The Hybrid Gap:
How to Create the Ideal Work Environment

TalenTrust

Optimize

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This study reveals responses of 53 private U.S. employers and 1,057 employees gathered in surveys completed in April of 2023. This work is a collaboration between TalenTrust, a talent acquisition firm based in Denver, and Optimize, a strategic management consulting firm based in Los Angeles.

There has been a recent narrative in the business press that suggests a migration back to on-premise work. However, some headlines are misleading. According to the U.S. Department of Labor, the number of employees who rarely or never work remotely grew from 60% in 2021 to 73% in 2022, and has normalized in the last four quarters. Government statistics measure "establishments," treating each hotel, restaurant, or bank location as a separate business, inflating the ratio of on-premise employers.
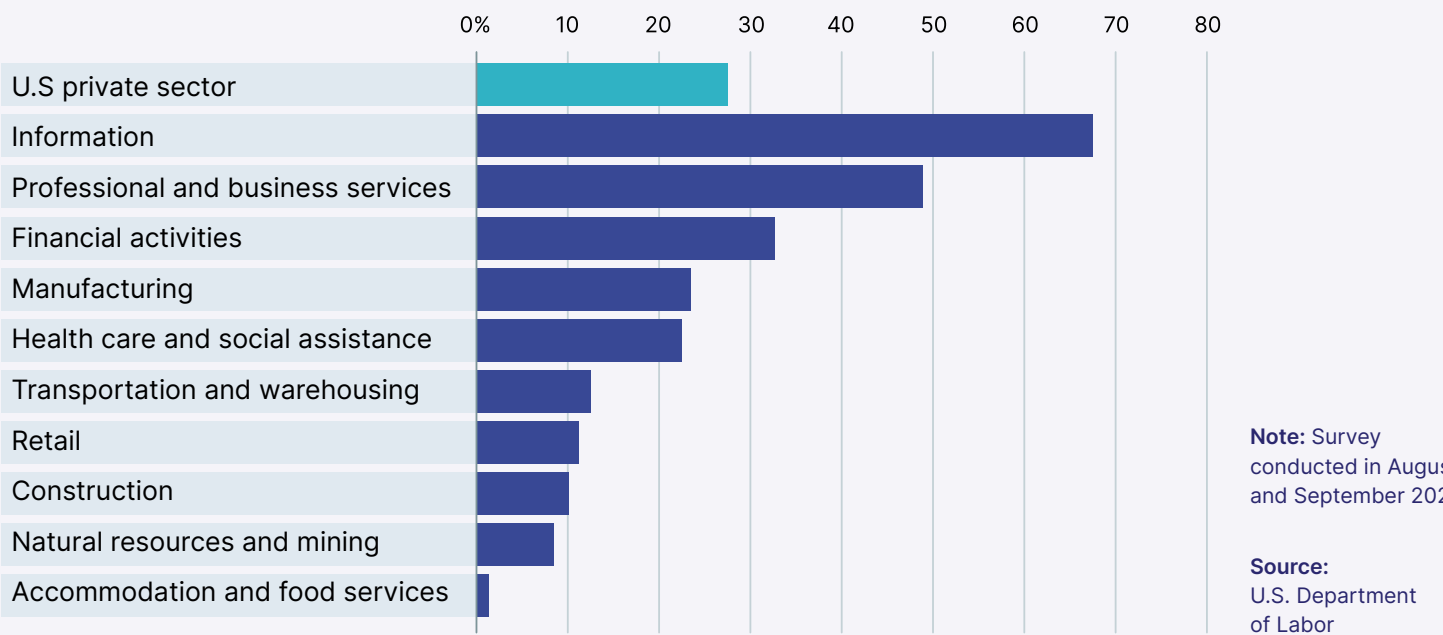
The data in this report suggests that there is a great divide between employers and employees, who have differing opinions on the value of remote work. This white paper focuses less on whether companies should be hybrid, and more on how to create the ideal work environment. It reveals the activities that are productive in hybrid, and those which require in-person collaboration.

The Hybrid Gap Survey uncovers insight on more traditional HQ working environments in sectors such as financial services, manufacturing, and technology that are less likely to have numerous locations. Respondents of The Hybrid Gap Study included:

- Workers, 24% of whom were going into the office every day
- Employers, 30% of which required their employees to be in the office every day

As reported in U.S. Labor Department statistics, the distribution of hybrid work environments varies greatly by industry. Knowledge workers such as in information technology have a much higher proportion of remote workers:

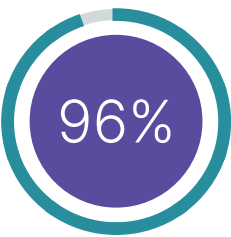**Share of private-sector establishments with some or all employees working remotely, in select industries**

Note: Survey conducted in August and September 2022

Source: U.S. Department of Labor

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Summary Findings

The Hybrid Gap Survey uncovered critical details about employer and employee preferences:

96% — **A staggering 96% of workers would prefer to work at home or in a hybrid environment (64% fully remote and 32% hybrid).**
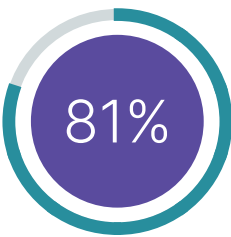
81% — 81% feel "supported" by their organizations in terms of the tools provided that enable hybrid. 68% of employers felt they were providing sufficient tools.
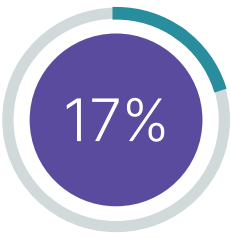
17% — Only 17% of employers are "intentionally structuring office days to be collaborative." 24% of employers thought they were providing such a structure.
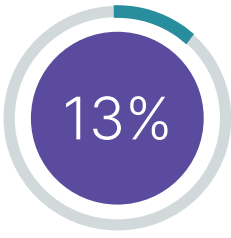
13% — Only 13% of workers feel being remote hinders their career progression.

When asked where they were most productive, 60% of employees felt they were more productive at home. However, there was strong variance by function. HR and technology professionals feel more productive than engineering and sales.

	More Productive	Less Productive	Equally as Productive	Not Applicable	Total
Accounting Finance	58%	3%	29%	10%	7%
Administrative	68%	2%	21%	9%	5%
Customer Services/Support	58%	2%	26%	14%	14%
Engineering	50%	14%	32%	4%	18%
Healthcare/Insurance	46%	0%	34%	20%	4%
Human Resources	73%	2%	18%	7%	14%
Management	50%	9%	19%	22%	6%
Manufacturing/Operations/Purchasing	33%	13%	40%	13%	2%
Marketing/Public Relations	75%	6%	11%	9%	6%
Sales	59%	5%	30%	8%	13%
Technology	83%	4%	18%	6%	12%

Of the employers surveyed (who are arguably now more conditioned to be hybrid), an equal number felt employees were more productive when working remotely as the number who thought their employees were less productive. Total U.S. productivity, as reported by the U.S. government, is higher now than before the pandemic began. Such statistics are often misreported because they compare variances during the pandemic, which were skewed.

45% — 45% of employees feel their companies provide ample attention to developing culture in their remote environments, compared to 19% who do not.

Employee Experience

Employee experience (EX) reflects an organization's unique culture and emotional connection employees have with their employer.

There are three criteria by which employees are judging their employers today: career progression, compensation, and flexibility. We asked employees about the following variables in terms of the impact of remote work. Higher scores indicate more favorable attitudes about hybrid environments vs. traditional in-office environments:

	Employees Surveyed	Employers Surveyed
Health and wellbeing	81	69
Actual productivity	75	64
Work-related expenses	72	70
Efficiency of meetings	66	59
Receiving feedback	63	49
Ability to maximize my compensation	63	59
Ability to shape decisions that affect my work	62	57
Access to systems that drive my productivity	62	57
Ability to acquire skills/career progression	61	55
Perceptions about my productivity	56	52
Relationships with coworkers	46	46
Sense of community	45	46

Source: The Hybrid Survey

Predictably, employers and employees have differing views on productivity. Both believe there is a delta between perceived productivity and actual productivity. While employers correlate hybrid work with health and wellbeing, workers considered even greater correlation between working from home and improved wellbeing. When asked about collaboration, employee and employer attitudes were more similar than dissimilar:

|	Employees Surveyed	Employers Surveyed
Receiving direction from their manager	58	53
Recruiting activities	57	58
Innovating or building new products/services	56	53
Building relationships with customers	53	55
Collaborating with their team	52	47
Leading their team	52	49
Onboarding new hires	48	42

Source: The Hybrid Survey

- Employee onboarding is particularly problematic in remote environments.
- Employees are more confident they can receive direction remotely than their managers are.

1. Career Progression

When asked what career progression activities are most important to them, technical skills training and goal setting were most important to employees, and goal setting was most enabled by remote. Interestingly, some highly touted practices such as career pathing and mentoring may be less important to employees who have a stronger appetite for "skills acquisition."

High	Low

Enabled by Remote

Technical skills training

Goal setting

Soft skills training

Career path

Mentoring
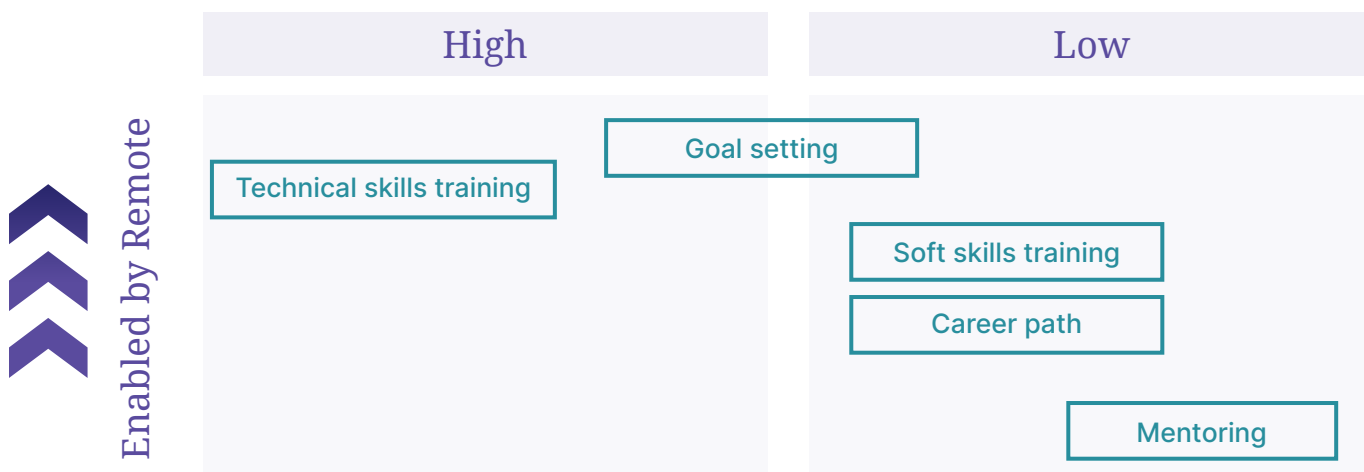
Source: The Hybrid Survey

Some companies offer cross-training to expand their employees' skills. For example, DCP Midstream's Chief People Officer Tamara Bray initiated a plan to train field workers on all aspects of field work. This enabled employees who wanted to grow and learn a new trade and potentially increase their compensation.

2. Flexibility

There is a particular disconnect over flexibility, especially as it relates to when and where to work.

As a result of changes in employee expectations, some employers are moving toward "extreme flexibility." There is even talk of 4-day workweeks in some environments. Although 4-day weeks may work in some environments, it may prove impractical in others.

According to Gartner, the importance of "location flexibility remains high for both candidates and employers." 67% of job seekers prioritize hybrid as "very important" in their job search. However, this is not a viable option in industries such as healthcare, construction, and manufacturing.

A one-size-fits-all solution to flexibility defeats the purpose of hybrid. Employers must recognize the individual needs of the employees and their circumstances. Managers must trust their employees to work in a remote or hybrid environment, and focus on providing them the tools to do so.

There are also significant differences related to flexibility by gender. Gartner found that while women care more about where and when they work, men care more about what they work on.

Remote preferences also vary greatly by role, with digital roles offering far more flexibility:

Function Name	Fully Remote %	Hybrid Remote %
Information Technology	21%	14%
Marketing/PR	19%	14%
Human Resources	15%	12%
Finance/Accounting	15%	12%
Legal	10%	13%
Creative/Talent	14%	7%
Executive Management	12%	10%
Science/R&D	9%	10%
Sales/Biz. Development	11%	4%
Engineering/QA	6%	9%
Administration/Clerical	6%	5%
Education/Training	10%	2%
Social Services	4%	6%
Security	5%	1%
Medication/Health	3%	2%
Facilities/Construction	2%	3%
Hospitality/Services	3%	1%
Operations/Logistics	2%	2%
Maintenance/Repair	2%	1%
Manufacturing/Resources	1%	1%

Source: Gartner

Work Models Advertised for Various Functions as a Percentage. November 2021 - February 2022 in U.S., U.K. and Canada

There are concerns that employees required to be in-office garner resentment toward remote workers.

Flexibility can also be applied to on-premise employees

Employers are considering options such as providing on-premise employees the opportunity to select or trade shifts.

3. Compensation

In a period of persistent hyper-inflation, compensation has become mission critical—especially in lower compensation bands where employees will change jobs for a $1- or $2-per-hour increase in pay. In our study, neither employers nor employees felt any degradation in compensation as a result of remote work. Certainly, some employers have perceived employees in rural parts of the country to be more affordable than in urban centers such as New York or San Francisco.

Compensation is also highly pertinent to these findings, as it is a proxy for the degree to which employees have leverage in a highly competitive job market. The flight toward bringing people back to the office suggests that employers now have the upper hand, amid daily news reports of layoffs. Again, reporting can be deceiving—the March job report indicated that the U.S. produced an increase in total employment (236,000). The stickiness of wage inflation (still around 7% through March) suggests employers have a low degree of leverage.

Median Year-Over-Year Change in Annual Pay by Worker Mobility
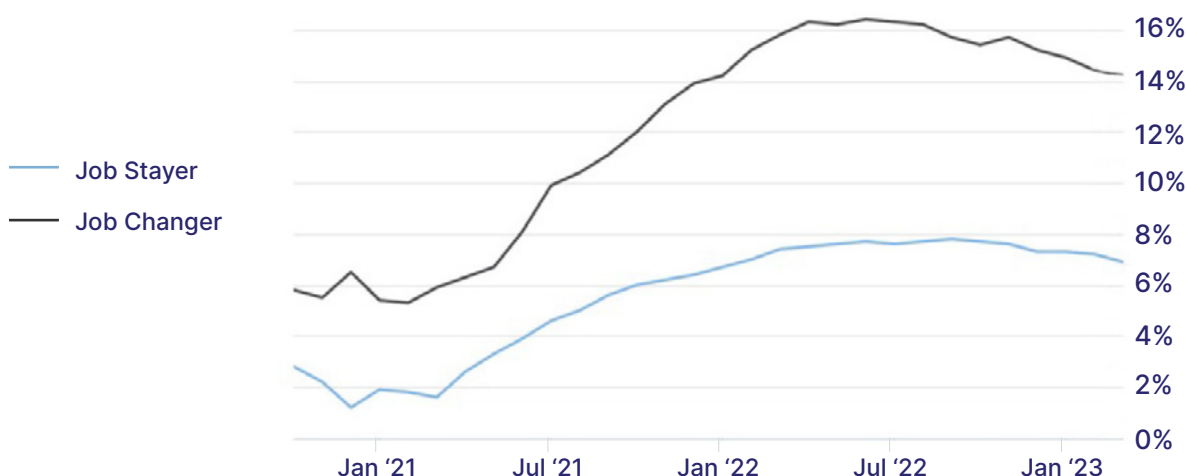
March Pay Insights by Industry

Median year-over-year change in annual pay   ● Median Pay Change
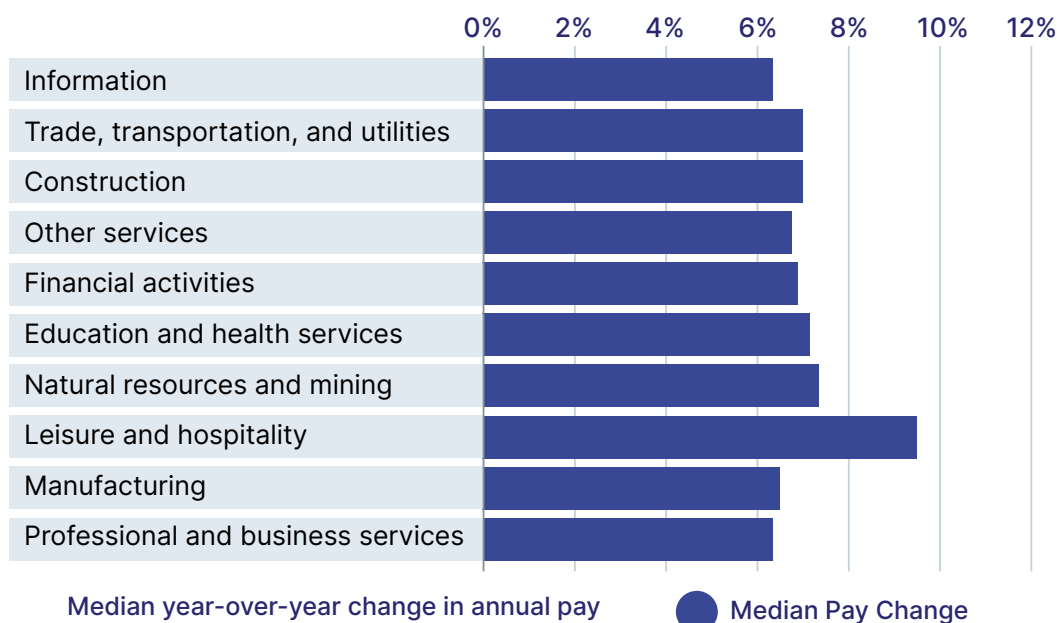
Engagement Scores

In recent years, employers invested more heavily in the broad concept of employee experience, which encompasses employee engagement and every other factor impacting how employees feel at work. According to Gallup, the number of actively disengaged employees had begun to decline before the pandemic. But engagement continued to erode in 2021 and picked up steam in 2022. This coincides with employers demanding that their employees come back into the office. You can't put the genie back in the bottle.

According to Gallup, "the largest decline in employee engagement was among those in remote-ready jobs who are currently working fully onsite—this group saw a decline of five points in engagement and an increase of seven points in active disengagement."

Gallup observed that disengagement has spiked among two groups since 2019: healthcare workers and individual contributors/project managers. That is, people who may be "on an island" are trying to complete projects with people in offices - which impacts their effectiveness. Finding days that a group can meet in person to focus on projects is an example of providing structure for in-person workdays.

U.S. Employee Engagement Trend, Annual Averages


— % Engaged   ---- % Actively disengaged
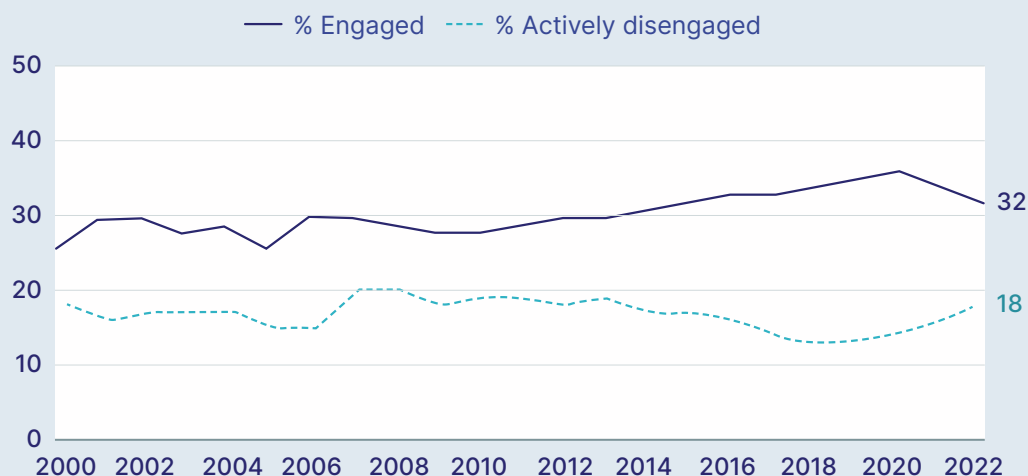
The growing disengagement of younger workers and women is particularly troubling. Gallup points to these issues with younger workers:

- Feeling cared about (has anyone had a conversation centered around me?)
- Having someone who encourages their development (talk to employees about their objectives)
- Opportunities to learn and grow (invest in their learning)
- Knowing their opinions count (listen first, then act)
- Having a best friend at work (build community)

In the last year, we've observed that some of our clients have increased employee engagement scores, and others have declined likely because of back-to-work policies, which may be outdated and undesirable. Employees have choices. According to the Department of Labor, there are 9.9 million open positions in the USA and only 5.8 million people available to fill them.

Turnover

Quits have increased dramatically since the beginning of the pandemic. The job participation rate remains at historical lows. Through February 2023, U.S. voluntary quits (quit rate) now average 2.6% per month (31% per year).
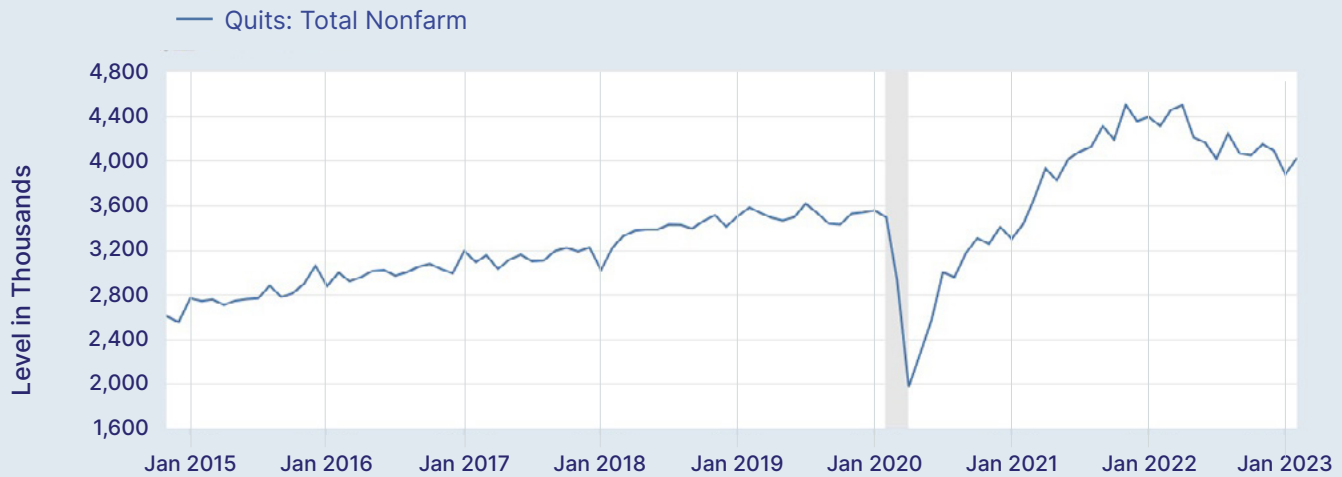
Shaded area indicate U.S. recessions | Source U.S. Bureau of Labor Statistics

There are strong variances by sector. **Sectors which are entirely on-premise (such as hospitality) have much higher turnover than those that are more remote, such as information technology.** Consulting is an outlier—a highly discretionary spend for many companies, and a sector that is contracting quickly given the threat of recession.

	% Remote	Annual Turnover
Construction	10%	24%
Manufacturing	23%	26%
Trade, Transportation and Utilities	11%	37%
Information	67%	17%
Financial Activities	32%	14%
Professional Services	48%	35%
Education and Health Services	26%	30%
Leisure and Hospitality	1%	67%

Key Conclusions from the Study

- **In an era of high turnover and prolonged wage inflation, employers should look past any perceptions they have about productivity and focus on creating the best employee experience. Most employees who can work remotely have a strong desire to do so at least three days per week.** Creating the ideal hybrid environment can offset higher wages and turnover as fuel for competitive advantage.

- Employers must find a cadence for certain high-value activities that should happen in person, such as strategy meetings, new-hire orientation, and teambuilding.

- Some activities like technical training or sales support can be done as effectively remotely as in the office.

- **On days where employees are in the office, there must be a structure for team meetings and outcomes. Nothing frustrates employees more than driving into the office and conducting activities they could complete at home. If, for example, an employer chooses Tuesday and Wednesday as in-person days, those days must be highly prescriptive with stated outcomes for every team and employee.**

- Employees with roles such as project management need to be in the office occasionally, and their managers must orchestrate an environment that enables successful completion of projects. Again, some activities (such as a project launch) could be required "in-person."

Employee focus on personal wellbeing cannot be understated. In the aftermath of the pandemic, employees care about their own wellbeing and that of their families (including both parents and children). According to a recent Korn Ferry report, over 500 respondents said that returning to the office would negatively affect their mental health.

While some employers prefer in-person activities, there is a sweet spot that can satisfy both employers and their employees.

The Hybrid Sweet Spot

At home: 2-3 days per week	In office: 2-3 days per week
• Technical training • Goal setting • 1:1's • Sales support • Recruiting activities	• Team meetings • Onboarding • In-person client interactions

Roadmap for the Future

Below are best practices you can deploy now to provide the ideal work environment and position as an employer of choice.

Recruiting

- Not only are referrals likely the best source of new candidates, but employees hired through referrals more often align with their employers values. By optimizing your referral program, you are more likely to hire employees you can trust in a remote work setting. Because the cost of hiring a new employee is often $7,000 or more, companies are dramatically increasing their referral bonuses.

Onboarding best practices

- Provide a structured path to productivity. Immediately send a packet that's both welcoming and informative to the new hire's home. Including a note from the CEO or new boss is a nice touch that's appreciated.

- If possible, provide an online training portal for filling out HR forms and introducing employees to your community and policies they should know on the first day.

- Inform the front desk staff and relevant others in advance of when the new hires will start and what their role will be. On the first day of the job, have their desk, computer, and phone set up and ready to go.

- Be flexible, allowing new employees to choose things for themselves—technology, choice of desk or office, and daily schedule (if possible).

- A meeting or lunch with the direct manager or coworkers should be part of the first day's activities. Make the day exciting, fun, and warmly welcoming.

- Ask the CEO or other senior executives to make themselves available. Ideally, leaders would stop by to say hello to the new employee on the first day.

- Ensure regular follow-up is part of the process for as long as support is needed. Check in regularly with new remote employees by phone or video.

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Training and development of each person

- Consider training and development part of your succession plan. It should be an ongoing process that provides employees the opportunity to grow and learn throughout their tenure. Recognize that this requires an investment in each individual.

- Personalize development by asking employees what interests them and what their goals are, and then align those with their training and development choices.

- Recognize that people learn differently. Some prefer online, some in person, and some visual. Understand the preferences and offer
choices that achieve the best results for both the individual and organization.

- Cross-train and upskill current employees to provide opportunities for advancement or change rather than first looking outside your organization for new talent.

- People want to grow and learn, and they expect employers to provide opportunities to accomplish their goals. Investing $1,000 per employee per year for development is a reasonable minimum. To ensure successful outcomes, it is critical that training programs align with the skills employees want to learn.

Training managers on how to lead remotely for best results

- Educate managers in new skills they'll need to lead in a hybrid environment, and give them time and space to adapt to the transition. Reinforce that they already have many of the leadership skills they'll need. Empathy and other soft skills, for example, are essential to every type of leadership. More than half of hybrid managers and leaders are not receiving any training to help them effectively manage the hybrid work environment, according to new reporting by Gallup.

- Ask managers to trust that employees will get the work done.

- Emphasize the importance of communication, including dialogue. Help them create clear hybrid work plans that explain everything employees need to know. Ensure they create fair and consistent team expectations for being on premises and/or remote.

- Make sure they provide the resources and support employees need to be productive at home or in the office. Have them focus on outputs, not processes.

- Ask them to set boundaries around work/life balance, especially regarding communication outside work hours to help people, including themselves, avoid burnout.

- Give them the tools to measure hybrid work productivity and check for signs of burnout.

- Help them find ways to create community and engagement through communication, fun, and celebration.

Effective leadership communication in an era of constant change

- Open, honest communication is the foundation of leadership and necessary for building trust. As we have illustrated, only 21% of employees strongly agree that they trust their leadership. Leaders regain trust to as much as 95% when this trifecta is strongly present: leading and supporting change, communicating clearly, and inspiring confidence in the future, according to recent research by Gallup.

- Articulate your vision for change and for the future, emphasizing that change is a constant now and will be in the future.

- Show your authentic self. Be both transparent and vulnerable. Revealing that you are vulnerable opens others to share their thoughts, concerns, and beliefs honestly. Know and demonstrate that you, as a leader, don't have to know everything.

- Understand how people want to receive information and tailor communication accordingly.

- Develop a corporate communication plan using various media and touchpoints. Overcommunicate in terms of frequency, but not in terms of chunks of information that may be too large to digest.

- Be aware that there is inevitably resistance to change in any team. Make certain every individual understands how changes will affect them.

- Hold the fierce conversations most people try to avoid, but that are needed to create meaningful and necessary change. Start by understanding your own beliefs, opinions, and biases. Address issues early on and tailor solutions to the individual. Start with something positive, listen, don't give in to anger, and look for a successful outcome.

- Celebrate, recognize, and reward often.