Will a Recession Force Employees Back to the Office?

Most business leaders entered 2023 expecting to hear a formal announcement of a recession at any moment. Headlining layoffs in big tech and media during Q4 of 2022 and early January of 2023 seemed to reinforce that projection. But the economy rallied. By the end of January, the U.S. hit the lowest unemployment rate since 1969 and added over half a million jobs, more than double the predicted number. And as February closed out, economists backtracked on their projections of an imminent recession.

That said, a recession is still expected—perhaps in spring or summer instead of late winter as originally predicted. As the waiting drags on, more employers are considering how this will impact their business and their workforce. And many companies—in particular those who are embittered about remote work and have wished more employees would return to the office—are seeing an opportunity to obligate a return to on-site work.

But is that really the right decision?

Exploring the Current Workforce Climate

The pandemic is old news, but there's no denying it permanently changed the way the workforce works. The repercussions are ongoing. Between 2020 and 2022, strikes tripled and the Great Resignation took center stage. It became clear that employees prefer remote or hybrid work models, and this quickly became their expectation.

The benefits to this newly realized level of flexibility have been seen on all sides. For companies, it allows them to cut costs, leasing smaller offices (or none at all) and reducing related service costs. Elon Musk is just one CEO whose change of heart about remote work is making headlines—he cites cost as the biggest motivator. Flexible work models are also an attractive feature when recruiting new talent—Gallup reports 91% of employees prefer remote and hybrid work locations—which is good news in light of record high quit rates that aren't backing down.

For employees, the flexibility has created newfound freedom. It unties them from the burden of commuting and enables them to better balance their work and personal responsibilities. For women in particular, remote work has helped level the playing field, narrowing the gender gap in promotions and career opportunities. Regardless of gender, as many as 64% of workers say they would consider a new job if their employers required a full return to the office.

Nonetheless, a significant portion of employers are beholden to the belief that remote work decreases productivity. A Microsoft study revealed that 49% of managers whose direct reports are hybrid workers say they "struggle to trust their employees to do their best work." Others have bought into the fallacy that remote employees are secretly working multiple jobs.

For these employers, news of a recession is a possible leg to stand on, shifting power back to them. In a recessionary climate, job security comes into question. "It's not going to be so easy to give up your job," says one New York-based executive.

It's possible this shift is already incrementally happening. Almost three years after the pandemic first emptied out every office building, office occupancy recently returned to over 50%, representing a slow but steady increase in employers requiring a return to on-site work. That's on top of all the headlines about Disney and Starbucks, which are demanding that employees return, in addition to increased subway use in NYC business districts, indicating a growing number of office commuters.

The Battle Between RTO and Remote Work

Clearly, there is a disconnect between many employers and their workers. There's a growing list of companies that are requiring a return to the office for at least half the week, if not the full five-day work week. But will this strategy backfire?

Though a majority of employees say they'd consider a new job if they were required to return full-time to the office, it's unlikely that will happen to such a large degree. Quit rates, though at record highs, are ultimately much lower than the number of people who are just *considering* a change.

But retention isn't the only consideration in the decision to bring people back to the office. The now-cliched trends of "quiet quitting" and "bare minimum Mondays" might just be buzzwords, but they represent an underlying issue: declining employee engagement. Gallup reports that engagement is down across all industries for the first time in a decade, but the decrease is particularly notable in workers whose jobs are remote-ready but who are obligated to work fully on-site. Meanwhile, companies that have achieved a higher-than-average engagement rate are actively embracing flexible and hybrid work models.

Of course, hybrid and remote work aren't the only factors behind employee engagement. For employers whose aversion to remote work stems from a perceived drop in productivity, the issue comes down to empathy and trust. The initial pandemic response was steeped in sincere care and empathy, with employers offering what they could to ensure workers were safe and engaged. The fact that this has shifted post-pandemic is concerning to employees. They want an employer who cares and trusts them to do their jobs well, no matter where or when they are working.

One workplace expert poses the question, "Do you want the *most* out of your employees or the *best* out of them?" In other words, if the focus is on productivity, then the employer-employee relationship will be largely transactional with little motivation to go above and beyond. If, on the other hand, the focus is on "best," then employees are more likely to be engaged and empowered to achieve better work.

For companies that see a recession as leverage against employees who prefer remote or hybrid, it's important to recognize how that decision will impact retention, engagement, and, consequently, innovation and performance.

How Some Insurers Are Approaching the Return to Office

Ultimately, there is no one-size-fits-all approach to return to office policies. Leaders need to be aware of their employees' preferences, needs, and strengths, which may differ from role to role. In the insurance space, there are a handful of companies that have approached their work model with grace.

Allstate is one of them. With a focus on quality of life, Allstate listened when 95% of surveyed employees reported the desire for a more flexible work environment. As a result, only 1% of workers are now fully office-based, while 75% are remote and 24% are hybrid. In response, they also closed their larger office, distributing office supplies and equipment to local nonprofits.

As their workplace has evolved, Allstate does acknowledge that remote work doesn't create the same in-office experience for their employees. As such, they have focused time and resources on building a sustainable common culture through technology, embracing an employee-first virtual workplace. Through this flexible work initiative, they have seen a 30% increase in diverse job applicants, as well as significant increases in applicants for all roles, both leadership and non-leadership.

Liberty Mutual is another insurer that is happy to provide flexible work arrangements for employees—and they've been doing so long before the pandemic.

Finally, Blue Cross Blue Shield of Massachusetts is setting an excellent example of workplace flexibility. They have designated three models of work, including Resident—4-5 days/week on site, and accounting for 9% of their workforce; Mobile—1-3 days/week on site, and 20% of their workforce; and E-Worker—0-3 days/month on site, which accounts for 71%. They are committed to creating a better work-life balance and nurturing employee connections and community.

Despite a historically slow pace in evolving with emerging trends, it is encouraging to see more insurance companies adapt to the remote work model.

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