

# THE ILLUSION OF WORKING FROM HOME FADES

Working from home does not prove to be more productive than working in an office setting.



In recent months, many tech titans —



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"We have decided to require staff to come into the office for a minimum of three days a week."



? The revenge of corporate curmudgeons?

Didn't a spate of studies during the covid-19 pandemic demonstrate that remote work was often more productive than toiling in the office?

## A Good Starting Point Is

a working paper that received much attention when it was published in **2020** by Natalia Emanuel and Emma Harrington, then both doctoral students at Harvard University.

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increase in the number of calls handled per hour by employees of an online retailer that had shifted from offices to homes.



**A Revised Version of Their Paper**, published in May by the Federal Reserve Bank of New York. The boost to efficiency had instead become a

4% Decline.



The researchers had not made a mistake.

Rather, they received more precise data, including detailed work schedules. Not only did employees answer fewer calls when remote, the quality of their interactions suffered. They put customers on hold for longer. More also phoned back, an indication of unresolved problems.

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David Atkin and Antoinette Schoar, both of the Massachusetts Institute of Technology, and Sumit Shinde of the University of California, Los Angeles.

Randomly assigned data-entry workers in India to labour either from home or the office. Those working at home were **18% less productive** than their peers in the office.

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Michael Gibbs of the University of Chicago and Friederike Mengel and Christoph Siemroth, both of the University of Essex.

Found a **productivity shortfall**, relative to prior in-office performance, of as much as **19%** for the remote employees of a large Asian IT firm.

“Teleconferencing is a pale imitation of in-the-flesh meetings”



Teleconferencing **increased coordination costs** for remote work, as concluded by researchers at Harvard Business School. Not only that, it offered limited benefits and disrupted crowded schedules. In Ronald Coase's terms, these issues reflect increased coordination costs, making collective enterprise less efficient.

## Drop in learning and skills

While some coordination costs of remote work may decrease as people adapt to online tools, there's a potential rise in the underdevelopment of human capital. Studies have shown a drop in feedback exchange and a relative decline in learning among remote workers compared to those in offices.



(The Working-from-home Delusion Fades, 2023)

## The origins of the view that, contrary to the above,

remote working boosts productivity can be traced to an experiment nearly a decade before the pandemic, which was reported by Nicholas Bloom of Stanford and others in 2013. They found that call-center workers for a Chinese online travel agency, now Trip.com, increased their performance by 13% when working remotely. However, two important factors are often overlooked:



1.

Most of the performance improvement was due to longer working hours rather than increased efficiency.

2.

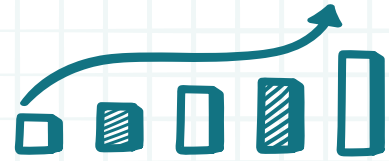
The firm eventually abandoned remote work as off-site employees faced challenges in getting promotions.



In 2022, Dr. Bloom revisited Trip.com for a hybrid-working trial, but the results were less significant, with a negligible impact on productivity. Workers tended to work longer hours and be more productive when in the office.



# The Price of Happiness



Remote work offers more than just increased productivity. It contributes to happier employees by reducing commuting time and allowing for greater flexibility in managing personal commitments. Tasks requiring deep concentration are often better performed at home than in open-plan offices.

Tasks requiring deep concentration are often better performed at home than in open-plan offices. Many workers now prefer remote work, to the extent that they are willing to take pay cuts for the option.



A hybrid work model, balancing office and remote work, seems to be the future for many.

However, productivity considerations may eventually tilt the workweek more towards the office, as it often yields better results, rather than bosses simply enjoying rush-hour traffic.





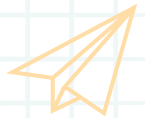
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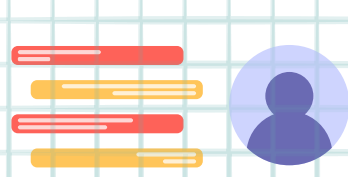
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