bruegel

Blending Physical and Virtual: a Hybrid Model for the Future of Work
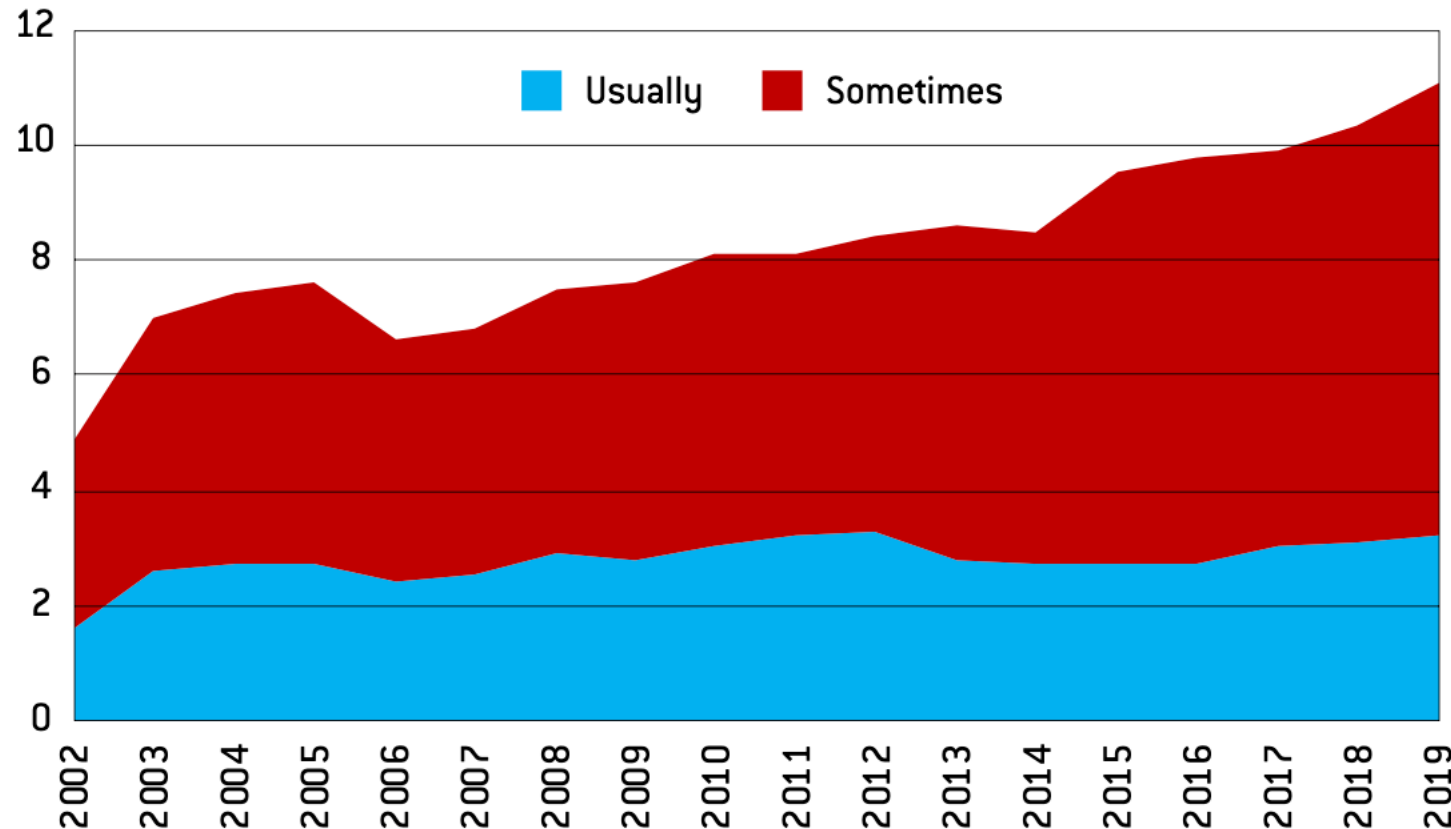
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Outline

1. The pandemic lesson

2. A hybrid model of work

3. Policy for post-pandemic hybrid work

Teleworking before the pandemic

Figure 1: Employees working from home in the EU (% of total employment)
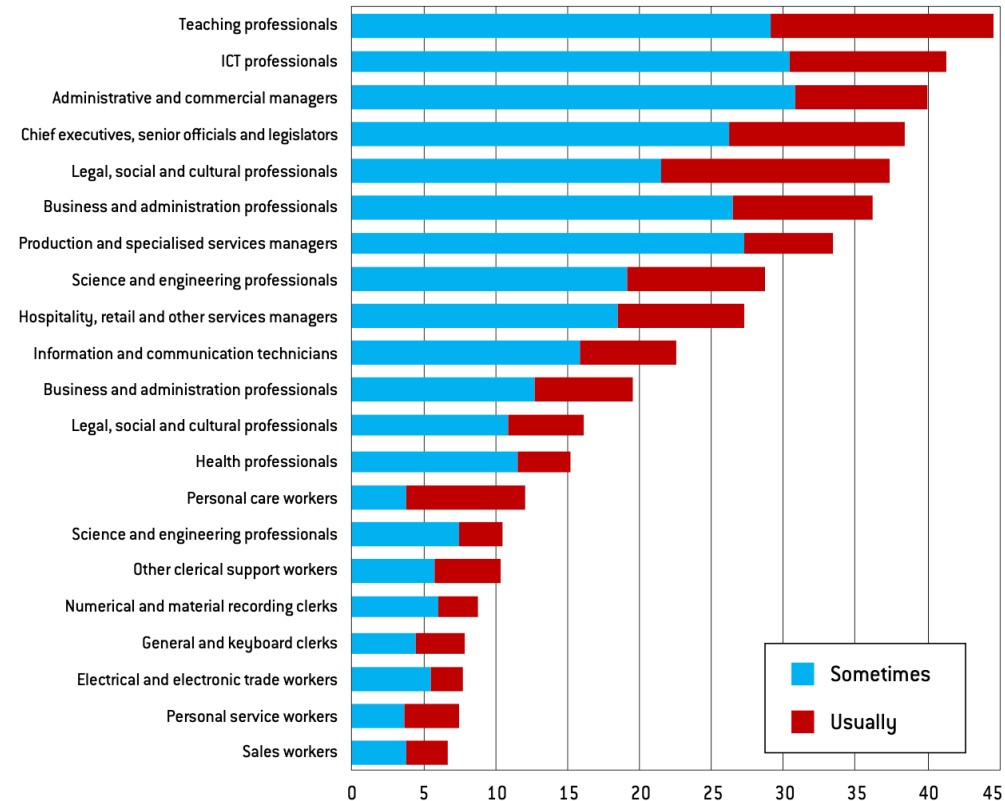

Legend: Usually (blue), Sometimes (red)

Source: Bruegel based on Eurostat, online data code: lfsa_ehomp.

Frictions to telework?

1. Jobs & tasks

2. Infrastructure and technology

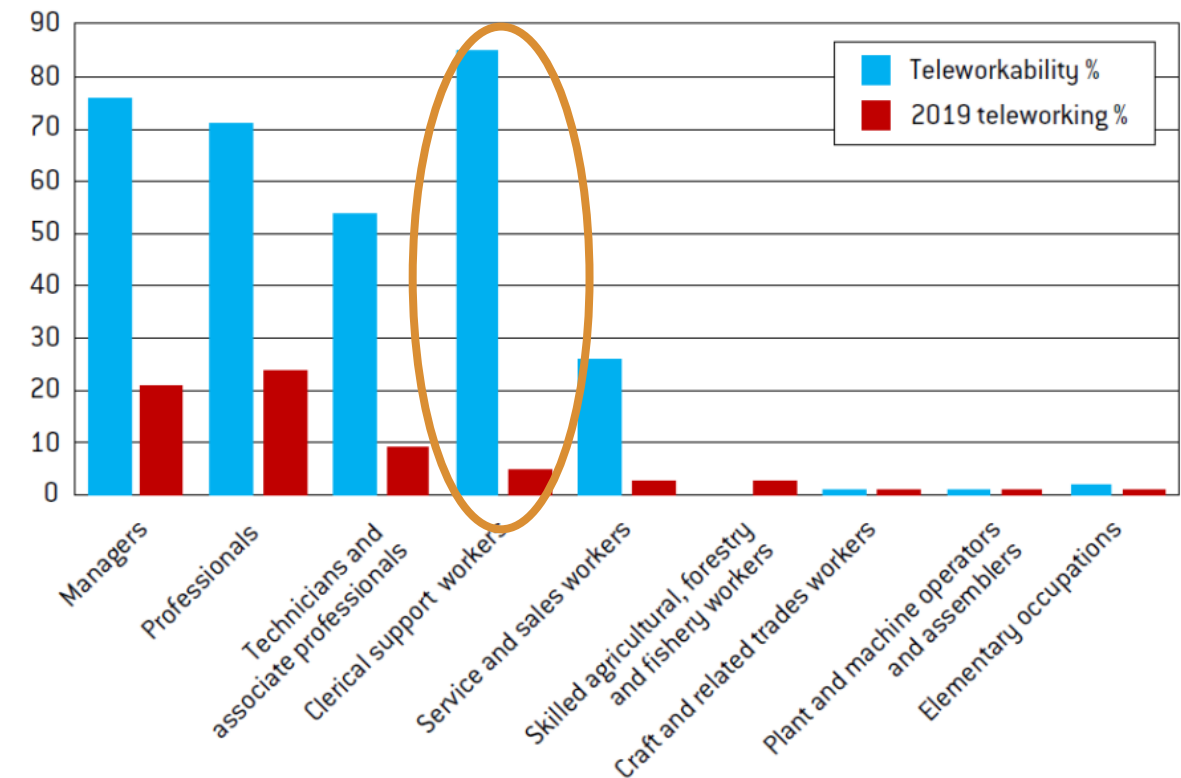3. 'Market failures' in work organisation

3

Friction 1: Jobs and tasks

Figure 3: Prevalence of telework by occupation, 2018, EU27 (% of total employment)

Source: Sostero et al (2020).

Figure 4: Teleworkability and actual teleworking among employees by broad occupation group

Source: Sostero et al (2020).

Friction 2: infrastructure and technology

Figure 6: Responses to the question: To what extent do you agree or disagree with the following statements about working from home during the COVID-19 pandemic?

With the equipment I have at home I could do my work properly
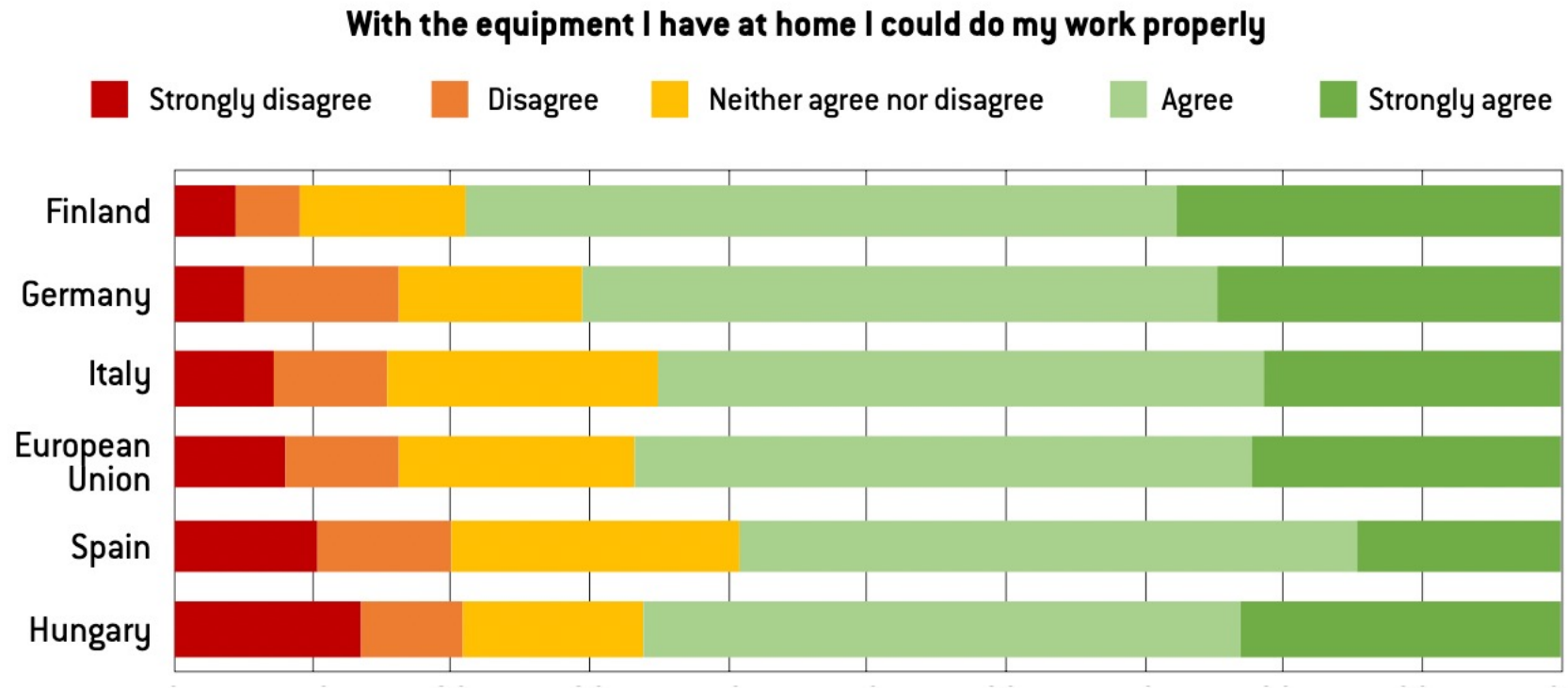
Source: Bruegel based on Eurofound (2020b).

Friction 3: 'market failures' in work organisation

- ## Employer's worry about moral hazard and productivity
  - Productivity concerns generally unfounded:
    - PWC Dec 2020: 83% of employers say shift to remote work has been successful (increasing wave by wave)
    - Microsoft 2020: 82% of executives say productivity levels either hold steady or increased with remote work

- ## Employees' coordination failure

Pandemic force majeure (*cooperative equilibrium*)

Pre-Pandemic (*coordination failure*)

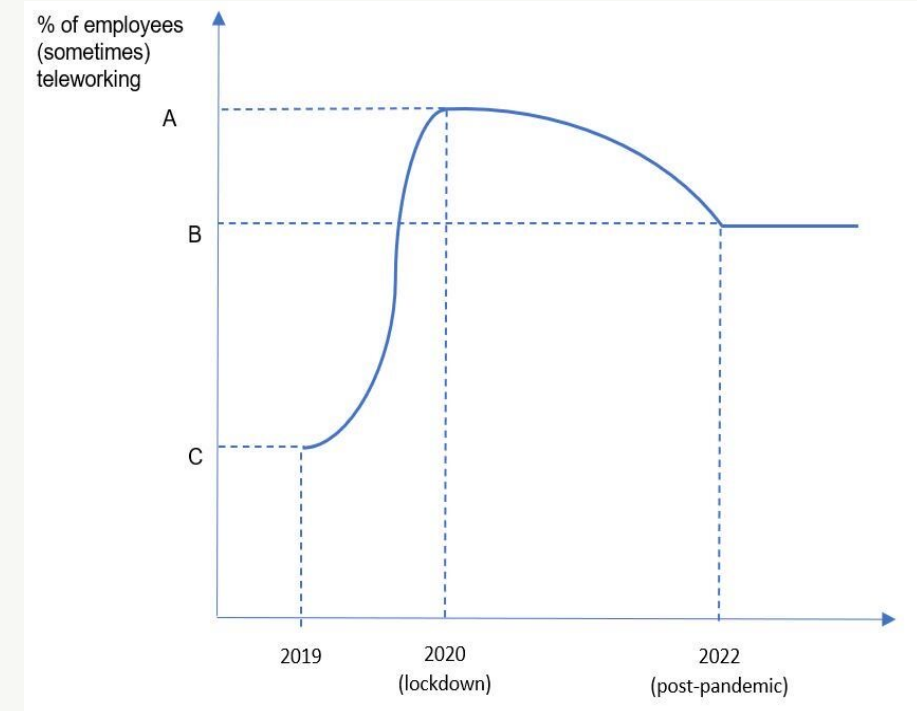|		Worker 2	
		Telework	On-premise
Worker 1	Telework	50,50	30,60
	On-premise	60,30	40,40

Optimal level of telework likely in-between pre-pandemic & pandemic level

Figure 5: Shares of the workforce that teleworked in 2018, during the pandemic and that could telework, EU and selected countries
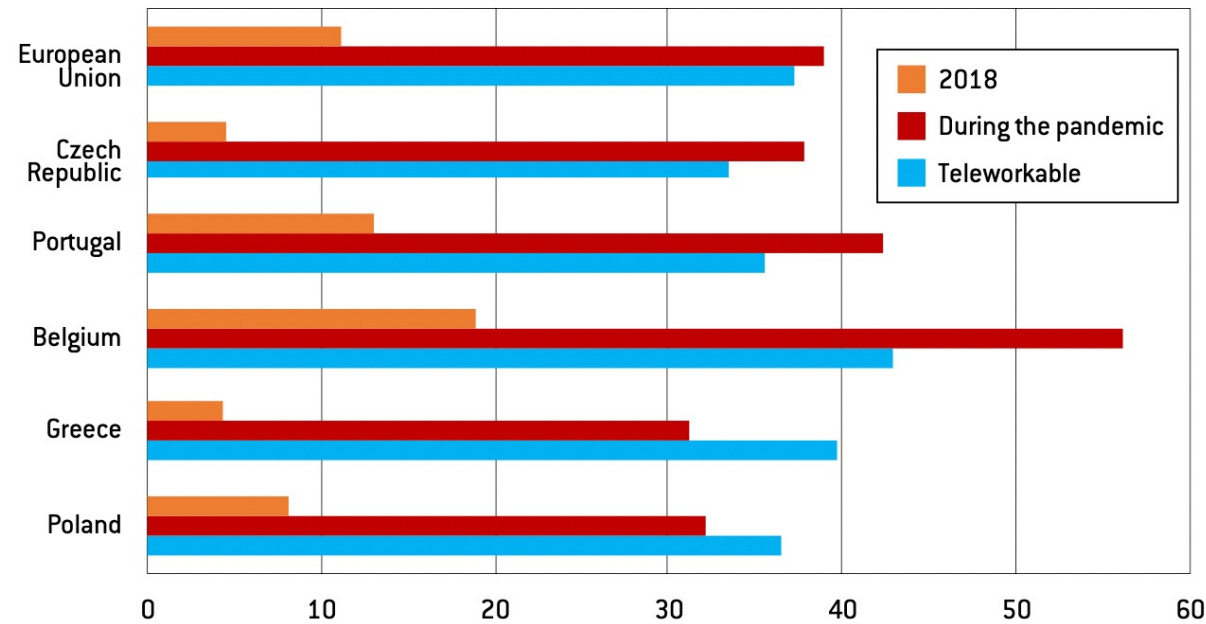
Source: Bruegel based on Sostero et al (2020).

Confirmed by stated preferences

- **By employees:**
  Bloom (2022)
  - Employees desire about 2 WFH days, employers are planning with 1 WFH day.
  - Employees value hybrid WFH 2-3 days a week as much as 5% of a pay raise.
  - 15% of employees would quit or look for new job if forced to office full-time.

- **By employers:**
  - UpWork survey on 1,000 U.S. hiring managers: remote workers in the next five years are expected to nearly double.
  - Zuckerberg: 50% of Facebook workforce could work entirely remotely within the next 5-10 years
  - Dorsey will let Twitter's employees work from home "forever"

Rebound to pre-pandemic?

A Hybrid Model of Work

- **Work**space & work**time** flexibility
  - Agreements: how much flexibility & under which constraints?
  - Provisions: for a healthy remote work**space** & healthy boundaries on work**time**

- **Organisational challenges** for employers**:**
  - *Bricks*: spaces of hybrid work
  - *Bytes*: tools of hybrid work
  - *Behaviour*: culture of hybrid work
  - *Blueprint*: structure of hybrid work

Bricks: the **spaces** of hybrid work

- Challenge 1: Rethinking the **central** office
  - Amount of office space: smaller & more flexible (renting)
  - Function of office space: learning, mentoring, collaboration, socializing
  - Satellite offices in smaller cities: "fractal" sort of decentralised centralisation

- Challenge 2: Ensuring a healthy **remote** workspace:
  - Ergonomic risks
  - Costs for personal infrastructure
  - Boundaries between work and private life

Bytes: the **tools** of hybrid work

- ## Challenge 1: Providing the **right assortment** of tools:
  - 'Data centers are the new offices'
  - Increased investments in 'rich' digital collaboration & communication tools (risk of too much diversity in tools)

- ## Challenge 2: Setting **rules of engagement**:
  expectations for the frequency, means, and timing of communication:
  - Synchronous communication (Zoom fatigue)
  - Asynchronous communication (Email overload)

I sometimes send emails at odd hours to facilitate my work-life balance. Please do not feel any pressure to respond outside the working hours that facilitate your work-life balance.

If you are trying to reach me on a Friday: Please note that I try to reserve my Fridays for deep work, and may be slower to respond to email than usual. I appreciate your patience, and urge you to text me at the phone number listed above if you have an urgent matter that truly can't wait.

Behaviour: the **culture** of hybrid work

Culture: Shared beliefs & values that shape interactions & behaviour

- Challenge 1: From control to **trust-based** leadership
  - Productivity concerns are generally unfounded
  - Shift in management from input and process control to output monitoring

- Challenge 2: **Fair inclusion** of remote workers
  - Lack of informal contacts leads to break-down of 'weak ties'
  - Especially hard-hitting for juniors and women

Blueprint: the **structure** of hybrid work

Structure: Who does which task (when & where)?

- Challenge 1: Assessing potential for **individual** flexibility
    - **Role**-based: beware the hierarchy effect!
    - **Task**-based: to reach the full potential of remote work
    - **Individual** preferences: for engagement and work-life balance

- Challenge 2: Coordinating optimal **collective** flexibility

Individual flexibility should not come at the expense of collective effectiveness

Strength of workplace bonds

Feb 2020 — Mar — Apr — May — Jun — Jul — Aug — Sep — Oct — Nov — Dec — Jan 2021

Close networks
Close-knit members of a team with frequent interactions

Distant networks
More distant relationships and infrequent interactions

Teams are more siloed in a digital work world

Collaboration trends in Microsoft Teams and Outlook show that interactions with our immediate team, or close network, strengthened with the move to remote work. However, our interactions outside of that team, or distant networks, have diminished.

Agreements on shared office days, shared working hours, … depending on the organisational level and the **type of interdependence**.

Level of organisation	Type of ties	Organisational outcomes	Relevant type of interdependence
Within team	Strong ties	Productivity	Task interdependence
Cross team	Weak ties	Innovation	Knowledge interdependence

Case example: Telenet's hybrid work policy

- Belgium's second largest telecommunications company
- New collective labour agreement on telework for its 3300 employees

- *Flexibility in place of work:*
  - Up to **60%** remotely, balanced on a **quarterly** basis
  - Location can be **anywhere in the EU**
  - Work within the **normal office hours**

- *The new workplace(s) ('bricks'):*
  - HQ becomes '**meeting space**', with larger rooms & outside spaces
  - Well-equipped **remote workplace** ensured by fixed-monthly allowance

Case example: Telenet's hybrid work policy

- *Work organization ('blueprint')*
  - Expansion of roles open to telework
  - **Task-based** division of 60/40 allocation
  - **Consensus** about 60/40 balancing at the team level
  - Attention to **cross-team work**

- *Corporate culture('behaviour')*
  - Trainings for managers in psychological safety and servant leadership
  - Check-ins and informal meetings

- *Benefits and risks*
  - Attract **talent** from less well-connected places.
  - **Closing of office space** that housed 300-400 call centre operators.
  - **Less commuting**, more **efficient meetings, less absenteeism**.
  - Risk of **lenghtening work hours** and disturbed work-life balance.
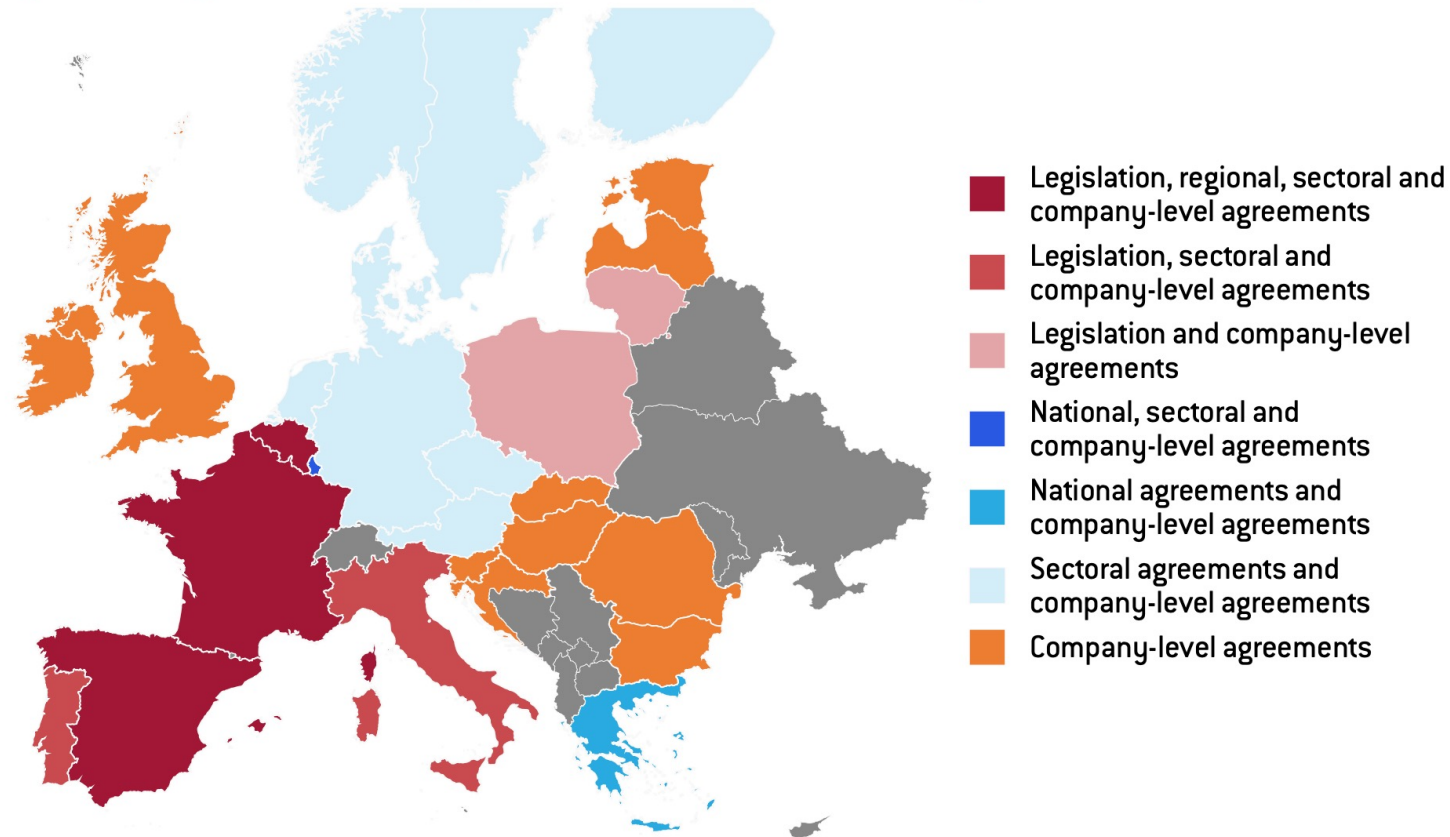
Policy recommendations post-pandemic

1. Improving **infrastructure** (Broadband, 5G, PC adoption, …)

2. Minimize costs & risks for **employers** to embrace hybrid working

3. Facilitate **workers**' geographic mobility across Europe

2. Minimize costs & risks for businesses

- Update of the 2002 EU Telework Framework agreement
  - Signed by social partners after EC initiative
  - Suggests measures to protect teleworkers

- Framework agreements
  - stem from the European social dialogue process
  - backed by Art 154 & 155 on the Functioning of the European Union
  - implemented in member states by the national social partners

- Alternatively: social partners could back an EC proposal for a Directive containing a Framework
  - Embedded in EU law
  - Example: 2010 Parental Leave Directive (2010/18/EU)

Implementation of 2002 framework

Figure 7: Legislation and agreement linking teleworking and work-life balance

Legislation, regional, sectoral and company-level agreements

Legislation, sectoral and company-level agreements

Legislation and company-level agreements

National, sectoral and company-level agreements

National agreements and company-level agreements

Sectoral agreements and company-level agreements

Company-level agreements

Source: Eurofound (2020c).

New EU Framework for Hybrid Work

1. **Safeguards for well-being of workers:**
   - Limits on monitoring and 'spying' technologies
   - Transparency on performance-measuring technology
   - Well-defined video-connection rules, 'Right to disconnect'
   - Prevention of remote workers' digital exhaustion
   - Protection of worker privacy and personal data
   - Cybersecurity assistance and protection

2. **Suggestions for adopting successful hybrid models**
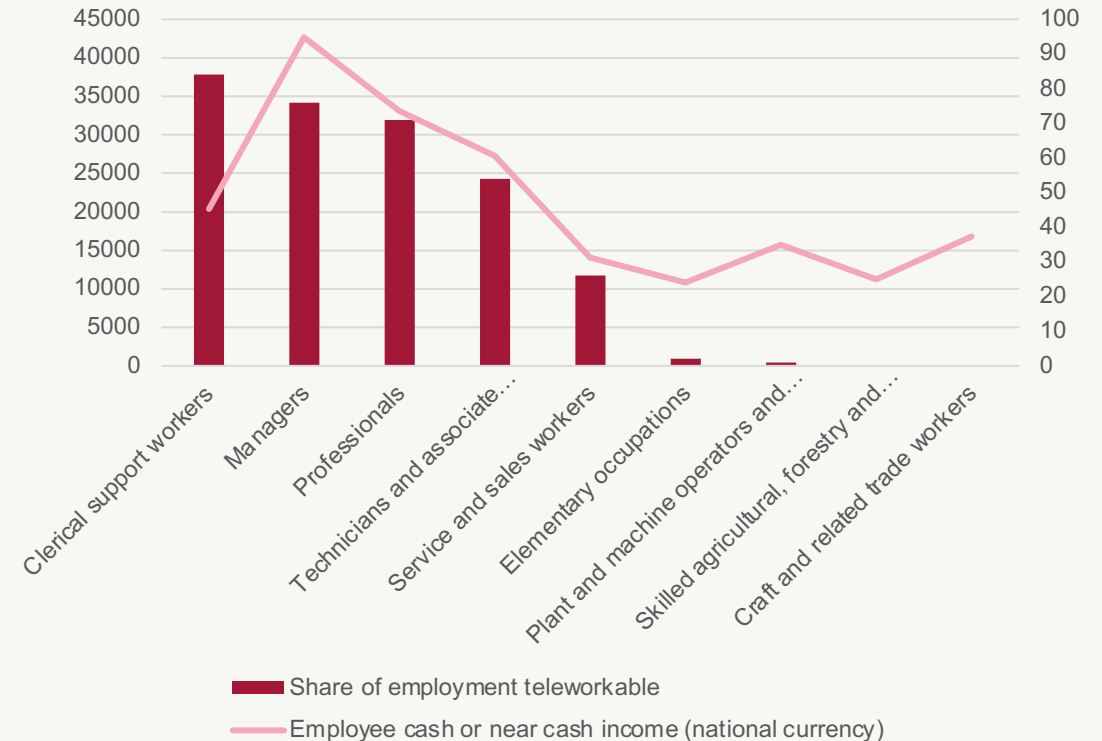   - Adapted meeting structures
   - Dedicated training programs
   - Equal performance assessment for remote & on-site workers
   - 'New leadership', dedicated roles for nurturing hybrid relations

3. Facilitate workers' geographic mobility

Remote workers' spill-over:

- Teleworkable occupations are over-represented in large metropolitan areas

- Spill-overs from their high-skill consumption to low-skill labour markets (Mazzolari F., Ragusa G., 2013).

Teleworkers earn higher wages

Legend:
- Share of employment teleworkable
- Employee cash or near cash income (national currency)

22

Obstacles & solutions to international mobility

- **Obstacles for employees**:
  - Income tax: 183 days rule
  - Social security: 25% of working time
- **Obstacles for employers**:
  - Permanent establishment ➜ liable to corporate taxartion

- **Solution:** Digital frontier worker?
  - Income tax, social security contributions, healthcare, unemployment protection, pension

Kick-off dialogue between social partners and the European Commission

Building a new EU framework for hybrid work to

1. ensure **efficient blending of physical and remote** work, including safeguards for the protection of workers and businesses

2. facilitate **international mobility** of workers across Europe, by helping member states coordinate on bilateral agreements for 'digital frontier workers'