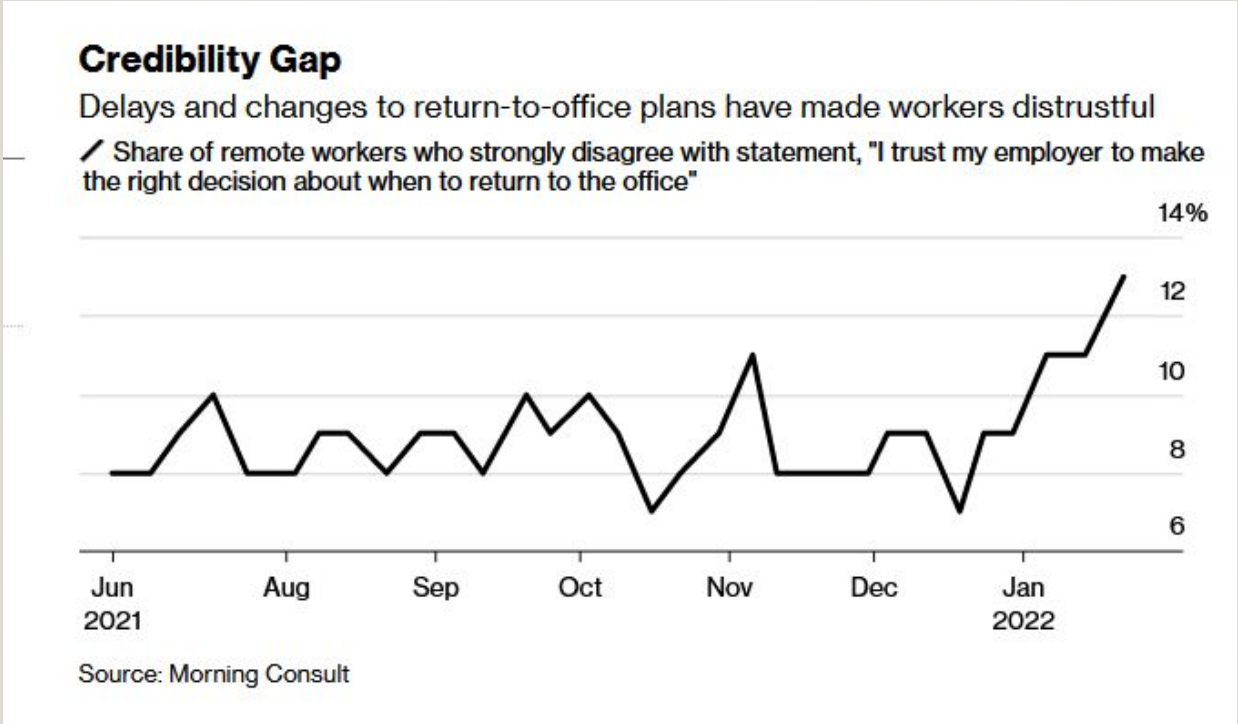
Another 20% can move to any Google office

Other 60% can work from home during the week, work  
from anywhere up to one month

*What happened??*

*And why are they also buying so much real estate in NYC?*

# EARLY IN THE PANDEMIC, EMPLOYEES TRUSTED THEIR EMPLOYERS MORE THAN ANY OTHER SOURCE....



# WHAT IS IT THAT EMPLOYEES WANT?

Working models pre-COVID-19 and desired working models post-COVID-19, % survey participants



**52%** of workers would prefer a more flexible working model postpandemic.

# *HERE ARE SOME ISSUES*

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- What did they like about it?
  - Commuting was down (driving not down by much), hours of work were up, especially into evenings
  - Very different experience for new hires
  - Was it just being home and not commuting – or was it how they were managed?
- Working from home post-pandemic will not be the same thing
  - We are no longer all in this together
  - Once we choose, we create a two-tier workforce
    - Telecommuters have always done worse in the past
    - Promotions, career advancement, engagement, commitment all lower



# WHAT'S IN IT FOR THE EMPLOYERS?

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- CFO's like it
  - They want your office back – easiest with permanent remote work
    - This only works for “permanent” remote
    - Hoteling before was a failure
  - Will your pay get cut if you relocate? Silicon Valley firms say, 10%
  - Will employers be able to recruit from cheaper locations/cheaper countries?
  - Can we operate with multiple arrangements at the same time -
- The market may demand it -
  - If competitors are willing to let recruits keep working from home, will you?

# EMPLOYEES WILL PAY FOR THESE...

## One-third of employees value non-traditional benefits like paid time off to volunteer

Unlimited Vacation Time  
44%

Flexible work hours  
38%

Permanent remote work option  
38%

Unlimited Sick Time  
37%

Above average training opportunities, including ability to choose what I learn  
33%

Paid time off for community services of my choices  
33%

Extensive mental health benefits  
31%

**Q:** Let's assume you received a new job offer. The company offering you a job increased your annual salary by 20% and provided comparable medical benefits to your current job benefits. Assuming that all the options above are not included in your job offer, which of the following benefits would you be willing to exchange for a 10% or more reduction of your new salary?

**Source:** Workforce Pulse Survey  
March 9-11, 2021: base of 1,515

# REAL “HYBRID” – HALF IN THE OFFICE / HALF AT HOME - IS VERY HARD TO MANAGE....

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- We’d need two mgmt/supervisor systems running in parallel
  - All the problems of remote work – scheduling zoom meetings, IT problems
    - Agile project mgmt isn’t going to work well. Hard to get spontaneous interactions
- Most want flexibility – work sometimes at home when they want
  - What’s in it for the employer?
  - Doesn’t save office space, and it vastly complicates scheduling if everyone can choose.
    - Defeats social interaction of having everyone in the office
  - If this is work-life, can we strike some mid-point:
    - Some work-from-home alternative to using sick days and PTO’s

# ARE EMPLOYEES BEHAVING DIFFERENTLY

- Is this the most vacancies ever? *Yes but...*
  - Also the most jobs ever: the data only started in 2001 – it's the speed of reopening that's new
- The Great resignation?
  - 2.7% / month in July 2021 – 2.4% in July 2019
  - In 2018, 59% said they would take an identical job elsewhere *just to get away from their boss. They don't do it*
  - *Quit rate has huge jump for retail workers and IT. Others, little change*
- Is there are shortage of people – about 12 million without jobs who want one (not “unemployed”)
  - And we are still short 2.9 million jobs
  - Q: 11 million jobs open, but 6 million laid off in January hired, 6 million hired
- Are wages accelerating? *No, falling behind*
  - Employment cost index up 2.9 % in 2021 vs. 2.7% in 2020 – CPI is up 7.5%

# WHAT'S NEW WITH WORKERS

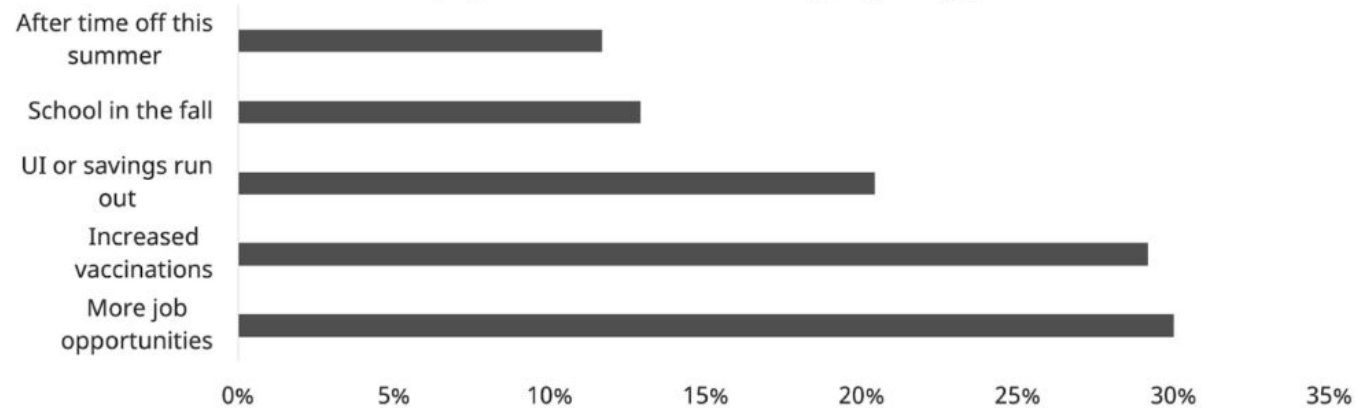
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- At any point in time, lots of people want to quit, but they can't . *Now they can.*
- Social ties are single biggest factor in retention. *Those are frayed.*
- Super easy to change a job if I'm already working from home and will be in a new job.
- If things are going well, *why can't I keep working from home?*
- Offering work-from-home and then taking it back will be hard.
- A little flexibility may go a long way.
  - A lot becomes tricky

# HERE'S WHY PEOPLE AREN'T COMING BACK

## Vaccination against COVID19 is a major milestone for return to work

% of unemployed workers not searching urgently, June 2021



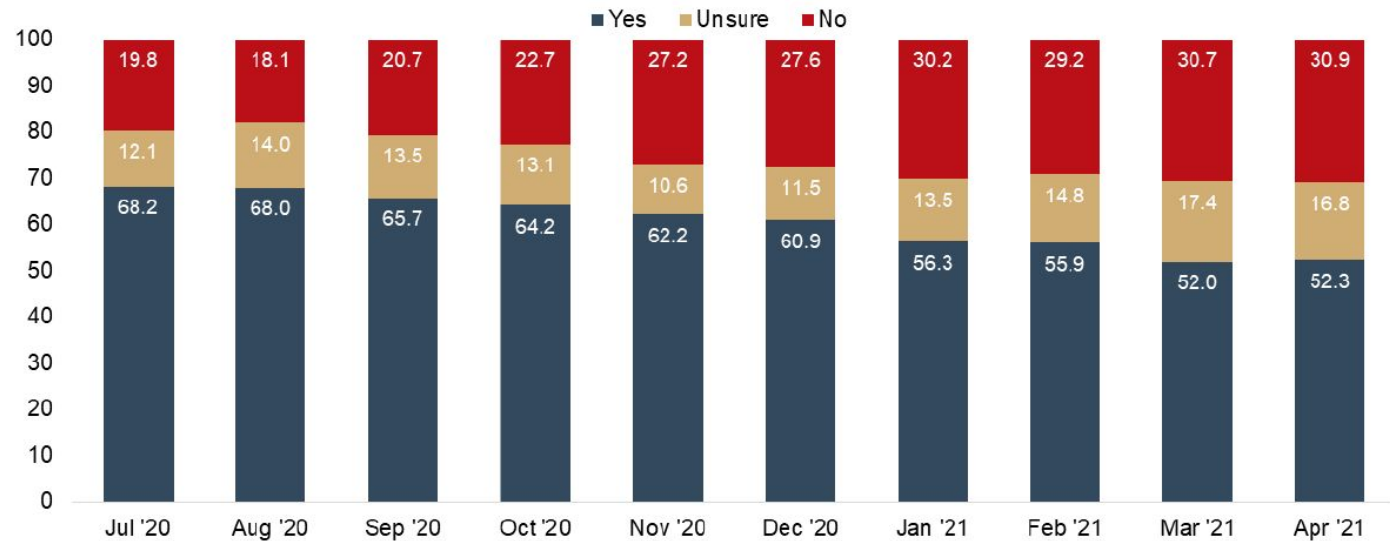
Source: Indeed Hiring Lab Job Seeker Survey



# WHAT IS GOING ON HERE?? IT EXPLAINS A LOT...

**Chart 3**  
**Real-Time Population Survey Indicates Reluctance to Return to Previous Position**

Percent willing to return to previous job (same pay/hours)



NOTES: Respondents who were employed in February 2020 and worked in March 2020 or later but are currently not employed were asked, "Suppose that tomorrow your old employer gives you the option to return to work and resume the same activities you were doing before at the same rate of pay. In this scenario, would you be willing to return to work tomorrow?" The bars plot the three-month moving average of the share of responses.

SOURCES: Real-Time Population Survey (RPS); "Real-Time Labor Market Estimates During the 2020 Coronavirus Outbreak," by Alexander Bick and Adam Blandin, working paper, revised May 2021.

# WHAT IF YOU FIND THAT A MAJORITY OF WORK FROM HOME EMPLOYEES...

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*Are working mothers?*

*Or when those who can't get it ask, what's in this for me?*

*Or when those working from home say, what do I get in return for the office perks I can't access*

