

Economic Brief

February 2022, No. 22-07

Are Firms Using Remote Work to Recruit and Retain Workers?

By *Steven J Davis*, *Claudia Macaluso* and *Sonya Ravindranath Waddell*

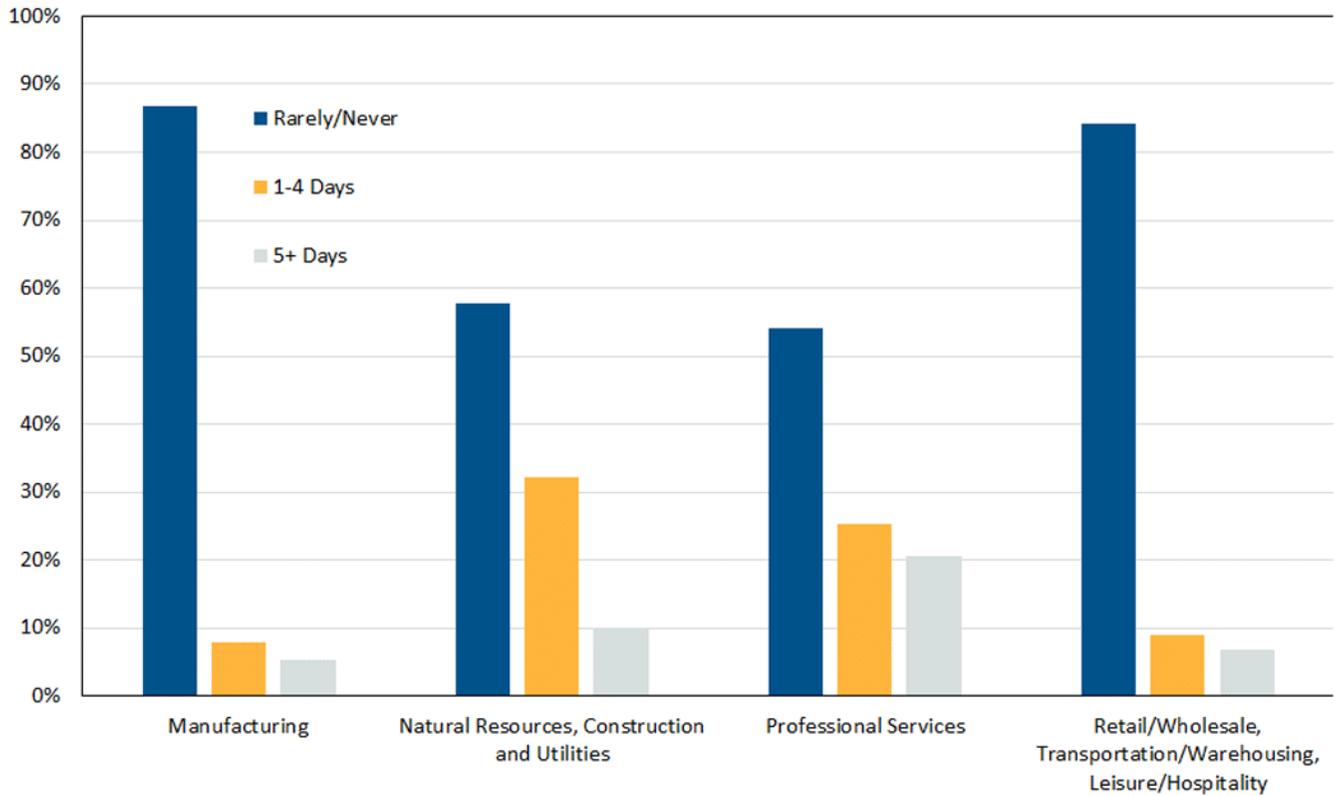
A Richmond Fed survey of employers in the Fifth District reveals that many firms — especially larger ones — are offering hybrid and remote work options to recruit and retain employees. Those same firms have expanded the geographic reach of their recruiting efforts. Expectations about the future direction of remote work differ a lot across sectors and employers.

Job vacancies are at historically high levels, with employers struggling to fill open positions across the country and in the Fifth Federal Reserve District. Amid such tight labor markets, are employers using the availability of remote and hybrid working arrangements to recruit and to retain workers? And have such work arrangements enabled employers to expand their searches geographically? We provide some answers to these questions, continuing our line of research into recruiting methods and practices.

In a recent survey of Fifth District businesses, the Federal Reserve Bank of Richmond sampled 224 employers from Nov. 17 through Dec. 22.¹ Not surprisingly, the incidence of remote work differs greatly by industry. As seen in Figure 1, 84 percent of full-time employees always or almost always work on-site in the super sector comprised of the retail, trade, transportation, warehousing, leisure and hospitality sectors — compared to 54 percent in professional services. This cross-industry pattern aligns well with evidence from other business surveys.

Figure 1: Currently, How Often Do Your Full-Time Employees Work From Home?

Firm Sector



Source: Federal Reserve Bank of Richmond (December 2021).

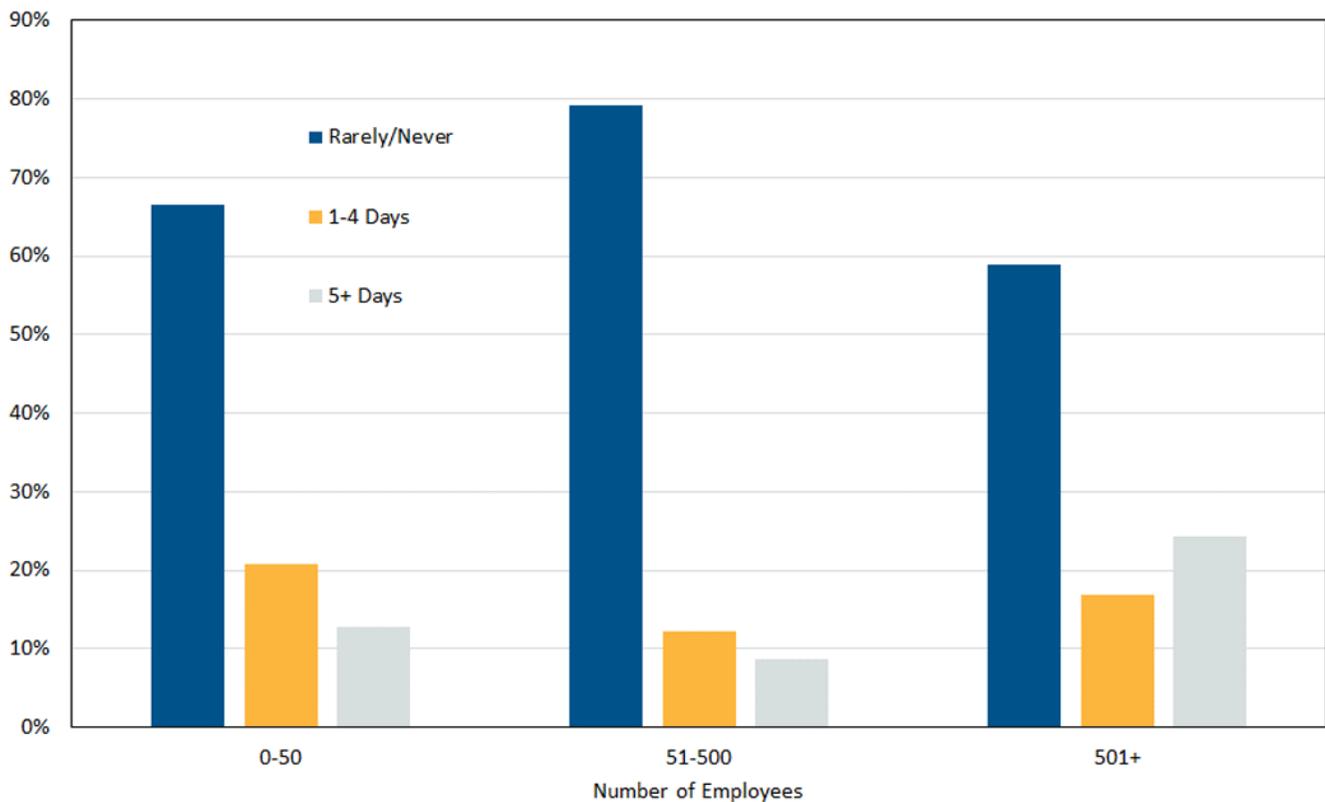
Notes: Data reflect 73 manufacturing firms, 12 natural resources firms, 77 professional services firms and 36 firms in retail/wholesale, transportation/warehousing and leisure/hospitality.

[Enlarge](#)

In our sample, large firms report that an average of 41 percent of full-time employees work from home one or more days per week, as shown in Figure 2. The corresponding share is 21 percent for midsize firms and 33 percent for smaller ones.

Figure 2: Currently, How Often Do Your Full-Time Employees Work From Home?

Firm Size



Source: Federal Reserve Bank of Richmond (December 2021).

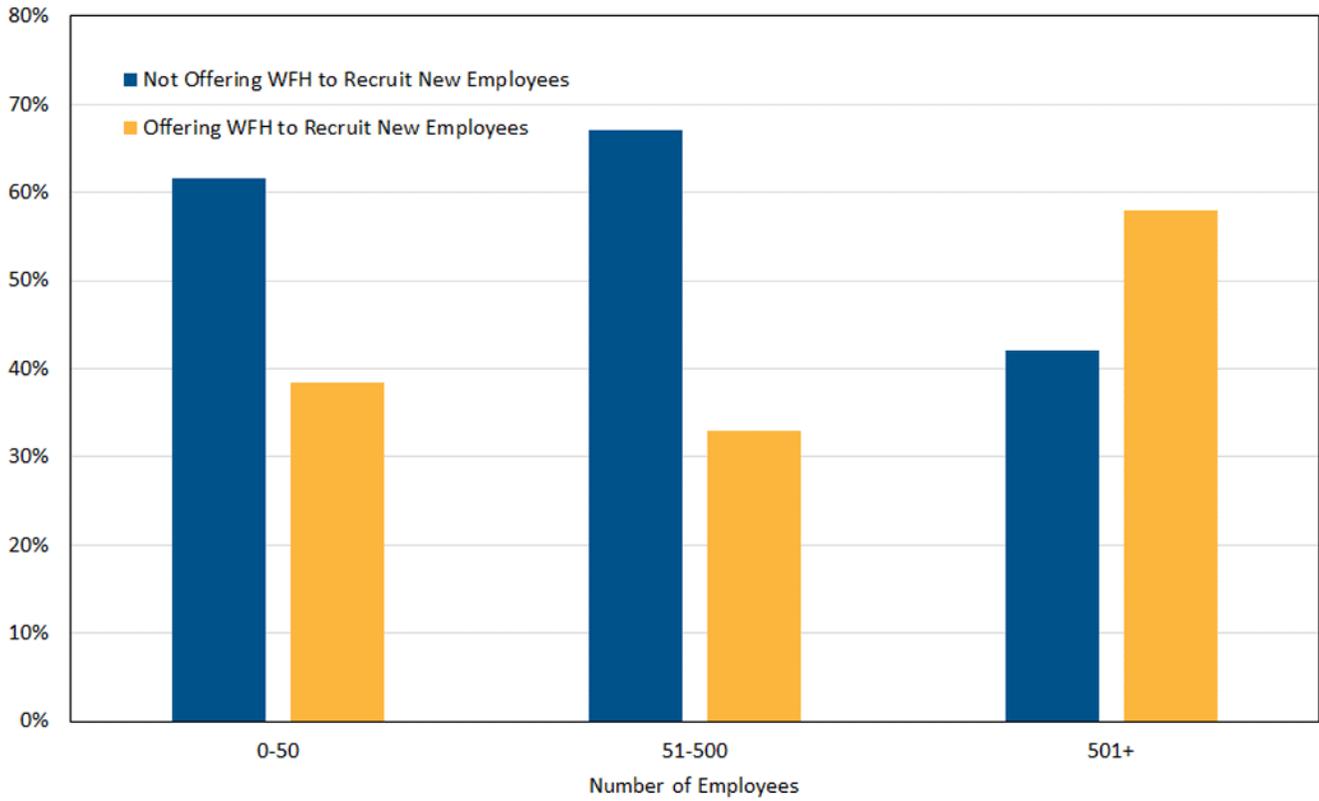
Notes: Data reflect 88 firms with zero to 50 full-time employees, 93 firms with 51 to 500 full-time employees and 17 firms with more than 500 full-time employees.

[Enlarge](#)

The largest firms are also more likely to offer remote and hybrid working options in their efforts to recruit and retain employees, as seen in Figures 3 and 4. Well-developed governance and human resource policies — together with the capacity to quickly exploit the latest technologies — may explain why large employers offer more scope for non-traditional work arrangements.

Figure 3: Are You Offering Remote or Hybrid Work Arrangements as a Way to Recruit New Full-Time Employees?

Firm Size



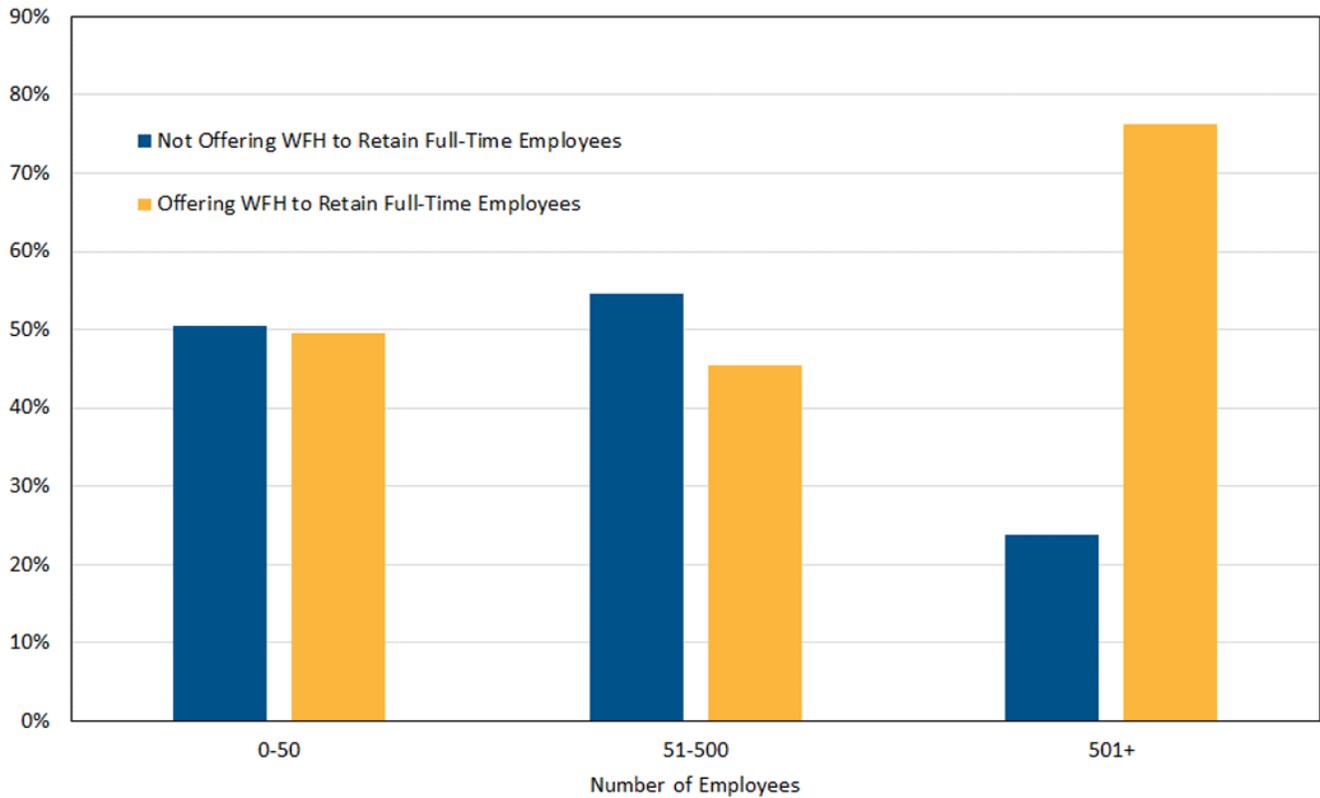
Source: Federal Reserve Bank of Richmond (December 2021).

Notes: Data reflect 73 firms with zero to 50 full-time employees, 100 firms with 51 to 500 full-time employees and 19 firms with more than 500 full-time employees.

[Enlarge](#)

Figure 4: Are You Offering Remote or Hybrid Work Arrangements as a Way to Retain Existing Full-Time Employees?

Firm Size



Source: Federal Reserve Bank of Richmond (December 2021).

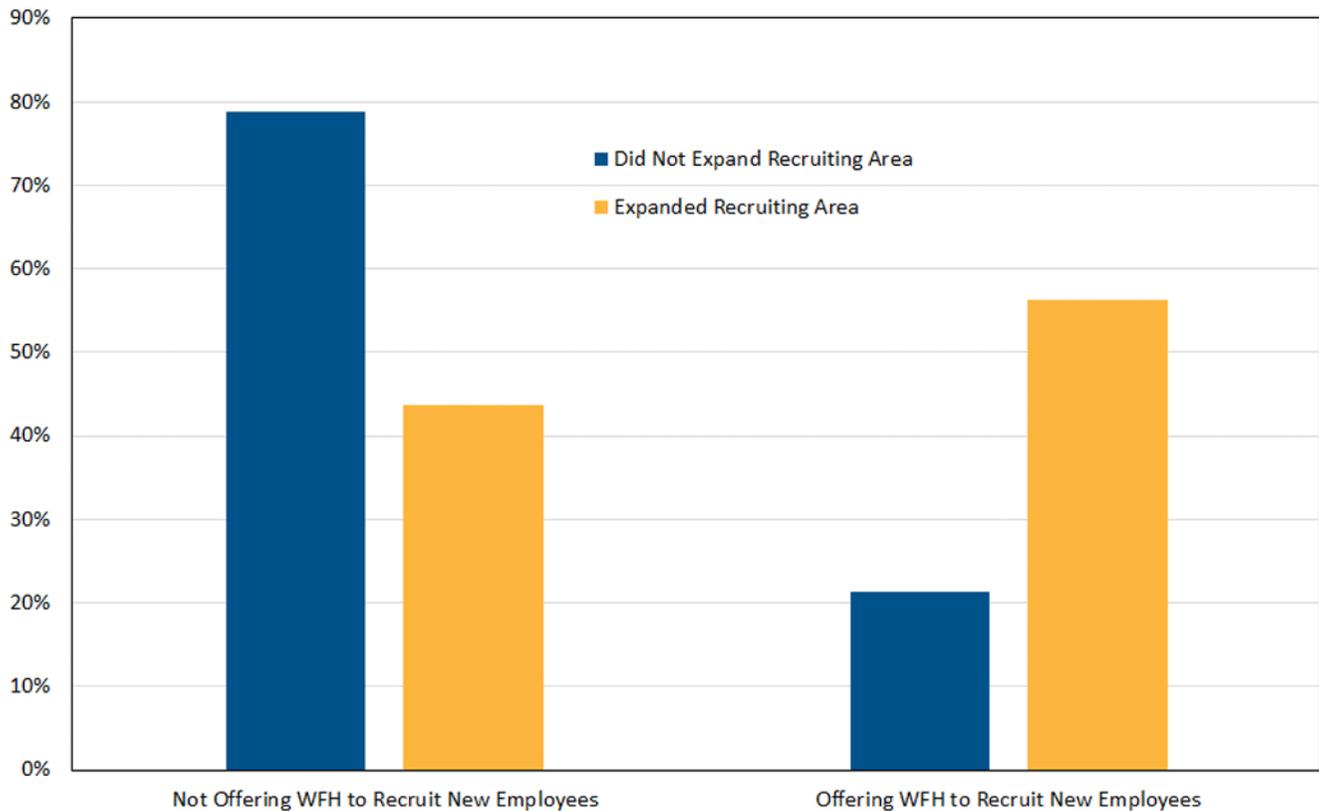
Notes: Data reflect 101 firms with zero to 50 full-time employees, 99 firms with 51 to 500 full-time employees and 21 firms with more than 500 full-time employees.

[Enlarge](#)

Employers that offer remote work options to attract new employees also show a stronger propensity to expand the geographic reach of their recruitment efforts, as seen in Figure 5.

Figure 5: Are You Offering Remote or Hybrid Work Arrangements as a Way to Recruit New Full-Time Employees?

Firm Recruiting Area Expansion



Source: Federal Reserve Bank of Richmond (December 2021).

Notes: Data reflect 94 firms that did not expand recruiting areas and 87 firms that did expand recruiting areas.

[Enlarge](#)

Thus, remote work and an expansive geographic reach are complementary features of the overall recruitment strategy for many employers. This finding points to the potential for flexible working arrangements to gradually (and perhaps profoundly) alter the locational choices of workers and their families.

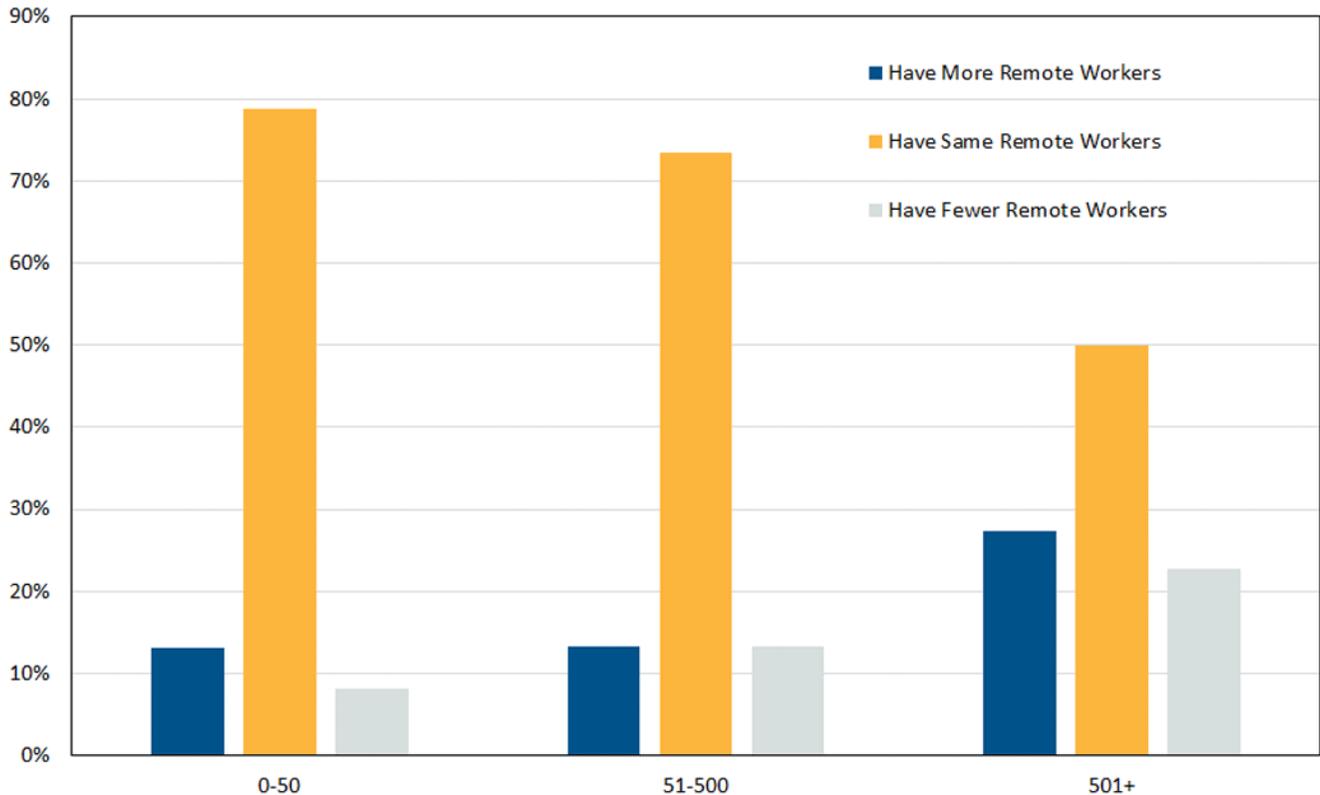
Even among firms that offer remote work options to (some) employees, on average 47 percent of full-time employees work from home "rarely or never." But that could change over time due to the expanded geographic reach of hiring as well as if some current employees relocate in reaction to newly flexible working arrangements. In other words, the incidence of remote work could rise even if current recruitment and retention strategies stay fixed. In addition, the incidence of remote work is likely to surge — at least temporarily — in reaction to major infectious disease outbreaks in the future.

Smaller firms and those in industries with less remote-work experience may be slower to adopt the cultural, managerial and technological changes required for effective remote work. Perhaps such firms will gradually become more amenable to remote work. Our evidence on this score is rather mixed.

We asked firms how they expect their use of fully remote workers to change over the next year. Most firms expect no change, but there is a slight overall tilt toward greater use of remote workers, more so among the largest employers. Expectations in this regard differ more sharply across major industry sectors. Professional services firms, for example, expect a sizable net shift away from fully remote workers in the coming year. Even in the professional services sector, however, some firms see greater reliance on fully remote workers, and others see less reliance.

Figure 6: Do You Expect That Your Share of Fully Remote Workers Will Change in the Next Year?

Firm Size



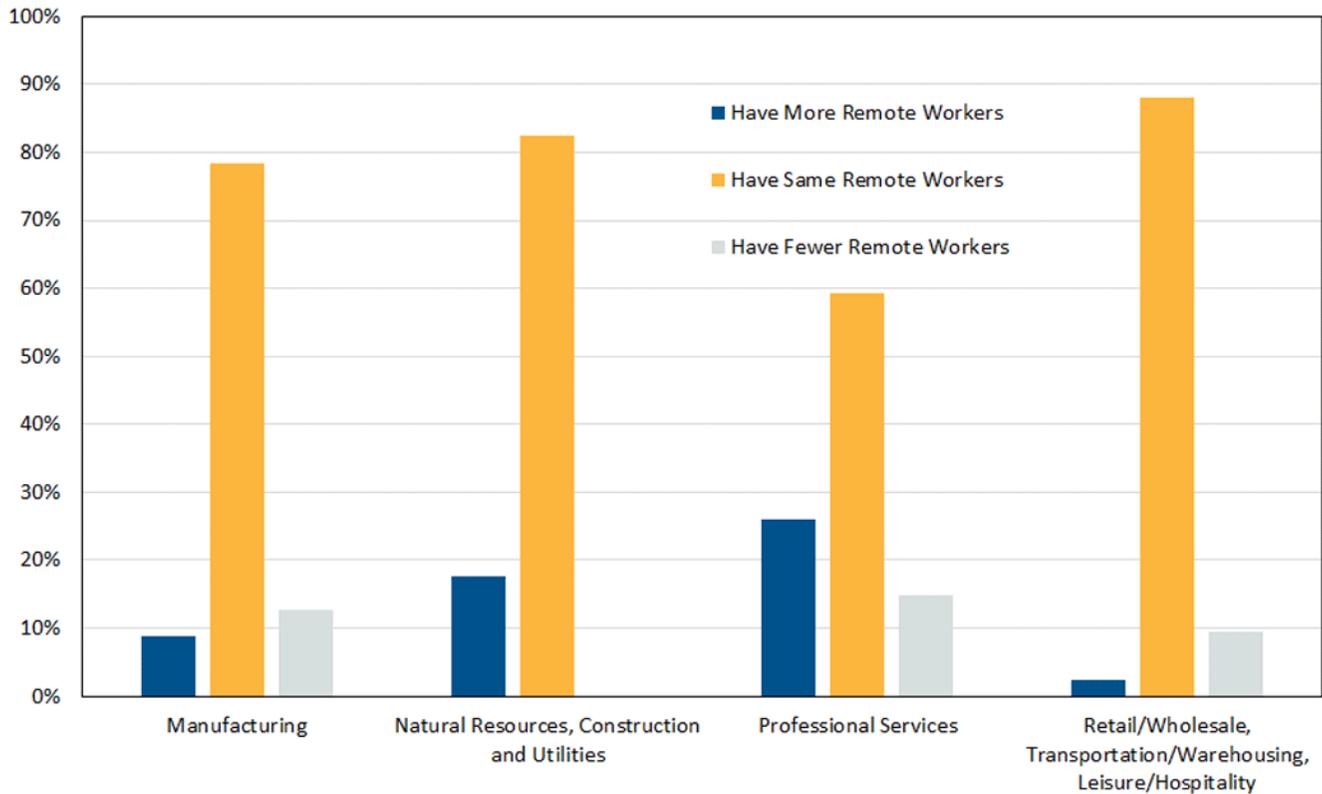
Source: Federal Reserve Bank of Richmond (December 2021).

Notes: Data reflect 99 firms with zero to 50 full-time employees, 98 firms with 51 to 500 full-time employees and 22 firms with more than 500 full-time employees.

[Enlarge](#)

Figure 7: Do You Expect That Your Share of Fully Remote Workers Will Change in the Next Year?

Firm Sector



Source: Federal Reserve Bank of Richmond (December 2021).

Notes: Data reflect 79 manufacturing firms, 17 natural resources firms, 81 professional services firms and 42 firms in retail/wholesale, transportation/warehousing and leisure/hospitality.

[Enlarge](#)

In summary, the dust has yet to settle with respect to remote work. Our data say that some employers expect to cut back on fully remote workers, while others expect to move in the opposite direction. Many employers now offer hybrid and remote work options as part of their recruitment and retention strategies. As we also show, remote work options go hand in hand with greater geographic reach in recruitment efforts.

The effects of these developments on the residential location choices of households and the geography of employment will play out over many years. Perhaps they will also bring new employment and earnings opportunities for people in out-of-the-way and left-behind places.

We thank Brandon Fuller for excellent research assistance and Jason Kosakow for assistance in survey development and implementation.

Steven J. Davis is the William H. Abbott Distinguished Service Professor of International Business and Economics at the University of Chicago Booth School of Business and senior fellow at the Hoover Institution. Claudia Macaluso is an economist and Sonya Ravindranath Waddell is a vice president and economist in the Research Department of the Federal Reserve Bank of Richmond.

¹ *The survey oversampled manufacturers and midsize firms with 51-500 employees.*

This article may be photocopied or reprinted in its entirety. Please credit the authors, source, and the Federal Reserve Bank of Richmond and include the italicized statement below.

Views expressed in this article are those of the authors and not necessarily those of the Federal Reserve Bank of Richmond or the Federal Reserve System.



Subscribe to Economic Brief

Receive an email notification when Economic Brief is posted online:

Contact Us

RC Balaban

(804) 697-8144