

• 08-16-22

Research proves employees are most productive in hybrid work environments . . . but there's a catch

Christos A. Makridis and Amy M. Stewart say if you expect innovation, collaboration, or solidarity, make sure you have some way to measure the impact.

BY CHRISTOS A. MAKRIDIS AND AMY M. STEWART
MINUTE READ

Why do employers care so much about where people get their work done?

Typically, what we hear from business leaders is that they think workers are more productive in offices where they work in close physical proximity to each other. **Recent research** from Harvard Business School corroborates this presumption, at least according to one definition for productivity.

So, what does this mean? In essence, employers who try to force all employees back to the office will need to communicate their rationale and make it worth it to employees—or they may find it difficult to attract and retain talent.

HYBRID WORK ENVIRONMENTS ARE MOST PRODUCTIVE

A **recent study** released by Christos Makridis, co-writer of this article, together with three Harvard Business School researchers provides the first causal evidence that hybrid offices are just as productive as traditional ones and more productive than working fully remote.

In summary, we ran an experiment in a large firm in Bangladesh, randomizing the number of days different employees came into the office. We found that employees who came in an intermediate amount not only emailed more frequently with one another but also performed better. We applied machine learning to the email data to understand whether communication contained

more creativity, and the hybrid workers did best. Hybrid workers sent more novel work products and were more likely to communicate with people with whom they traditionally had not.

However, there is a caveat. While our experimental evidence from Bangladesh shows that employees tend to be most productive in hybrid work environments, how you define productivity matters. Email activity, the content of emails, and even self-assessed ratings are useful indicators, but the reality is that productivity is tough to measure and depends on the job.

Productivity for some jobs is better measured by the actual time spent on the clock, which is reflected in how those jobs are compensated, usually with hourly pay structures or by tracking billable hours. Value can also be measured by the impact of what is delivered, which is often the case for work that is creative or technical. For other jobs, we are still trying to understand how to measure productivity.

Workers know that productivity is valued in different ways for different people in different jobs. This is precisely why workers in some occupational groups feel that remote work should be up to the discretion of individual employees or team managers.

REWARDING WHAT YOU VALUE

The bottom line is that if you are going to require employees to come into an office, make sure employees understand what is valuable about that. If you want employees to be more productive, make sure the office environment actually improves productivity. If you expect innovation, collaboration, or solidarity, make sure you have some way to measure the impact.

You should also make sure that rewards—how you compensate employees—aligns to your philosophy. If you value time, you should be paying workers hourly. If you value activity, employees who “do the most” should be compensated for the extra effort. If you value goal attainment, you need to think about how to measure and reward performance, such as by adding variable pay to base pay.

Remember also that productivity is only one measure of organizational health. In [additional research](#) between Amy Stewart, also a co-writer of this article, and Payscale, we found that corporate culture—which we defined using Payscale’s indices of employee perceptions about the work environment—is the largest factor for explaining differences in employee engagement and

intent to leave. In fact, comparing engagement among fully remote and in-person employees without accounting for culture leads to spurious correlations. Only when these factors are taken into consideration do we find that hybrid work arrangements deliver higher levels of engagement without higher levels of turnover.

Some organizations struggling with remote work actually have more of a problem with their culture than their workplace policy. Many organizations are not intentional about their culture. There is also a perception that culture is more easily communicated and reinforced in an office environment, but that may only *feel* true for executives and managers who measure themselves by interaction with subordinates.

Even when the culture is aided by in-person interaction, it doesn't mean that culture *can't* be communicated and reinforced in a virtual environment. It just takes a concerted effort, investment in technology, and some creativity. Globally distributed organizations have been doing this for decades.

It is important to have defined values and know how you want employees to experience the workplace. Only then will you be equipped to develop policies that reward what you want to see.

Time will tell whether hybrid models will be effective to attract and retain top talent, especially among occupational groups that want the option to be fully remote. The answer lies in competition for labor and what employees ultimately want and will accept. Traditional and hybrid offices could be the right approach for some organizations or occupations, while a remote first approach should be given reconsideration by others.

Regardless, don't just default to what is familiar or seems easiest. Center your strategy on putting people first and the work culture and employee experience you are trying to create. Manage rewards accordingly. The rest will follow.

Christos A. Makridis is a research affiliate at Stanford University and Columbia Business School, as well as CEO and co-founder of *Dainamic*. *Amy M. Stewart* is the author of research reports at *Payscale*.