Impact of Work from Home Policies on Workplace Productivity and Employee Sentiments During the COVID-19 Pandemic

Jenna Wilson
Impact of Work from Home Policies on Workplace Productivity and Employee Sentiments During the COVID-19 Pandemic

by

Jenna Leigh Wilson

Advisor: Dr. Thomas Hayes

An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration in Accounting and Finance.

Sam M. Walton College of Business
University of Arkansas
Fayetteville, Arkansas
May 8, 2021
Introduction

Workplace productivity can be defined as the level of efficiency in which tasks and goals are completed for a company (Kristina). It is well understood in all industries that workplace productivity is a vital factor for success in order to increase profitability and maintain employee satisfaction. Many companies attempt to positively influence productivity while maintaining high employee morale by making strategic changes to the office environment, such as providing comfortable break rooms, sophisticated technology, and employee well-being programs. But what happens when the workplace itself is redefined and an employee’s kitchen table becomes their office? Shortly after COVID-19 emerged in the U.S., companies shut down their offices and instructed employees to work from home. Since March 2020, nearly 42% of the U.S. labor force has begun working from home full-time (Wong). This thesis will investigate the impact of work from home policies (WFH policies) on workplace productivity and employee sentiments both prior to and during the COVID-19 pandemic and will conclude with recommendations for maximizing the effectiveness of WFH policies.

Impacts of Work from Home Policies Prior to the COVID-19 Pandemic

Even prior to the COVID-19 pandemic, companies around the world attempted to implement WFH policies to address concerns regarding work-life balance and to reduce office-related expenses. Over a 5-year period, the number of U.S. companies offering employees some variation of an option to work remotely increased by 40% (Lister). This signals that regardless of the weight of COVID-19 obliging companies to enact WFH policies, many companies were already headed in this direction.

Given the upward trend of WFH policies both in the U.S. and abroad, economy professor Nicholas Bloom led a study in 2015 titled Does Working from Home Work? to investigate the impacts of the remote work environment on employee performance, productivity, and sentiments. The experiment focused on a single company – Ctrip, a Chinese travel agency. Roughly 1,000 employees working for Ctrip’s airfare and hotel departments in the company’s Shanghai call center participated. These employees were separated into two groups: one to continue working in the office as a control group and another to begin working from home four days a week, with the fifth day in the office. Although the two groups worked in different locations, it is important to note that the design of the study allowed for several key factors to remain consistent. The employees tasked with working from home were required to have at least six months of experience with Ctrip, a private room, and broadband access. In addition, both groups of employees were provided with equivalent technology, completed the same tasks, and received identical compensation. These consistencies allowed the study to directly analyze the impact of the different work locations without the influence of unequal technologies, responsibilities, and incentives. Over the course of nine months, the performance, productivity, and sentiments of both groups were analyzed (Bloom, Liang, Roberts, and Jenny Ying).

The results of Bloom’s study revealed significant differences between the group of employees working from home and the group of employees working in the office. Perhaps most notably, the performance of the remote employees increased by 13%. Bloom determined that of this impressive growth, 9% was the result of a corresponding increase in the amount of time the remote employees worked each shift. The employees working from home were able to log longer days due to a decrease in sick days, time off, and breaks taken. The remaining 4% of the
observed heightened performance was the result of an increase in the average number of calls made per minute. The remote employees credited this ability to the convenience and quietness of their homes in comparison to the office. This is supported outside of the study by a survey conducted in 2018, which determined that 75% of employees working remotely prefer to do so because of the lack of distractions (Courtney). Based on the data from both the 2018 survey and Bloom’s study, it is reasonable to conclude that the distractions of the office are much greater than the potential distractions of one’s home. By working in a quieter, more comfortable environment absent of interruptions from colleagues and office noise, employees are better able to focus on their responsibilities and therefore have higher levels of productivity.

In addition to improved performance and productivity, the study also revealed higher levels of satisfaction and positivity among the group of employees working from home. The remote workers became more loyal to Ctrip, as attrition fell by 50% compared to the group of employees working in the office. Additional studies support this relationship between remote work and decreased employee turnover – a report from Owl Labs found that companies with WFH policies have 25% lower employee turnover than companies who do not (State of Remote Work 2017). This may indicate a potential enhancement in the work-life balance, satisfaction, and loyalty of employees who are given the option to work from home.

While individual levels of productivity and satisfaction among employees are important, it is also essential to consider the impacts of a WFH policy on the company as a whole. For Ctrip, the implementation of a WFH policy produced significant benefits. As a result of the study, the company saw an increase in its overall productivity of 20% to 30%. This was largely due to the aforementioned improvements in the areas of employee performance and retention. In addition, the company saved roughly $2,000 per employee working from home because of the reduction in office space requirements and other office-related expenses. Similar savings are evident in other companies that offer their employees the option to work from home – according to data from the State of Telecommuting, companies that allowed their employees to work from home saved a total of roughly $44 billion in 2015 (Radu). This may be a motivating factor for companies to establish WFH policies, as such significant savings have the potential to increase overall profitability.

Due to the significant success of the WFH policy for both employees and the overall company, Ctrip extended the option to work from home on a company-wide scale. However, an unexpected number of employees turned down this option and chose to continue or return to working in the office. Those employees who worked from home during the study but decided to return to the office attributed their reasoning to a lack of social contact and feelings of loneliness. This resulted in a new distribution of employees working in the office and employees working from home. As a result, employee performance in the long run increased to 22%, a nearly 70% improvement from what was observed during the study. This significant increase in performance outside of the boundaries of the experiment was largely due to the fact that employees were presented with the option to work from home, rather than an obligation to. Employees who had previously worked from home and had poor experiences returned to the office, while those who thrived chose to continue working from home. This indicates that those companies wanting to implement WFH policies should strongly consider making it optional in order to maximize employee productivity and satisfaction.
Benefits of Work from Home Policies During the COVID-19 Pandemic

When the spread of COVID-19 in the U.S. intensified in March of 2020, the majority of U.S. companies were forced to close their offices and send their employees to work from home. With little to no time to prepare for this sudden shift online, many business executives feared the costly possibilities of decreased employee productivity, performance, and morale. Despite no preparation or concrete plans for the switch to remote working, data from the past several months indicates that remote working as a whole has proven to be an astounding success (*PwC’s US Remote Work Survey*). Although there are undeniable downsides to working from home in the midst of a global pandemic, the results of the past few months strongly support a future that is dominated by hybrid workplaces.

For the majority of employees, the switch to working from home at the start of the pandemic was their first experience with remote working. In a survey conducted by the Pew Research Center, only 20% of respondents had teleworking experience prior to the pandemic. However, what was initially feared to be a massive learning curve appears to have been reasonably quick and easy to overcome. In June 2020, roughly three months into the new remote work environment, 73% of employers reported that the virtual shift had been successful; only six months later, that amount rose to 83% (*PwC’s US Remote Work Survey*). By abandoning the office and beginning to work from home, employers and employees alike experience a multitude of benefits: heightened productivity, increased employee retention, enhanced communication, and additional flexibility.

Out of all of the potential WFH policy benefits, increased productivity has the largest positive impact and will likely contribute to an upward trend of WFH policies even post-pandemic. 52% of business executives whose companies allow employees to work from home say that their company’s average employee productivity is rising during the pandemic (*PwC’s US Remote Work Survey*). Similar to the results identified in Bloom’s study, *Does Working from Home Work?*, this heightened productivity is largely the result of an increase in time worked. By eliminating commutes and unnecessary meetings, remote workers are spending less time each day being unproductive while also logging more hours per week (*Surprising Working from Home Productivity Statistics*). An additional factor contributing to this increase in productivity is the reduction in distractions at the average employee’s home in comparison to the office (Ozimek). In one study, 86% of respondents claimed to favor working from home because of their preference to work alone in order to maximize their individual productivity (*Surprising Working from Home Productivity Statistics*). The combination of reduced distractions, commutes, and meetings along with the flexibility to work more hours allows employees to be more productive – an advantage that benefits employees and employers alike.

While some aspects of work experienced little change during the switch from in-person to remote working, communication endured significant adjustments. Despite the magnitude of this change, however, the shift to fully virtual communication may prove to be more beneficial and efficient than previously used methods. By facilitating the majority of information through emails and video calls, there is a stronger likelihood that essential information is received by the necessary employees (DeFilippis, Impink, Singell, Polzer, and Sadun). Furthermore, the lack of traditional in-person meetings and conversations isn’t widely missed by employees – 65% believe that online tools, such as Microsoft Teams and Zoom, are adequate substitutes for in-person contact (Parker et al.). In addition to the effectiveness of communication improving, or at least remaining constant, employees are increasing their frequency and volume of interactions
among each other. Employees are sending more emails throughout the day as well as outside of typical hours while working from home, indicating that all necessary information is still being communicated (DeFilippis, Impink, Singell, Polzer, and Sadun). Although chatting with colleagues through a screen instead of face-to-face certainly has its downfalls, the essential purposes of communication are still being accomplished in the remote work environment.

In addition to increased productivity and improved communication, many employees benefit from greater flexibility while working from home. This convenience is especially favored by those living with families – 38% of employees find it easier to balance their work and family responsibilities while working from home as compared to working in the office (Parker, Kim, et al.). In addition to heightened flexibility in regard to balancing professional and personal obligations, 49% of survey respondents cite that they have more flexibility in choosing their work schedule while working from home (Parker, Kim, et al.). The increased levels of flexibility among employees working from home is contributing to another important advantage of WFH policies: decreased employee turnover. When the aforementioned benefits are consciously maximized by management’s efforts, WFH policies result in higher employee retention rates. In Bloom’s study, Does Working from Home Work?, the implementation of a work from home option decreased attrition by 50% (Bloom, Liang, Roberts, and Jenny Ying). This same result is being observed in the current remote work environment – employees working from home are 13% more likely to remain in their job than those who work in the office (Bernazzani).

**Downsides of Work from Home Policies During the COVID-19 Pandemic**

Despite the significant benefits of WFH policies that have been observed over the course of the pandemic, there are several aspects of remote working that may negatively impact both employers and employees. In order to maximize the advantages of WFH policies, it is vital that employers pivot and make efforts to combat the potential disadvantages. These downsides include a lack of motivation, feelings of loneliness, a reduction in work-life balance, weakened company culture, and inadequate technology.

In the absence of the traditional office environment, many employees face decreased levels of motivation. While working from home, 36% of employees find it difficult to feel motivated to do their work (Parker, Kim, et al.). According to a study conducted at the Polytechnic University of Valencia, employee motivation is heavily influenced by recognition, promotion, communication, and a positive work environment (Canós-Darós). However, in the context of a remote work environment during a global pandemic, the majority of these factors are either diminished or completely eliminated. In addition to those factors identified by Canós-Darós, relationships among employees and “team spirit” also contribute to higher levels of employee motivation (Cullinan). Although employees are still working together virtually, the lack of in-person contact with colleagues coupled with a declining sense of “team spirit” is resulting in lower levels of motivation for employees.

One of the primary appeals to working in the office as opposed to working remotely is social networking. Especially for younger professionals, many employees find a large portion of their social network from their professional network (i.e., their colleagues). With roughly 28% of Americans living alone, remote working eliminates the majority of social contact for many individuals (Anderson). Apart from negatively impacting employees’ mental health, feelings of isolation and loneliness caused by working from home during the global pandemic may also lead to lower levels of productivity. In a study analyzing the relationship between well-being and
productivity among software professionals, researchers found that there is a strong correlation between well-being factors and employee productivity (Russo, Daniel, et al.). Therefore, it is vital that companies who have implemented WFH policies, particularly during the pandemic, make substantial efforts to maintain and improve their employees’ mental health in order to preserve workplace productivity.

While walking out of the office with a group of colleagues presents a clear end to the workday, it becomes more challenging to self-regulate work hours when the end of the workday is marked by logging out of the computer. During the pandemic, where the office is one’s home, remote workers struggle with separating their work lives from their personal lives. According to Microsoft, Microsoft Teams activity has increased by 200% on Saturdays and Sundays (Spataro). This indicates that in the current virtual environment, more employees than before are working on the weekends. While this may be a result of employees setting their own schedules due to the increase in flexibility brought about by working from home, it could also signal that employees feel compelled to be available online outside of typical working hours – in a study of U.S. and United Kingdom employees, 61% reported pressure to remain more “reachable” while working from home (O’Halloran). Although virtual communication methods enhance the flow of information, they also present a struggle for employees in shutting off work and making time for personal matters.

An additional disadvantage to remote working is its impact on company culture. Before the pandemic, companies made significant efforts to establish employee comradery by hosting various events, such as happy hours and group lunches. However, such endeavors to build company culture are challenging to replicate in the remote working environment. According to data from Owl Labs, 70% of managers are concerned about maintaining company culture while working from home (Routley). Although some managers and executives are pivoting by hosting virtual events, such as Zoom happy hours, employees are noticing a decline in the quality and strength of their company cultures. According to Microsoft, nearly 60% of employees feel less connected to their colleagues while working from home (Spataro). Albeit challenging, it is vital that managers and employees alike innovate to address this problem before it negatively impacts employee well-being and productivity.

While many companies have provided their employees with company-owned technology or stipends to subsidize essential work from home expenses, roughly half of remote employees report that their access to technology is negatively affecting their productivity (Hayes and Buckingham). The negative effects of technology on productivity can largely be attributed to unstable access to software applications. One survey reported that 84% of remote workers lose access to their software applications at least once a week, with 11% experiencing technical problems on a daily basis (Cooney). These issues are likely the result of overloaded servers and poor broadband access due to an increase in remote working. However, some of the responsibility lies on companies – 52% of employees believe that their employers need to invest in better technology to support a remote work environment (Flinders). With such a drastic increase in the use of technology, employers must respond by upgrading the home office equipment and technology that they provide to their employees.
Work from Home Policies Prior to COVID-19 VS. Work from Home Policies During COVID-19

Many of the aforementioned challenges experienced by employees working from home over the past few months can be attributed to the uniqueness of the COVID-19 pandemic and its broader impact on society. Outside of the scope of the pandemic, workplace productivity and its effects on employee sentiments may more closely mirror the results of the study conducted by Nicholas Bloom, Does Working from Home Work?. Bloom’s experiment was intentionally designed to eliminate the influence of outside factors, such as children, space, privacy, and choice (Gorlick). These factors, however, cannot be avoided given the nature of the pandemic and thus have significant impacts on the productivity, performance, and morale of employees working from home. While the fundamental findings of Bloom’s study have been consistent with the outcomes of WFH policies implemented during the pandemic, the extent of the benefits is diminished due to such factors. For example, participants in Bloom’s study were only selected to work from home if they had access to a private room in which they could work without interruptions. However, in the context of the pandemic, many individuals have no choice but to work in their homes with their spouses, children, and/or pets. For these employees, it is probable that they have to work in the same room as others. These conditions increase the amount of distraction and noise, thus eliminating the benefits of a quiet environment that led to higher productivity levels in Bloom’s study. In addition, as observed in the experiment, individual employees generally have different preferences regarding whether to work remotely or work in the office. Conversely, safety concerns associated with COVID-19 mean that the majority of employees are not presented with a choice to, but are rather required to, work from home. By eliminating the element of choice, many employees are unhappy with their remote work environment and have deteriorating levels of performance and productivity. This tends to offset the increased levels of performance and productivity from those employees who thrive in the remote work environment.

It is vital that companies consider the aforementioned influences that are unique to WFH policies implemented during the pandemic. A WFH policy created prior to the pandemic would likely not be effective if continued or employed during the pandemic. Companies must understand these factors in order to properly design and/or alter different aspects of their WFH policies to maximize employee productivity, performance, and sentiments.

Recommendations to Maximize the Effectiveness of Work From Home Policies During and After the COVID-19 Pandemic

With no clear end to the COVID-19 pandemic in sight, it is vital that companies find ways to maximize the effectiveness of WFH policies and alleviate the aforementioned disadvantages in order to maintain employee productivity and morale. It is probable that even post-pandemic, many companies will continue to offer a hybrid work from home option, thereby increasing the importance of designing more successful WFH policies. There are several actions that companies can take, both during and after the pandemic, to diminish the negative effects of remote working: implementing hybrid WFH policies, investing in innovative technologies, offering daycare services, establishing concrete working hours, and addressing mental health.

When it becomes safe to do so, companies must strongly consider implementing a hybrid work from home option. This policy would enable employees to work from home for two to
three days per week with the remaining days back in the office. It is undeniable that there are numerous benefits and downsides to fully remote WFH policies and fully in-person policies. By combining the two work environments, employers and employees alike can capitalize on the advantages of working from home without sacrificing the importance of company culture, mental health, and flexibility. According to both employees and employers, one of the most important purposes of an office is to meet with colleagues (PwC’s US Remote Work Survey). There are two primary benefits of meeting with colleagues in the office: collaboration and fostering both relationships and company culture. Without a hybrid WFH policy, employees must fully collaborate over Zoom or Microsoft Teams. The lack of in-person collaboration is challenging and has the potential to inhibit creativity and innovation. Through a hybrid WFH policy, employees can meet in-person on a weekly basis, thus allowing them to more effectively collaborate, regroup, and brainstorm with their colleagues. In addition to promoting collaboration, meeting in-person a few times a week will assist in the conservation of a distinct company culture. Just as virtual meetings pose challenges in terms of collaboration, they also make establishing strong relationships and connections with colleagues and the company itself difficult. The negative impact of purely virtual communication on employee comradery and loyalty can be alleviated by having multiple weekly meetings at the office. Therefore, to combat the disadvantages of decreased collaboration and a weakened company culture experienced in fully virtual work environments, it is vital that companies switch to hybrid WFH policies post-pandemic.

Although many companies have made significant investments in advanced technologies to maximize the effectiveness of the remote work environment, other companies and their employees are struggling to maintain their productivity at home due to inadequate technological resources. The struggle with technology stems from a lack of access to necessary office equipment as well as a lack of training to use mobile work applications (PwC’s US Remote Work Survey). Both during and after the pandemic, it is crucial that companies continue investing in innovative technologies that enable their employees to effectively collaborate and accomplish their tasks while working virtually.

While working from home offers strongly desired flexibility to many employees, those with children are struggling to juggle their professional and familial obligations. The majority of employees with lower productivity levels in the current remote work environment attribute their declined efficiency to difficulties balancing work and home responsibilities (PwC’s US Remote Work Survey). Although many employees find their homes less distracting than the office, this does not hold true for those with children. It is critical that companies offer adequate resources to employees with children – only 45% of employees report that their company has provided sufficient benefits for childcare (PwC’s US Remote Work Survey). This is especially important during the COVID-19 pandemic when the majority of children are engaging in online learning at home as opposed to in-person schooling. While this action may not be as vital post-pandemic once schools are reopened, it is still an important resource to offer in order to maximize work from home productivity.

One of the primary downsides to working from home is the lack of professional boundaries. Numerous employees feel compelled to remain online outside of typical working hours and on weekends, which leads to a reduction in work-life balance and employee satisfaction (O’Halloran). It is critical that managers establish clear schedules that eliminate this pressure to constantly remain online. Not only does this pressure make it difficult to manage professional and personal responsibilities, but it also negatively impacts mental health.
Employees must have time where they can focus on their well-being, which is challenging to do when work is constantly on one’s mind. By communicating the hours that employees are expected to be available, employees will be enabled to effectively manage their professional obligations, personal responsibilities, and mental health.

Conclusion

The COVID-19 pandemic, albeit challenging in a multitude of ways, is revealing the significant advantages of WFH policies for both employees and employers. Although employees and their companies are challenged by a lack of motivation, a potential reduction in work-life balance, insufficient technology, and weakened company culture, these difficulties are largely outweighed by the benefits of increased productivity, higher employee retention, enhanced communication, and greater flexibility. The challenges of working from home since March 2020 have revealed the ability of employees and employers to innovate, persevere, and support one another. Companies must continue to demonstrate such determination by investing in innovative technology, establishing clear working hours, and implementing hybrid work from home options in order to alleviate the potential disadvantages of working from home. The past year proves that the future will be dominated by hybrid workplaces – and employees and employers are ready for it.
Works Cited


