

Tom Barkin

The Future “Hybrid” Office



Feb. 1, 2021

Tom Barkin

President, Federal Reserve Bank of Richmond

As the COVID-19 vaccine rolls out across the United States, it finally seems timely to think about the economy getting back to “normal.” But what will normal be in an office environment? The answer doesn’t just matter for individuals and companies—it has implications for our future labor force.

Many workers who have been able to do their jobs from home feel they have been every bit as productive as they were in the office, with the added bonus of reduced commuting costs and less time away from family. (Many people, of course, have not been so fortunate as to work from home, as I discussed in an [essay](#) last spring.) At the same time, employers (and employees) may feel that remote work limits their ability to build culture, provide real-time mentoring, and foster innovation. Those of us who love our “work families” miss those connections and don’t want that social fabric to fray.

Most firms are exploring a more flexible “hybrid” model that combines in-person and remote work. On the surface, it should work—after all, we already knew how to operate in person, and now we know how to manage virtually. But combining them presents a whole new set of questions.

To illustrate, remember what it was like to be in a group meeting with only one or two people on the phone or on video. Which relationships are being reinforced in casual conversations before the meeting? Are the people in the room, who can read the subtle cues of body language in real time, able to dominate the discussion? What stories are being told in the halls after the official meeting is over? Longer term, do opportunities get disproportionately allocated to the people who are present and therefore “top of mind”? Do the people who remain onsite forget about—or even resent—those who are home?

Many salespeople have been able to work from home successfully. But this is a time when everyone is remote and customers are discouraging in-person contact. How will a salesperson (or sales manager) react the first time a customer chooses a competitor who was physically present building a relationship? On the flip side, if he or she wants to travel

to renew relationships at an industry conference, what will the “lower-travel” hybrid model permit?

How robust are human resource policies to a hybrid model? If a company pays differently by location, how will it handle employees working remotely from lower-cost cities? If a company values its employees living locally, how will it enforce that? Will remote employees build the personal relationships that make them loyal to their employer? Could they be poached by employers in higher-wage locations?

And what does all this mean for office space—not to mention for the many servicepeople whose livelihoods depend on the concentration of office workers?

Companies still have a lot to figure out. Drawing on conversations with executives across the Richmond Fed’s Fifth District and my own experience, I offer a few suggestions.

First, companies will need to explicitly define and communicate the value proposition of in-person work—and then make that value proposition a reality. This means balancing (or rebalancing) the interests of the institution and its people. It means creating a positive environment for people to enhance their skills and advance their careers. It means inspiring people with connectivity, innovation and development, and translating these elements into the company’s objectives.

Second, they need to make the rules of the road clear. What is the minimum in-person requirement? What can employees expect of one another? Most of the major consulting firms, who operate largely remote workforces, have found that mandating certain days (e.g., every Friday) in the office is critical to building networks and culture. That can require explicit investment—the same consulting firms also find it valuable to program those days to ensure that employees attend and find their time well spent.

Third, onboarding and integration will need a rethink. With fewer co-workers on site, the challenge of inculcating new employees into a company’s culture increases. Companies may need to think much more tactically about assimilation and development, for example by investing in personal training or assigning mentors and sponsors.

Fourth, a remote connectivity model needs its own set of management practices. Companies with experience in hybrid models operate differently. During meetings, they explicitly ask for input from those not in the room. They use pulse surveys to stay attuned to morale. Managers reach out proactively rather than waiting for someone to wander into their office. Teams commit to rituals, such as meals or regular check-ins, to stay connected.

Finally, all must accept that not every job can be done the same way. Relationship-oriented salespeople may need to be in front of customers, while subject matter experts may be able to get more done remotely. Some managers may need to be on-site, while others don’t.

Investments in connectivity and training can be costly. But there are huge potential savings on real estate that could be reinvested in the networks that make the “work family”

functional.

A move to hybrid could have meaningful ripple effects on the economy. The more flexible arrangements that come with hybrid could bring more people into the workforce and help offset the recent slowdown in [women's labor force participation](#). Job matching could improve as well, as opportunities open beyond one's current geography and individuals find a broader market for their skills. Two-career couples may find new opportunities easier to navigate. The ability of people to live anywhere could help [spur investment in broadband](#) in areas that have struggled to connect.

Access to the broader pool of remote talent should also affect wages, as suggested earlier. It could relieve wage pressure in the highest-cost cities, more than offsetting wage increases in lower-cost communities. This is very much in line with economic theory on the effects of declining trade barriers.

Before the Industrial Revolution, home and work were deeply intertwined. Then, with the rise of factories and offices, we separated work from home. Living standards improved and economic growth accelerated. But did we lose anything when we made our personal lives so separate from our "work"? Does modern technology mean we can have the best of both? I don't know the answer to that question. But a flexible, hybrid work model is coming. We have a lot to learn about it—and a lot of opportunities to look forward to.



Topics

[Employment and Labor Markets](#)

[Production and Investment](#)

Subscribe to News

Receive an email notification when News is posted online:

By submitting this form you agree to the [Bank's Terms & Conditions and Privacy Notice](#).

Email Address

Subscribe

 **Contact Us**

Jim Strader

(804) 697-8956

(804) 332-0207 (mobile)