PRODUCTIVITY

To Raise Productivity, Let More Employees Work from Home

by Nicholas Bloom

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The study: Nicholas Bloom and graduate student James Liang, who is also a cofounder of the Chinese travel website Ctrip, gave the staff at Ctrip's call center the opportunity to volunteer to work from home for nine months. Half the volunteers were allowed to telecommute; the rest remained in the office as a control group. Survey responses and performance data collected at the conclusion of the study revealed that, in comparison with the employees who came into the office, the at-home workers were not only happier and less likely to quit but also more productive.

A Significant Improvement in Performance

After a group of Ctrip service reps were sent home to do their work, they consistently completed more calls than their counterparts who remained in the call center.

The challenge: Should more of us be doing our jobs in our pajamas? Would the performance of employees actually improve if companies let them stay home? **Professor Bloom, defend your research.**

Bloom: The results we saw at Ctrip blew me away. Ctrip was thinking that it could save money on space and furniture if people worked from home and that the savings would outweigh the productivity hit it would take when employees left the discipline of the office environment. Instead, we found that people working from home completed 13.5% more calls than the staff in the

office did—meaning that Ctrip got almost an extra workday a week out of them. They also quit at half the rate of people in the office—way beyond what we anticipated. And predictably, at-home workers reported much higher job satisfaction.

HBR: And how much did Ctrip save on furniture and space?

It estimated that it saved $1,900 per employee for the nine months.

Lower attrition rates make sense—working from home gives you more flexibility if you have kids and so forth—but how do you explain the productivity increases? Why would people get more done out of the office?

One-third of the productivity increase, we think, was due to having a quieter environment, which makes it easier to process calls. At home people don't experience what we call the "cake in the break room" effect. Offices are actually incredibly distracting places. The other two-thirds can be attributed to the fact that the people at home worked more hours. They started earlier, took shorter breaks, and worked until the end of the day. They had no commute. They didn't run errands at lunch. Sick days for employees working from home plummeted. Search "working remotely" on the web, and everything that comes up will be supernegative and say that telecommuters don't work as hard as people in the office. But actually, it's quite the opposite.

So Marissa Mayer, who famously banned working from home at Yahoo last year, was wrong?

It's not so simple. There are lots of factors that could lead to such a ban, including a culture where remote workers tend to be slacking because of low morale. Also, we were studying call center work, which is easily measured and easily performed remotely.

Did workers know they were being measured for productivity? Could there have been a grace period when they were trying to prove that working at home works, after which their efforts tailed off?

That's an important concern. Ctrip tried to address it by running the experiment for nine months. The positive impact of working from home was pretty constant over that entire period, suggesting that it wasn't driven just by some initial burst of enthusiasm.

Will knowledge and creative workers also be more productive at home?

The more robotic the work, the greater the benefits, we think. More research needs to be done on creative work and teamwork, but the evidence still suggests that with most jobs, a good rule of thumb is to let employees have one to two days a week at home. It's hugely beneficial to their well-being, helps you attract talent, and lowers attrition. JetBlue allows folks to work as far as three hours from headquarters—close enough to come in now and again but a much bigger radius from which it can draw applicants. When I asked the people at JetBlue about this policy, they said it helped them gain access to educated, high-ability mothers who wanted flexibility in their jobs. The airline believes this policy has improved the quality of its workforce.

Who else likes the work-from-home option?

People who have established social lives—older workers, married workers, parents. We found that the younger workers whose social lives are more connected to the office tend to not want to work from home as much. Right now the employees who spend significant amounts of time working from home are on either end of the income spectrum: solitary, per-hour workers like call center reps, proofreaders, and developers, whose output can be easily tracked; or professionals and senior managers, who presumably are highly self-motivated.

Is there anyone who can't or shouldn't work from home?

Absolutely. Not everybody wants to or is disciplined enough to. At Ctrip, it was a self-selected group, so they were all motivated to work from home effectively, and that's how it should be. Some people opted out after the nine months were up—and they tended to be the poorest performers of the remote workers. They had tried it and figured out that it wasn't right for them. But the company still ended up with the best, most motivated home-based workforce.

I can see managers resisting these findings because it's harder to feel in control of remote workers.

It's in middle management where there's resistance.

How do you overcome that?

One of the reasons Ctrip did its experiment was to persuade some skeptical managers that flexible work arrangements wouldn't hinder business performance—to have data that proved the case. I tell executives all the time to exploit natural opportunities—for example, severe weather that prevents people from getting to the office—to measure how productive employees can be at home. Any disruption that offers a chance to have people work remotely is an opportunity to see how effective they are off-site.

Having every employee working from home two days a week sounds chaotic. How do you schedule a meeting?

There are two valid ways to handle the problem: One is to rotate the days at home so that a certain percentage of workers are always in the office. That's the way to go if you're focused on saving space and reducing your real estate costs. The other option is to schedule mandatory in-the-office days. That way there's no confusion about when you can access staffers in person. There are pros and cons to each.

I'm starting to wish I had interviewed you in my underwear while sitting at my kitchen table. Maybe it would have been a better interview.

Just because you work at home doesn't mean you can't get dressed. But sure, next month, do the "Defend Your Research" interview from home and compare the results. Nothing beats testing.

Interview by Scott Berinato

Nicholas (Nick) Bloom is a Professor of Economics at Stanford University, and a Co-Director of the Productivity, Innovation and Entrepreneurship program at the National Bureau of Economic Research.

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Completely agree with this. I work from home and find myself more productive.

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