

# Global Workplace Analytics

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October 20, 2020

Dear Hoover Commission Members:

I have been asked to share what I've learned about the benefits of telework with this Commission. I've been consulting with private and public sector employers and conducting primary and secondary research on telework and on-site workplace strategies for over fifteen years. I didn't not start out as a telework advocate. It was research, both my own and that of many others, that led me to the conclusion that the employer, employee, and societal benefits of a flexible remote work strategy are too important to ignore. I applaud this Commission's attention to this important matter.

Over the past five decades, telework has largely been deployed as a tactic for reducing real estate costs. Secondary drivers have included attracting and retaining talent, increasing agility, enhancing productivity, reducing greenhouse gases, increasing employee engagement, and improving employee work-life balance. In nearly all of the cases I've researched, while saving money may have kick-started the program, the real value of telework has proven to be more about people and less about real estate. Employees are far more costly and valuable than the space they occupy. Our research shows an increase in productivity of just minutes a day can entirely offset the annual cost of office space.<sup>1</sup> Unfortunately, organizations that have tried to cram more people into a smaller space have been disappointed by the results because they've ignore negative effects on people and their productivity.

To maximize the employer, employee, and societal impact, employers must embrace telework and workplace flexibility as a strategic imperative. It must be supported from the top down and deployed as a collaboration between human resources, real estate, information technology, sustainability, risk management, communications, labor groups, employee groups, and other stakeholders. Absent this cross-functional approach, outcomes suffer.

Public and private sector telework success stories demonstrate the benefits of remote work strategies.

## **Government Telework Examples**

I have not done a great deal of research on state and local telework initiatives, but within the federal programs, there are many documented examples of cost savings and other benefits. The Telework Enhancement Act of 2010 required federal agencies to

annually report their progress in establishing employee eligibility and increasing program participation. It *encouraged*, but did not require, agencies to establish goals or measure program impacts. The 2017 federal telework data call (summarized in the 2018 telework report) was the first official request for information on results.<sup>1</sup> Though the 2018 report to Congress indicated that many agencies had not complied with the new requirements, 29% did with demonstrable results. Among them:

- Social Security Administration: \$900M per year in real estate
- Securities and Exchange Commission: \$870k per year in transit subsidy savings
- Agency for International Development: \$495k per year in real estate, technology, and transit subsidy savings
- U.S. Patent & Trademark Office: \$42M per year in real estate savings, 93M mile reduction in vehicle miles traveled by employees
- U.S. General Services Administration: \$30M per year in real estate savings, 50% reduction in energy
- Department of Education: \$6M per year in real estate savings
- Department of Homeland Security: \$7M per year in real estate savings
- Department of Justice: \$3M per year in real estate savings

More importantly, the most recent Federal Work-Life Survey (FWLS) and Federal Employee Viewpoint Survey (FEVS) document significant positive impacts on people. Compared to non-telecommuters, telecommuters are more engaged (+16%), more satisfied, (+19%) and less likely to leave their agency (-11%).

Teleworking supervisors and non-supervisors say being able to telework:

	Supervisors	Non-Supervisors
• Improves performance	63%	76%
• Increases desire to stay with agency	65%	76%
• Improves morale	77%	83%
• Improves health	58%	67%
• Helps manage stress	67%	74%

More than half of supervisors (53%) agreed telework helped their people perform their work, only 15% disagreed.

Further evidence of how important telework is to employees was revealed in a U.S. Department of Education survey conducted nine months after the agency recalled their teleworkers in 2018—ostensibly to enhance collaboration and improve customer service. The vast majority of those polled felt the move decreased productivity, hurt morale, increased absenteeism, and potentially increased turnover.

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<sup>1</sup> Training and support for how to set goals and measure results was reportedly provided by the Office of Performance Management during that year.

- 87% of respondents said the telework rollback had hurt morale; only 2% felt it had a positive effect
- Nearly 75% said being back in the office had *not* improved collaboration
- 86% said they knew someone who had left or was considering leaving the agency because of the telework rollback
- Agency supervisors widely agreed they saw none of the intended benefit from the reversal.

### **Private Sector Examples of Telework Impacts**

While many large private sector employers have adopted telework practices prior to COVID-19, sadly many are not willing to publicly share their results. Below are results from a handful of those that have.

#### **BT (British Telecom)<sup>2</sup>**

\$60M/year reduction in real estate costs  
 21% increase in productivity  
 Turnover of 4% (vs. 17% for industry)  
 Customer service rating 5% higher  
 Stress-related absences 26% lower for home-based staff

#### **Cisco<sup>3</sup>**

30% reduction in real estate in spite of 15% increase in workforce  
 Closed 241 buildings  
 \$196M Annual OPEX savings, \$288M building sales  
 17% increase in engagement  
 17% increase in workplace satisfaction  
 15% increase in work-life balance  
 \$806M increase in productivity through mobile devices and applications

#### **Mazda<sup>4</sup>**

33% greater occupancy in same space  
 51% reduction in paper

#### **University of Phoenix (Apollo Group)<sup>5</sup>**

\$3M in annual real estate savings  
 34% increase in productivity  
 12% increase in emp engagement  
 88% decrease in unapproved absences  
 56% reduction in turnover

#### **Fujitsu Japan<sup>6</sup>**

Introduced remote work in 2017  
 Planning 50% reduction in real estate by 2022

#### **Sharp Hospital<sup>7</sup>**

Reduced office space by 26k s.f.  
 Reduced commuter travel by 20%

**Medtronic**

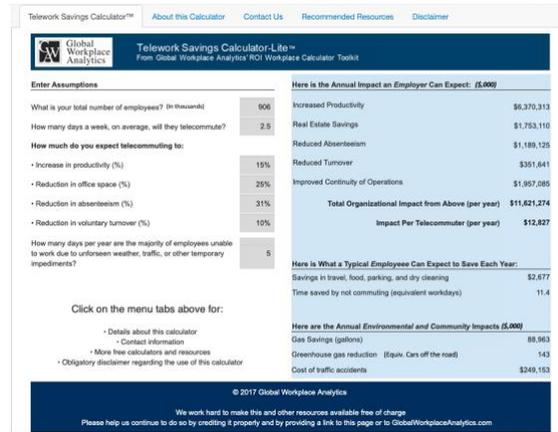
Reduced real estate by \$2M in savings with 45% of people working remotely

**National Equity Fund<sup>8</sup>**

Reduced real estate by 25% (\$2.5M over 10-year lease)  
Two to three days a week, about half of staff (91 of 176)

**The Potential Bottom Line on Telework in Government**

My company has been cataloging academic research, case studies, and other data on the impact of workplace strategy on people, planet, and organizational outcomes for more than a decade. Our digital library of over 6,000 documents includes more than a thousand that pertain specifically to telework. That database informs our proprietary Telework Savings Calculator<sup>TM</sup> which calculates the employer, employee, and environmental impact of telework. The calculator includes over 125 variables and performs over 600 calculations.



In 2016, the U.S. General Accountability office was charged by members of Congress to investigate methods and tools for quantifying the impact of telework in government. As part of that investigation, they conducted an evaluation of our calculator and referred to it in their final report as “comprehensive and based on solid research.”<sup>9</sup>

Using that same calculator and a set of assumptions that are more conservative than what is supported by the research, the calculator estimates the government-wide impact of half-time telework in California could total over \$900M per year.

**Potential Employer Impact of State Employee Telework<sup>2</sup>**

<u>Impact on:</u>	<u>Assumption</u>	<u>\$ Impact</u>
Productivity	+15% on telework days	\$715M
Real Estate	-15%	\$50M
Absenteeism	-30%	\$68M
Continuity of Operations	1 day/year	\$38M
Voluntary Turnover	-10%	\$52M
<b>Total</b>		<b>\$923M</b>

<sup>2</sup> Assumes 50% of the state’s 211,000 employees are eligible for part-time telework (a number similar to those deemed eligible in the federal government), and 80% choose to do so (in fact, only 12% of telework-eligible federal workers choose not to telework).

### **Employees benefit too**

Our calculator estimates a typical employee can save \$2,500 to \$4,000 per year through half-time remote worker. They can gain back the equivalent of 13 workdays/year, time they'd have otherwise spent commuting. And they can enjoy lower stress, a greater work-life balance, a healthier diet, and better sleep.

### **And the environment benefits**

Half-time remote work among the CA state workforce would reduce greenhouse gases by the equivalent to taking 15,400 cars off the road for a year.

### **Other Benefits**

Telework can also contribute to progress in a wide range of government priorities and directives including:

- Enhancing resilience
- Creating an accountable, efficient government
- Accommodating disabled workers
- Reducing waste; modernizing government
- Promoting efficient spending

Additionally, telework programs can:

- Expand the talent pool
- Slow the brain drain due to retirements
- Provide new employment opportunities for the un- and under-employed
- Take pressure off our transportation infrastructure
- Reduce traffic congestion and accidents
- Address the eldercare crisis
- Revitalize communities where significant industry has been lost
- Reduce the outbound migration of talent in rural areas

### **The Future of Telework**

Global Workplace Analytics and a partner firm, Iometrics, fielded a Global Work-from-Home Experience Survey during the month of April 2020 that yielded over 2,800 responses. The purpose of the survey was to learn about who was working from home during the pandemic, what was working and what wasn't, and what impact it was likely to have on the future of telework. Among other things, it showed employees saved an average of 35 minutes a day due to fewer unwanted interruptions (50 minutes in government, though the sample size was small; n=170) and voluntarily gave back nearly half of the time they would have otherwise spent commuting.<sup>3</sup> Over three

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<sup>3</sup> These findings are consistent with what we see in client work in normal times.

quarters of respondents said they wanted to continue working from home at least one day a week after the crisis (85% in government).

We believe COVID-19 will be the tipping point for remote work for the following reasons.

#### **Increased demand for work-from-home from employees**

Employers have long ignored the fact that employees are desperate for flexibility in where and when they work. Before the crisis, surveys repeated showed 80% of employees want to work from home at least some of the time. Over a third have said they would take a pay cut in exchange for the option. Yet while 70% of employers said they offered work-from-home in 2019,<sup>10</sup> only 7% offered it to all or most of their people.<sup>11</sup> For the most part telework has been offered as a privilege to more senior, higher salary employees.<sup>12</sup>

While the experience of working at home during the crisis may not have been ideal as whole families sheltered in place, it has given people a taste of what could be. The genie is out of the bottle and it's not likely to go back in.

#### **Reduced fear about work-from-home among managers and executives**

One of the biggest holdbacks of remote work is trust—managers simply don't trust their people to work untethered. They're used to managing by counting butts-in-seats, rather than by results. But the research also shows that managers who have worked at home themselves are more likely to endorse it for others. Their worries about lost productivity abate. As they and their people get used to using virtual tools, their worries about not being able to collaborate are proven wrong. They see for themselves, just how much happier and engaged they are without the stress of commuting, being away from loved ones, workplace interruptions, etc.

#### **Increased pressure for work-from-home for disaster preparedness**

COVID-19 and all of the work disruption it has caused will not soon be forgotten by organizational leaders, shareholders, or other stakeholders. Those who were not ready this time will learn what worked and what didn't work and be compelled—by investors in particular—to close the gaps so they are better prepared in the future.

#### **Increased awareness of cost-saving opportunities in work-from-home**

Global occupancy studies consistently show people are not at their desk 50% to 60% of the time. Regardless of whether or not we slide into another recession as a result of COVID-19, the experience will likely cause employers to rethink the “where” and “how” of work.

#### **Increased awareness of the potential impact of work-from-home on sustainability**

During the COVID-19 pandemic cities have seen a dramatic increase in air quality. Having experienced the potential for work-from-home as a sustainability strategy, it will be hard to ignore in the future.

#### **The war for talent**

Employers are already announcing their intention to permanently allow remote work after the crisis. To compete for talent, others will be forced to follow suit.

## About Kate Lister

Kate is president of Global Workplace Analytics (GWA), a research and consulting firm that helps employers understand and prepare for the future of work. Her expertise is focused on workplace, workforce, technology, and other trends that are changing the who, what, when, where, and how of work.

Kate is one of the leading authorities on remote and flexible work. She has:

- Testified before a Congressional committee on the expansion of telework in government after the pandemic (July 2020)
- Created a Telework Savings Calculator<sup>®</sup> to quantify the employer, employee, and environmental impact of telework that the US General Accountability office called “comprehensive and based on solid research” in a report to Congress
- Worked with public and private sector employers and community leaders to make the business case for telework and other flexible work strategies
- Co-authored an e-learning course called *The Case for Change* which has been used to transition over a hundred-thousand public and private sector employees to remote work.
- Written or contributed to two books on the topic, the most recent of which, “Telework in the 21<sup>st</sup> Century (Edward Elgin, 2019), profiles telework practices around the globe (Kate was selected to write the U.S. chapter)
- Contributed to the evolution of telework programs in Washington state, California, Maryland, Texas, and Calgary
- Published a wide range of white papers on the topic including three specific to telework in the government
- Participated, as an invited expert, in a federal government roundtable on the ROI of telework
- Delivered speeches and conducted workshops about remote work for dozens of organizations

Working with some of the world's most respected product and service providers, Kate collaborates to publish a wide range of original and secondary research on the future of work. She has written or co-authored five business books, numerous white papers, and scores of articles for major media outlets. Her firm’s research has been cited by hundreds of publications including the *Harvard Business Review*, *New York Times*, *Wall Street Journal*, *Washington Post*, and many others.

Kate is a member of the strategic advisory board and leadership team of Workplace Evolutionaries (WE), a global group of leading workplace thinkers and doers who are “changing the world one workplace at a time.”

## EndNotes

<sup>1</sup> Show Me the Money—the Bottom Line on Workplace Change, Kate Lister, FM Journal, January/February 2019

<sup>2</sup> <https://www.employersforcarers.org/membership/what-employers-say/item/92-bt-senior-managers-view>

<sup>3</sup> <https://www.cisco.com/c/en/us/solutions/cisco-on-cisco/connected-workplace.html> and <https://www.cisco.com/c/dam/en/us/solutions/collateral/workforce-experience/workplace-transformation.pdf?dtid=osscdc000283>

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<sup>4</sup> 2018 Iometrics presentation at IFMA Conference

<sup>5</sup> (Balanced Business Case: Using Human Capital Metrics to Drive Workplace Change, Iometrics case study, 2013)

<sup>6</sup> <https://www.fujitsu.com/global/about/resources/news/press-releases/2020/0706-01.html>

<sup>7</sup> Client of Global Workplace Analytics, results shared with permission

<sup>8</sup> <https://www.chicagotribune.com/business/ct-remote-work-done-right-0806-biz-2-20170804-story.html>

<sup>9</sup> GAO-16-551, Better Guidance Could Help Agencies Calculate Benefits and Costs, GAO-16-551

<sup>10</sup> Leave and Flexible Working, SHRM Employee Benefits, 2019

<sup>11</sup> Bureau of Labor Statistics

<sup>12</sup> Telework in the 21<sup>st</sup> Century, Jon Messenger, Edward Elgar 2019