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Research Report

Remote Working: Implications for Competitiveness and Productivity

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- The COVID-19 pandemic has rapidly accelerated a shift to increased remote working
- Remote working can deliver benefits to Irish enterprises, but can also have net cost implications
- With remote working becoming more prevalent and affecting work patterns across the globe, all of Ireland's regions must remain competitive in order to continue to retain and attract FDI and skilled labour
- Remote working can improve or hamper productivity, so it is important to implement the right policies to minimize the negative effects and maximize the positive effects of the adjustment to new work practices

THE NATIONAL COMPETITIVENESS AND PRODUCTIVITY COUNCIL

The National Competitiveness and Productivity Council's (NCPC) mission is to promote sustainable economic growth and quality employment so that living standards improve for all of Irish society. New opportunities for remote working have the potential to convey economic, social and environmental benefits and could offer a better quality of life to those living and working in Ireland. New ways of working can deliver improvements in work/life balance and increase social inclusivity in the labour market, while also reducing environmental costs by lowering commuting times and transport-related carbon emissions and air pollution. Remote working also has the potential to boost regional development and alleviate pressures in large urban areas for accommodation, schools and other constrained infrastructure.

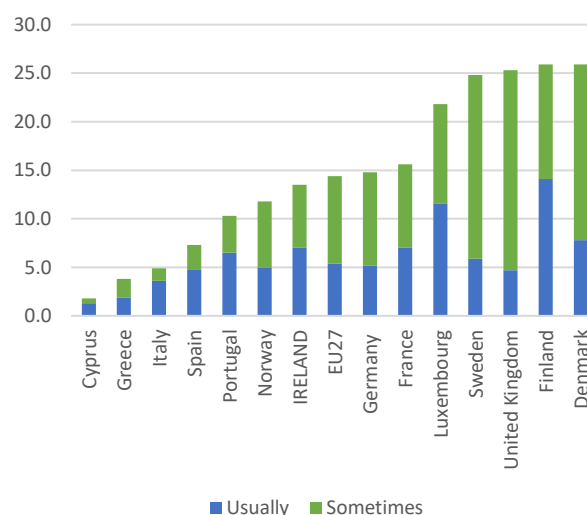
This Bulletin focuses on the impact of the shift to increased remote working on Irish enterprises and the implications for competitiveness and productivity. The NCPC will explore the wider individual and societal aspects of remote working later this year in *Ireland's Competitiveness Challenge 2021*, and, where appropriate, the Council will make policy recommendations to Government.

REMOTE WORKING EXPERIENCE IN IRELAND

The term remote work refers to the broad concept of an arrangement where work is fully or partly carried out at an alternative worksite other than the default place of work. Many phrases are used to refer to remote work¹ including smart working, telework, e-Work, mobile work, telecommuting, flexible working, hub-work, location-less work, co-working, home office, virtual office and platform work.

Prior to the outbreak of the COVID-19 pandemic, there were large differences in the prevalence of remote working across EU Member States (see Figure 1), sectors and occupations. It is not surprising that in 2019 remote working was more widespread in countries, such as Sweden, Finland, and Denmark, with larger shares of employment in ICT and knowledge-intensive services, where the potential for remote working at a large scale is higher. In 2019, 7.0% of employed persons in Ireland reported usually working from home, with a further 6.5% reporting sometimes working from home, broadly in line with the EU27 average, but significantly below Europe's leading performers in remote working.

Figure 1: Employed persons working from home as a percentage of total employment, 2019



Source: Eurostat

However, following the first case of COVID-19 in Ireland in March 2020, the subsequent closure of all schools and childcare facilities, and the Government direction 'to work from home where possible', there was a rapid shift to remote working. During this adjustment phase, it also became clear that remote working was not an option for

¹ [Making Remote Work - National Remote Work Strategy](#)

many businesses and sectors, such as manufacturing (where production is intrinsically linked with physical proximity to specific capital) or certain service sector jobs (where providing a face-to-face service is essential). A CSO survey² in May 2020 showed that, of the 47% of people whose employment was affected by COVID-19, almost half were able to avail of remote working, while 11% of respondents were unable to work as their employer was unable to offer remote working as an option and 20% were unable to work remotely as their work was not suitable for this format (see Figure 2).

Figure 2: Effect of COVID-19 on Remote Working

Unable to Work	Started remote working	34%
	Increased number of hours remote working	12%
	Business was unable to offer the facility of remote working	11%
	Work was not suitable for remote working	20%

Note: Figures in this table are calculated from the 47% of the population whose employment was affected by COVID-19

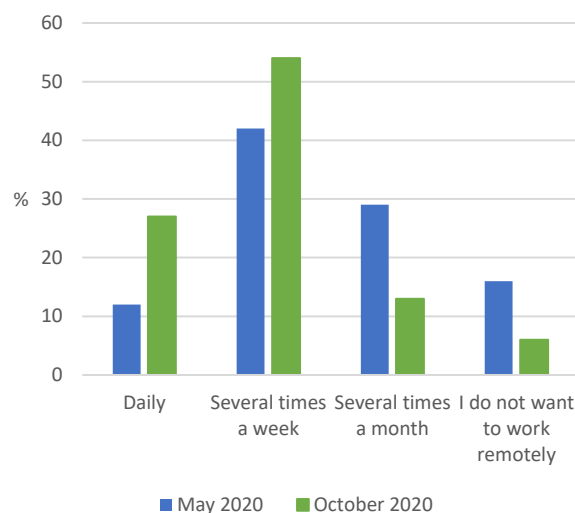
Source: Employment and Life Effects of COVID-19, CSO

For many individuals and enterprises, in both the public and private sector, the emergency situation was their first experience of remote working, with logistical and connectivity issues to be overcome, and large-scale adjustments in communications and business practices required. The flexibility and adaptability of workers and managers meant that enterprises could continue their operations during a time of widespread global upheaval.

This 'enforced experiment' with remote working during the pandemic has allowed employers and employees to experience new ways of working and there is a clear appetite to continue some form of remote working when the immediate public health threat has passed. CSO survey data³ from Q3 2020 suggest that nearly a quarter (23.2%) of enterprises plan to make remote working, in some capacity, a permanent part of operations, while almost a third (32.2%) had no plans to do so and 29.5% didn't know at that point. More recently, a March 2021 CIPD (Ireland) survey⁴ found that 77% of HR managers were planning for some form of blended working in the future. Worker attitudes to future remote working

arrangements are also changing as the pandemic has evolved, schools re-opened and workers adapted to their new circumstances. For example, some 94% of respondents to the October 2020 *National Remote Working Survey*⁵ indicated they would like to continue remote working after the crisis is over, compared to 83% in May 2020 (see Figure 3). Phase III of the *National Remote Working Survey* is due for release in May 2021.

Figure 3: Remote Working Preferences Post-COVID-19



Source: National Remote Working Survey, WDC & NUIG

Meanwhile, the Government continues to develop its policy response, building on a *Guidance for Working Remotely*⁶ advice portal, launched in July 2020. In January 2021, the Government published its *National Remote Working Strategy – Making Remote Work*⁷ which outlines a vision for the future of remote working in Ireland.

In the context of these enterprise responses and policy developments, it is now timely to consider the impact of remote working on enterprises, and how a new type of blended working environment is likely to develop with implications for Ireland's future competitiveness and productivity.

BENEFITS AND COSTS TO ENTERPRISES

Many enterprises were able to adapt to COVID-19 related social distancing measures through wholesale remote working, allowing them to continue operating throughout the pandemic. Looking forward, enterprises could benefit from remote working arrangements by gaining access to a broader pool of talent, promoting retention, and

² [Employment and Life Effects of COVID-19 - CSO - May 2020](#)

³ [Business Impact of COVID-19 Survey - Wave 6 - CSO - September 2020](#)

⁴ CIPD (2021): [Businesses plan a future with remote working](#)

⁵ [Remote Working Publications - Western Development Commission](#)

⁶ [Guidance for Working Remotely - DETE](#)

⁷ [Making Remote Work - National Remote Work Strategy](#)

improving cost-effectiveness while engaging in more sustainable ways of working.

Remote work could be cost effective from a firm's perspective if it allows an employer to reduce the *net* cost of housing its employees. It will be important that any savings generated from reduced expenditure on a central office location are not eroded by the costs associated with providing a remote working option to employees.

A move away from large-scale headquarters in expensive city centre locations not only provides cost savings for firms in terms of office rental or acquisition, but also potentially reduces related costs like electricity, lighting, heating, cleaning and catering. These savings could be utilised by firms to invest in new equipment, to hire and train new employees, or to develop and launch new products or services to expand their businesses.

While remote working can bring cost-saving benefits to employers, some enterprises may struggle with the additional cost of equipping another workstation for employees. Employers may still be obligated to pay for centrally located office space despite fewer individuals on site and will have the cost burden of setting up and managing two workplaces. There may also be additional costs in terms of insuring a company's property at an employee's home, as well as contributions to an employee's increased costs of electricity, heating and broadband. In the preparation of Budget 2022, the Department of Finance will review tax arrangements for remote working for employers and employees and assess the merits of further enhancements.

The net cost implications of remote working can be even greater for some small and medium enterprises as they do not benefit from the economies of scale enjoyed by larger firms. However, the use of hub facilities and remote working can provide flexibility to start-ups and micro firms that do not require physical premises during the initial stage of development. The Small Firms Association⁸ has cautioned that for many smaller enterprises, in the absence of financial support from the State, the feasibility of remote working will be negatively impacted by the cost of providing additional equipment and resources, insurance, data protection, the cost of renting hubs, and the HR and administration burden.

The need to reconfigure business models to allow enterprises to operate remotely during the pandemic has highlighted the requirement for better digital skills and management skills to support this adjustment. Digital skills are essential for the modern workforce and are especially important for remote workers to allow them to successfully navigate new analytical and communications tools and online work collaboration platforms. People managers may also need to be upskilled on how best to motivate remote teams, onboard and support new recruits in a virtual environment, as well as measuring staff performance from a distance. The required upskilling of staff is yet another cost for firms in a future with more widespread remote working.

Employers also have responsibilities to protect workers while they are engaged in remote working, as the line between home and work life can become blurred. The NCPC welcomes the Workplace Relations Commission *Code of Practice for Employers and Employees on the Right to Disconnect*⁹. The Right to Disconnect refers to an employee's right to be able to disengage from work and refrain from engaging in work-related electronic communications, such as emails, telephone calls or other messages, outside normal working hours. The *Code of Practice* was designed following a broad consultation process, with representatives of the Irish Business and Employers Confederation (Ibec) and the Irish Congress of Trade Unions (ICTU). It calls for workplaces to put in place policies and procedures to ensure that employees' rights are preserved, that employers and employees adhere to their statutory obligations, that work is carried out safely and that the working relationship between employer and employee is balanced and mutually beneficial.

A public consultation on the introduction of a statutory right to request remote work concluded on 7 May 2021. This consultation will inform new legislation for the right to request remote work, which is a key action under the *National Remote Working Strategy*, launched in January 2021. Employer representatives are keen that any such legislation incorporate adequate flexibility to minimise any negative potential financial and administrative impact on the business community. Employee representatives¹⁰ have highlighted the importance of fair access to request remote working, with clear and transparent criteria in place for deciding what roles are suitable for remote work and who is allocated to or offered remote working arrangements. Introducing legislation on this topic will

⁸ [SFA Submission - Remote Working Consultation](#)

⁹ [WRC: Code of Practice for employers and employees on the right to disconnect](#)

¹⁰ [Fórsa Submission - Remote Working Consultation](#)

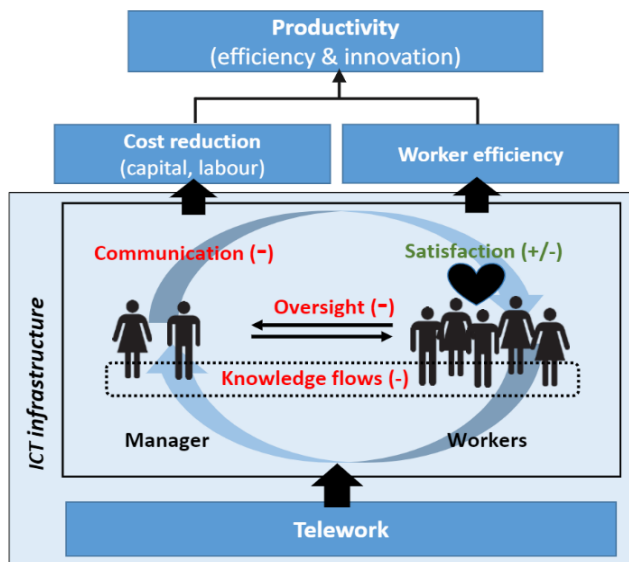
provide a framework around which requesting, approving or refusing such a request can be legally based. It should also provide legal clarity to employers on their obligations for dealing with such requests.

It is important that the benefits and cost savings for firms associated with remote working are maximised so that any potential additional costs of providing a flexible work arrangement to employees can be offset. This is especially important for ensuring the international competitiveness of Irish firms, including SMEs, as the global economy recovers.

EVIDENCE OF PRODUCTIVITY IMPLICATIONS

According to OECD research¹¹ published in September 2020, remote working can improve or hamper firm performance, with its overall effect depending on two main channels (see Figure 4). The first direct channel can affect firm performance through changing the efficiency, motivation and knowledge creation of the workforce. The second indirect channel is for remote working to facilitate cost reductions that free up resources for productivity-enhancing innovation and reorganisation.

Figure 4: Telework & Productivity: The Main Channels



Source: OECD

Productivity is the engine of economic growth in the longer term, and as such is key to improvements in living standards, associated with growing and sustainable wage levels, good public services and improved wellbeing¹². It is

important to note that changes to work practices can take time to manifest in measurable impacts on productivity at the individual or firm level and can depend on multiple interrelated factors. Furthermore, since official statistical measures of productivity are typically published with a time lag, objective measures of the impact of the shift to remote working on aggregate productivity in Ireland over the past year will not be available for some time.

There is, however, some existing evidence from academic papers and firm specific case studies that have analysed the impact of remote working on individual and firm level productivity prior to the pandemic. A landmark study by Bloom et al (2013)¹³ found that home working for a sample of call centre employees led to a 13% performance increase, and that home workers reported improved work satisfaction and the firm experienced less employee turnover compared to the control sample. On the other hand, the promotion rate of home workers, conditional on performance, fell. Following the success of the experiment, the option to work from home was rolled-out to the whole firm and the employees involved in the original trial were allowed to re-select between the home or office. Over half of these employees switched, which led to the gains from working from home almost doubling to 22%. This highlights the benefits of learning and selection effects, so that individual preferences can be accommodated and business practices can be adapted to maximise the gains of alternative working arrangements.

A 2009 Cisco study¹⁴ revealed that a majority of employees reported a significant increase in work-life balance, productivity and overall satisfaction as a result of their ability to work remotely. Approximately 69% of the respondents self-reported higher productivity when working remotely, and 75% of those surveyed said the timeliness of their work improved. Cisco estimated that 60% of the time saved commuting was spent working and 40% was spent on personal time, providing a benefit to both the employer and the employee.

Research published in October 2020, commissioned by Microsoft with Boston Consulting Group and KRC Research¹⁵, polled 9,000 managers and employees in large firms in 15 European countries. The study found that 82% of senior executives reported productivity levels either held steady or increased as people shifted to remote work during the pandemic. Many senior executives also viewed

¹¹ OECD (2020): [Productivity gains from teleworking in the post COVID-19 era: How can public policies make it happen?](#)

¹² See [NCPB Bulletin 20-1](#) for further details on productivity developments in Ireland.

¹³ Bloom et al (2013): [Does Working from Home Work? Evidence from a Chinese Experiment](#) | NBER

¹⁴ Cisco (2009): [Cisco Telecommuting Study](#)

¹⁵ [Microsoft News Centre Europe - Flexible ways of working are here to stay](#)

hybrid working as a way to boost employee engagement, with over half saying it will be a powerful way to retain top talent. However, business leaders also reported a decrease in innovation around core products and services. Likely factors identified as leading to a decline in innovation included less close-knit teams, workers feeling more distant from company culture, and less collaboration. By looking at companies that maintained both productivity and innovation throughout the move to more hybrid ways of working, the study found that more innovation was found in firms that empowered individuals and teams to make meaningful decisions about how they structure their work and encouraged employees to proactively offer solutions for addressing challenges. The study also found that training and coaching opportunities were crucial to middle managers supporting their remote and hybrid teams in feeling connected and collaborative. This further highlights the importance of investing in management skills in order to maximise the productivity of teams while remote working.

In Ireland, the *Remote Working during COVID-19 National Survey*¹⁶ published in October 2020, reported that 78% of respondent employees agreed/strongly agreed that it is easy to work effectively when working remotely, and 57% of respondents agreed/strongly agreed that remote work enables them to accomplish their tasks more quickly. In total, 62% of respondents agreed/strongly agreed that working remotely increased their self-reported productivity. More recently, a March 2021 CIPD (Ireland) survey¹⁷ found that nearly three-quarters of HR managers said productivity either increased or remained steady once remote working became the norm.

The current experience of an abrupt shift to remote working during a global pandemic, without adequate preparation or training, is unique and may not be representative of the future blended working environment with a potential mix of office, hub and home working. It is also unknown at this time how more widespread remote working will interact with other accelerating trends in the Irish and global economy, in particular the digital transformation and the emergence of new technologies, including artificial intelligence.

IRELAND AS A COMPETITIVE DESTINATION

The global nature of the COVID-19 pandemic has necessitated adjustments in the working environment of

almost every country around the world. New possibilities are now emerging to work from anywhere, providing enterprises with an opportunity to access a greater talent pool and providing employees with broader options in terms of where they choose to work and live.

It is therefore essential, now more than ever, that Ireland is an attractive place in which to live and do business. Prior to COVID-19, the Irish economy was judged to be highly competitive, performing well in international rankings including the World Bank's *Ease of Doing Business*¹⁸ and the World Economic Forum's *Global Competitiveness Indicators*¹⁹. However, in certain sectors, market and institutional inefficiencies mean Irish businesses and employees face relatively higher borrowing, insurance, and legal costs, as well as difficulties accessing housing, childcare and sustainable commuting times.

Many of these issues are not new, and the NCPC has drawn attention to them in its annual *Competitiveness Challenge* reports²⁰. These higher costs inhibit Irish businesses from competing successfully in international markets and erode real wage levels for workers in Ireland, negatively impacting on living standards and quality of life. It is becoming increasingly clear that ignoring long-standing burdens on competitiveness cannot continue, and the global disruption brought about by COVID-19 provides an opportunity to refocus and take the steps necessary to tackle these long-standing issues so that all of Ireland's regions are attractive destinations for investors and high-skilled workers.

Facilitating access to high-quality internet connections across all regions of Ireland is essential for sustainable remote working²¹. As part of the *National Development Plan*, the *National Broadband Plan* (NBP) will provide high speed and future-proofed broadband services to all premises in Ireland. Among its first deliverables are the Broadband Connection Points, which will ensure that approximately 300 remote areas will be provided with some public access (via libraries, digital hubs, etc) to high-speed broadband while waiting for the NBP to reach them.

The development of remote working hubs with high-speed broadband has the potential to open up an array of economic and environmental opportunities for regional enterprises, while simultaneously contributing to the

¹⁶ NUI Galway & the Western Development Commission: [Remote Working National Survey Phase 2 Report - October 2020](#)

¹⁷ CIPD (2021): [Businesses plan a future with remote working](#)

¹⁸ [World Bank Doing Business 2020](#)

¹⁹ [WEF The Global Competitiveness Report 2019](#)

²⁰ NCPC (2020): [Ireland's Competitiveness Challenge 2020](#)

²¹ Forsa (2020): [Employee Survey](#) 12 % of respondents said they did not have access to essential technology like broadband.

*National Planning Framework's*²² objectives of more balanced regional growth. While COVID-19 has resulted in some delays in the rollout of the NBP, discussions are ongoing with National Broadband Ireland to identify opportunities to accelerate the Plan in order to deliver connectivity as soon as is feasible across rural Ireland²³.

It is also crucial that other elements of the *National Development Plan* (NDP) are also executed in a timely manner in order to deliver the vital economic, social, environmental and cultural investments necessary to make all of Ireland's regions vibrant and sustainable locations to live and do business in. The NDP is currently under review²⁴ and the revised Plan will be published later this year. It is expected to highlight areas where there are emerging and urgent infrastructure gaps. As part of the 10-year strategy, these gaps will need to be addressed in order to improve the quality of life and cost of living in both urban and rural locations so that Ireland is in a strong position to both retain and attract investment and talent.

OECD VIEWPOINT

The OECD²⁵ has highlighted a number of areas where cooperation between policy makers and social partners will be crucial in order to help maximise the potential productivity gains from effective remote working, while protecting workers from negative side effects and assuring innovation in the long run. These guiding principles aim to ensure that policies introduced in the area of remote working are efficiently designed so that the economic benefits of remote working can be enjoyed by employers, employees, and the economy as a whole.

The OECD analysis suggests Governments should focus on policies that can assist employees and employers adjust to the likely more widespread use of remote working into the future and should include:

- Policies to boost training for those with poor digital skills, especially for socially or regionally disadvantaged groups;
- Policies to ensure that remote working remains a choice so that individuals, firms and sectors can find the optimal level of remote working for their specific circumstances;
- Support arrangements that provide workers with an appropriate remote working environment, including investments in home office equipment;

- Promotion of managerial best practices through information campaigns and stimulating investment in management training;
- Policies to support the provision of fast, reliable and secure ICT Infrastructure for firms and workers across regions.

According to the OECD, by focusing attention on these areas, policy makers can help to maximise the gains for productivity and innovation of more widespread remote working, while minimizing the risks of decreasing worker wellbeing. This also points to the need for new data to monitor impacts on productivity in a timely manner.

IRELAND'S COMPETITIVENESS CHALLENGE 2021

As vaccinations continue to be rolled out and the pandemic is brought under control, the issue of blended working and the optimal arrangements for firms and individuals is coming to the fore. As noted above, the NCPC will explore the wider individual and societal aspects of remote working later this year in *Ireland's Competitiveness Challenge 2021*, and, where areas for improvement are identified the Council will make recommendations to Government on the policies required to support competitiveness and productivity.

Further Reading: The Council's annual flagship publication, *Ireland's Competitiveness Challenge 2020*, was published in September 2020 and made 20 targeted and actionable recommendations to Government on how best to address the challenges facing the Irish economy. In November 2020, the Government published an official response to the Council's recommendations for the first time, signalling their commitment to continued dialogue with the NCPC on competitiveness and productivity matters. The *Challenge* report and Government response are available at: www.competitiveness.ie.

This Bulletin has been issued by the Chair, Dr Frances Ruane, and was prepared by Patrick Condon and Linda Kane in the NCPC Secretariat.

²² [Ireland 2040 Our Plan – National Planning Framework](#)

²³ [National Broadband Plan: 24 Mar 2021: Written answers](#)

²⁴ [Review of the National Development Plan](#)

²⁵ OECD (2020): [Productivity gains from teleworking in the post COVID-19 era: How can public policies make it happen?](#)