GLWS **WELLBEING INSIGHTS** PAPER — DECEMBER 2022

Hybrid Working

EEK & SENSE

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Introduction.

Since the onset of 24/7 digital tele-pressure, the last global financial crisis and the epidemic of rising stress and burnout which followed, employees' physical, cognitive, emotional and social experiences of work have been under transformation for more than a decade. Then Covid arrived. With the pandemic came dramatic, abrupt and widescale acceleration of changing work practices.

Location of work has seen one of the most significant shifts, with over ~40% of Australian employees moving to remote or flexible working conditions by 2021 [1].

While many organisations were experimenting with flexible work practices pre-pandemic, in reality this occurred on a comparatively small scale because organisational norms, cultural expectations and infrastructure limitations largely discouraged widespread uptake. In fact, only 8% of Australian employees had a formal flexible work arrangement in 2019, and the median number of days working from home was only one per week [1].

Fast forward to 2022, where flexible working is cemented as the most common and desired way of working, especially for those employees who have become accustomed to working offsite for the last 2+ years.

Pre-pandemic perspectives on remote working have evidently shifted significantly, with many realising it can and does work. But is it a win-win for all employees and employers?

On the one hand, employee demand for hybrid work has been strongly associated with higher job satisfaction and intention to stay, and the option to work from home has driven major societal and employment paradigm shifts. The *perceived* benefits of flexible working practices to employees' sense of work-life balance, health and wellbeing have been heavily publicised. Many organisations have also reported productivity and cost savings during this time.

However, a growing evidence base suggests working from home on a regular basis poses intrinsic risks which may not be immediately evident to individuals or their employers. Challenges include increased work hours, elevated work-home conflicts, diminished interpersonal communications, connection disturbances, compromised talent management, loss of team cohesion, difficulty in marshalling resources and lower innovation. Despite employees' dominant expectations of a wellbeing uplift, reports of poorer mental health and physical wellbeing outcomes are beginning to emerge. For some employees, risks of depression, burnout and workaholism are associated with longer time spent working from home.

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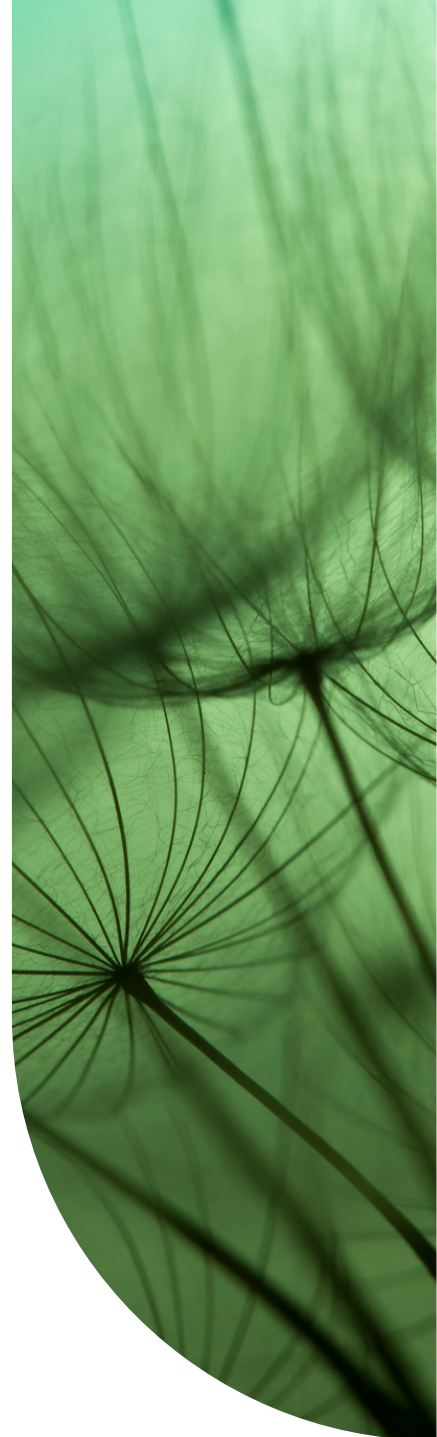
How do employees want to work?

What employees want from their work and employer has changed.

Insight #1: Flexible work options have become as important, if not more, than what employees get paid (Microsoft 2022 Work Trend Index).

- 43% of employees say they would consider leaving their job for one that offers greater flexibility [2].

- Swinburne University [2] found 91% of employees wanted to combine the benefits of remote working with some time in the office each week.

- Employees located in Melbourne and Sydney had the most pronounced preferences to flexible working, perhaps not surprising given they have been the most impacted by Covid and spent more time working from home.

- In more recent studies, employee preferences continue to shift towards greater flexibility, with data showing that employees who are able to work offsite and flexibly, have increased their preference for hybrid working (6%), and for working from home (14%), at the expense of working in the office (which decreased by 15%) [3] as seen in Table 1.
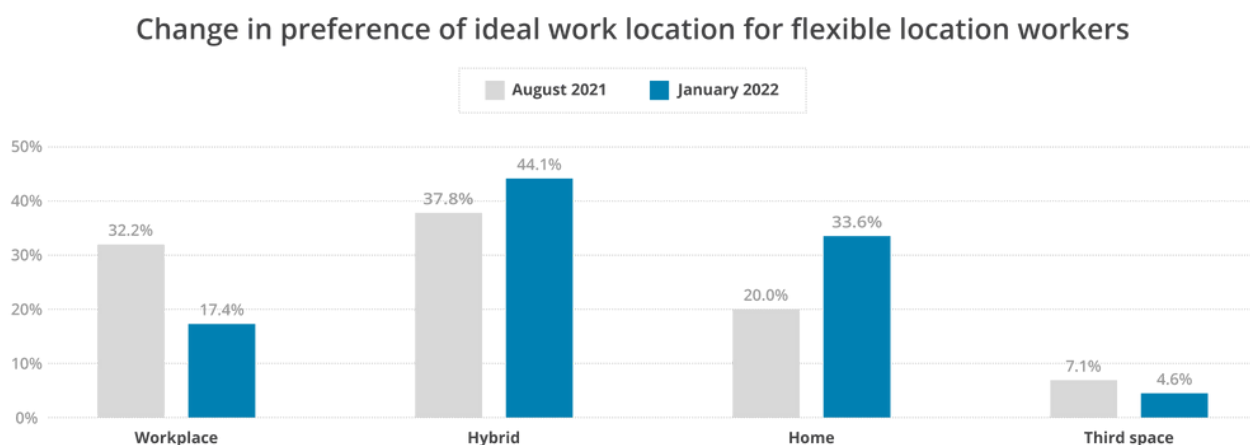
Change in preference of ideal work location for flexible location workers

August 2021   January 2022

Location	August 2021	January 2022
Workplace	32.2%	17.4%
Hybrid	37.8%	44.1%
Home	20.0%	33.6%
Third space	7.1%	4.6%

Table 1. Change in ideal work preference by flexible workers [3]

Gender differences.
Gender has little impact on work location preferences. Though females are more likely than males to choose their home as the ideal work location (41% Females vs 28% Males) and are less likely to choose the office (14% Females vs 21% Males) [3]

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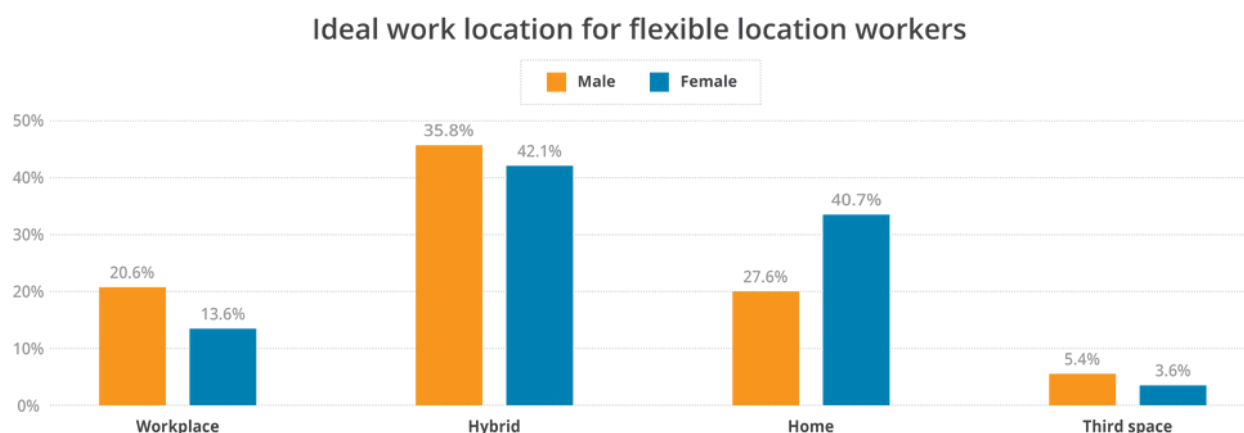## Ideal work location for flexible location workers

Table 2. Ideal work preference by flexible workers by gender

This result may reflect other findings [4] which suggest women take on more household administration and caring responsibilities and may therefore be seeking more flexibility and home-based work to manage these responsibilities and demands, compared to men (GLWS, 2022).

What are the perceived benefits of flexible working?

Insight #2: There is a large and growing body of research which presents a complex and mixed view on whether flexible working approaches are 'good' or 'bad' for employees and employers. Whilst the answer is not clear-cut, a number of strong positive benefits are perceived to exist.

Table 3: Key Research Findings [5]

Employee benefits	Organisational benefits
Greater flexibility and autonomy in managing time	Improvement in productivity
Decrease in the perceived conflict between work and home-life commitments	Reduction in turnover and absenteeism
	Improvement in employee wellbeing
Enable better balance of work and life demands	Increase in job satisfaction
	Cost savings

Table 4 details the specific personal factors which underpin these findings

- A large-scale Australian study using over a decade of data from 2001 – 2011 from 17,002 employees, found that employees who had formal flexible working arrangements with their employers were more satisfied with their job and their ability to manage their work and life commitments, compared to those employees without flexible arrangements or more informal arrangements [4].

- It is thought that flexible work arrangements provide greater freedom and autonomy to employees in choosing when, where and how they work, enabling greater success in balancing their personal life responsibilities and demands.

- Better 'work-life balance' (Table 4) is perceived as the greatest benefit of flexible working amongst all employees, closely followed by 'less time commuting', 'improved mental health' and 'more physical activity'. Together these results are strongly indicative of an increase in employee wellbeing [3].

- PwC [6], found that almost three quarters (73%) of employees reported feeling their wellbeing had improved with more flexibility. It is not clear what measures or definitions of wellbeing employees were using.

Table 4: Benefits from flexible working

Life benefits from flexible working
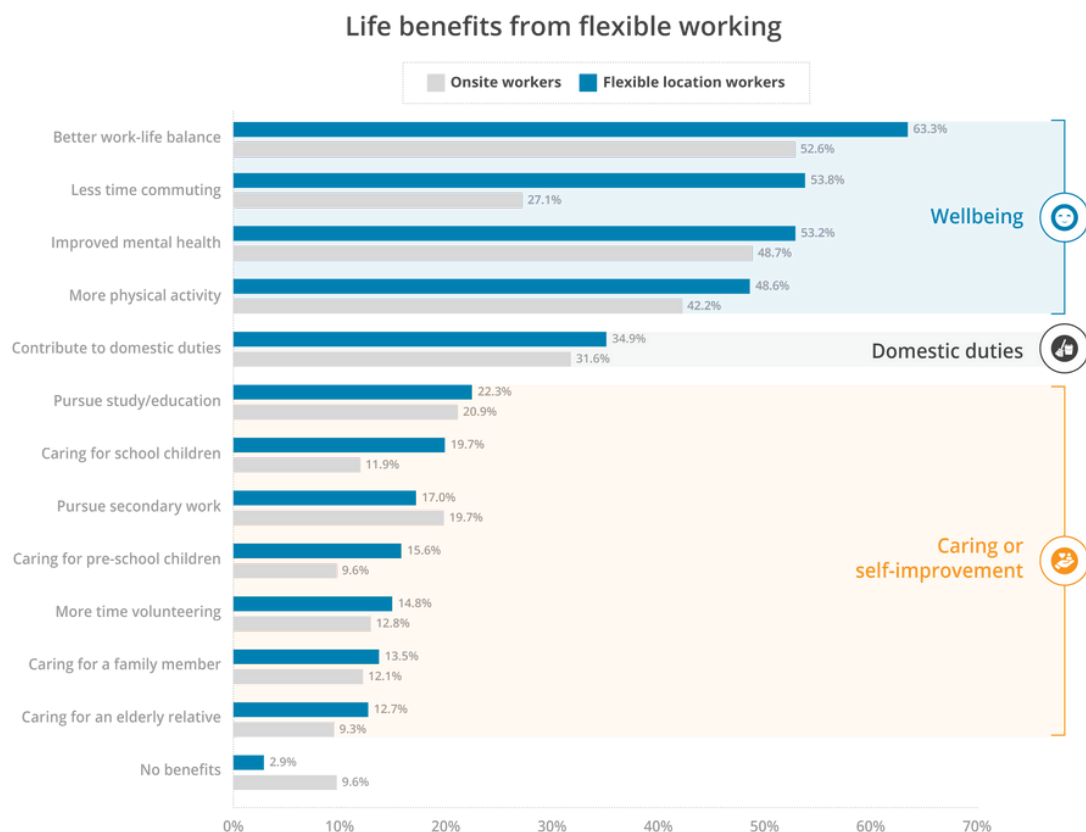
Insight #3: The reasons many employees are resistant to returning to the office are well-founded.

- A desire to avoid commuting was found to be the #1 lead factor in influencing employee preferences to continue to work from home and against returning to office-based work [1,2]. This may be about time, convenience and/or expense.

- Employees also perceive a loss of flexible working hours and expectations of poorer work-life balance as leading reasons for not wanting to return to work in the office [2].

- One particular concern held by many organisations and leaders is that flexible work is associated with lower productivity levels. However, the ***Australian Productivity Commission (September 2021)*** report suggests that overall, working from home is more commonly associated with improved productivity rates because of greater autonomy and better concentration / fewer task interruptions.

What are the evidence-based risks of flexible working?

Insight #4: Despite the stated benefits, flexible working has also been shown to present challenges, most notably increased levels of stress and burnout and reduction in connection/connectivity with colleagues.

- While highly coveted, flexibility is also associated with a significantly increased number of hours worked, greater intrusion into personal life and an exacerbation of work-home conflicts [4].

- If employees working flexibly do engage in longer working hours, this reduces any satisfaction they feel about their work-life balance, and negatively contributes to their overall job satisfaction [4].

- PwC found that while half of employees were working the same hours as before the pandemic, around a third are working more, reportedly due to workload (63%) and personal choice (43%) [5].

- Flexible working can erode the previously established physical and psychological boundaries between work and life, so that one domain can intrude on the other, causing greater conflict. Though the removal of 'commute time' has been valued by many employees, it's also thought that it could serve as an important buffer and means to reduce the transfer of stress from one domain to the other [4].

- Since the onset of the pandemic, 31% of employees working flexibly felt more stressed and burnt out. Over a quarter (28%) of all employees accessed formal mental health and wellbeing support since working flexibly [5].
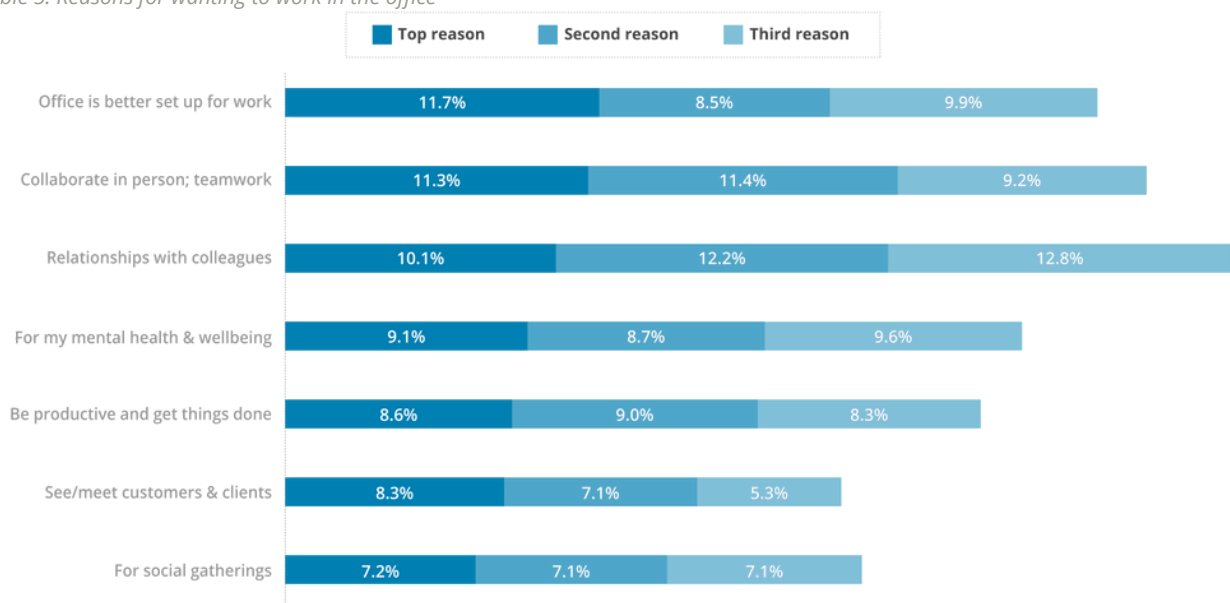
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- The pervasive presence of technology and its impact on stress, exhaustion and burnout is well known [7]. Technology has the potential to increase the volume of work, pace of work and productivity expectations experienced by employees. This creates high levels of stress and mental exhaustion, and can translate to greater after-hours work, causing an increase in negative emotions and feelings of work-life conflict.

- While autonomy is conventionally regarded by the scientific community, employers and employees as a pro-wellbeing resource and as a protective factor against psychological harm, within a hybrid context there is emerging evidence to suggest very high levels of autonomy may be a case of 'having too much of a good thing' and be associated with elevated risks of workaholism i.e., working in an excessive or compulsive manner [11].

Insight #5: When considering the pull factors for employees wanting to return to the office, the key theme to emerge is relational. Overall, the top reason (combining those choosing it as their top, second or third reason) is 'relationships with colleagues' followed by 'collaborate with peers and teamwork' (see Table 5). 'Mental health and wellbeing' is the fourth top reason.

Table 5: Reasons for wanting to work in the office

Reasons for wanting to work in the office

	Top reason	Second reason	Third reason
Office is better set up for work	11.7%	8.5%	9.9%
Collaborate in person; teamwork	11.3%	11.4%	9.2%
Relationships with colleagues	10.1%	12.2%	12.8%
For my mental health & wellbeing	9.1%	8.7%	9.6%
Be productive and get things done	8.6%	9.0%	8.3%
See/meet customers & clients	8.3%	7.1%	5.3%
For social gatherings	7.2%	7.1%	7.1%

- These reasons are reinforced by feelings of 'social isolation and loneliness' which impacts 42% of employees when working from home [5].

- Individual characteristics and personalities are also likely to impact employee experiences with remote working situations. For example, individuals with a greater need for social interaction, or who may lack a social network outside of work, may be more negatively affected by remote and flexible working models [8].

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Insight #6: Taking an organisational lens, a growing evidence base suggests that flexible working models can make it harder for employees to connect, communicate and collaborate, with negative consequences for social wellbeing, sense of belonging and mental health.

- A large-scale study conducted with over 60,000 Microsoft employees over a 6-month remote working period [9], examined the effects on collaboration and communication. Study results showed 3 key findings:

  1 Fewer connections were being made across employee networks (ie. connections outside of an employee's immediate team);

  2 An increase in email/instant-message style communication, best suited for the transfer of information;

  3 A decrease in workplace interactions, video call communications, the type of communication best suited for discussing complex information and brainstorming ideas.

- These findings not only show a detrimental impact of remote working on communication and collaboration, but also raise probable negative implications for knowledge sharing, problem solving and silo-based thinking.

- While hybrid work may plausibly impact physical health via ergonomic, environment and safety considerations, there is little consistent empirical evidence to suggest hybrid work per se is detrimental to physical health [10].

- GLWS data shows that physical outcomes of flexible and remote working since the pandemic onset have largely been varied and individualised, with some employees establishing some positive physical wellbeing habits, and others not doing this as well!

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Current literature and research on flexible and hybrid work shows mixed results.

It's clear that employees are driving the change for greater flexibility, and that there are several benefits that can be afforded to their wellbeing and work-life balance, as a result. Though, there are also some inherent risks and challenges, both to employees and organisations, that need to be monitored and managed carefully.

Together with the research outlined in this paper, Swinburne University provide a helpful high-level overview of some of the benefits and risks associated with different working models:

Summary of comparative workplace wellbeing for each working arrangement

|	Home-based workers	Office-based workers	Flexible workers
✔	• most productive • best able to focus and zone out • best access to learning and development opportunities	• most connected to their organisation • best able to grow connections with colleagues outside their team • best able to learn from colleagues	• most happy • best work-life balance • highest levels of job satisfaction
✖	• most alone • least able to grow connections outside their team • least satisfied with their jobs	• least happy • poorest work-life balance • most likely to leave their jobs • most unable to zone out • least able to take a break • poorest access to learning and development opportunities	• least connected to their organisation • least able to collaborate • least productive • lowest purpose and meaning at work • low health score

Several questions are being posed to prompt reflection, consideration, and further exploration into how flexible working models can be implemented to support individual and organisational outcomes (see over).

With these considerations and the outlined research in mind, organisations must reflect on the best approach to implementing and supporting flexible working models. Unfortunately, the risk for organisations that don't offer flexible working options now and into the future, could be expensive, either in losing talent or needing to pay a lot more to make employees stay.

The challenge, in a current labour-short market, is for organisations to rethink how they meet and manage employees' expectations in a way that aligns to their purpose, values and strategic objectives, and takes into consideration what is known about the benefits and risks of flexible working.

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Key questions for further consideration.

1. What employee and organisational interventions will ensure flexible and hybrid working can remain positive to employee wellbeing, not detrimental over the longer term, as evidence suggests may be happening?

2. What organisational support is needed to help employees establish appropriate boundaries around the hours and intensity of their work, to reduce the likelihood of associated workaholism, stress and burnout?

3. What would be the best way for individuals, teams and organisations to reach an agreement on the optimal amount of time to work from home, or in the office, or in a hybrid working arrangement?

4. What needs to happen now to ensure onsite days are used more effectively and in ways which heighten social connection, collaboration, and problem solving?

5. How might the office workspace, processes and utilisation patterns be redesigned to accommodate new ways of working?

6. What are the expectations and obligations of leaders to manage remote and hybrid teams to optimise performance and wellbeing?

7. What are the longer-term impacts of hybrid working on employee learning, development, performance management, reward and recognition, retention, succession planning, career opportunities and workforce diversity?

8. What are the longer-term impacts of flexible working models on health and wellbeing, team climate and organisational culture?

9. How might organisations refresh their employee value proposition (EVP) to attract and retain employees?

10. How might organisations provide hybrid and flexible working options and fulfil their compliance with employment law?

11. How should employment agreements and contracts change to incorporate flexible working?

12. How might employers offer the benefits of flexible working to those traditional 'onsite' workers and avoid dividing their workforce?

13. How might organisations and industries who use onsite employees remain competitive and attractive to employees, wanting greater work life balance?

14. Employees want the option to work from home and believe it is good for them, but supporting evidence is mixed. How might senior leaders, COOs, CROs, WH&S, CMHOs and P&C constructively change the narrative on hybrid work?

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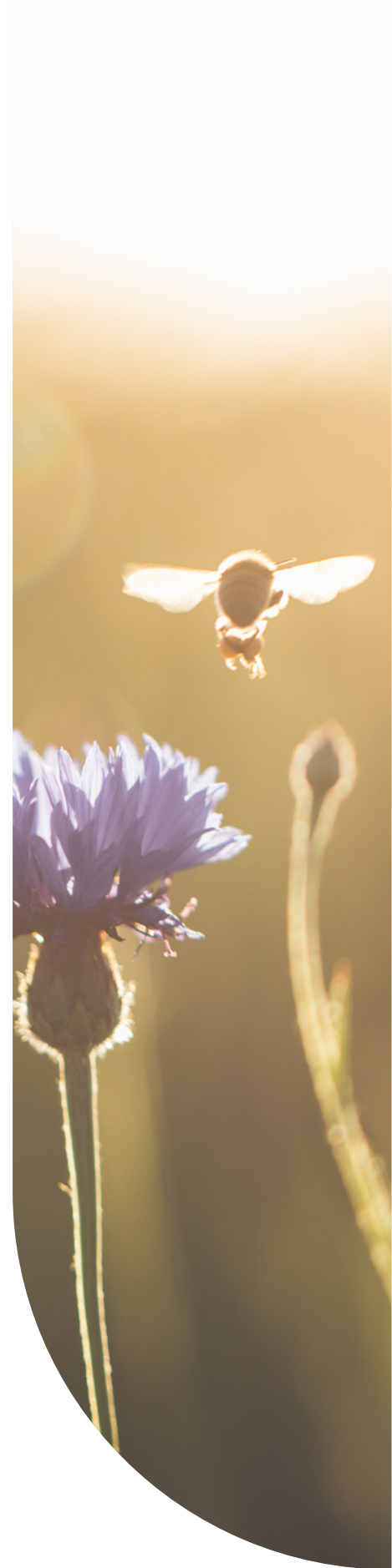
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