



# Work from home has come to stay

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The COVID-19 pandemic has already changed and will continue to change working conditions in the long run. Companies quickly reorganised their workflows (particularly office workflows) as infection figures rose and hygiene requirements were tightened. In view of numerous positive experiences and recent investments it seems probable that the new work from home structures will remain in place to some extent even after the end of the pandemic.

Companies have opened up for work from home solutions. Hybrid work models seem to be the future. While working from home certainly has many advantages, there are some disadvantages, too. Still, the recent increase in flexibility will enable companies to realise efficiency gains. Many employees would like to combine working from home and working at the office in the future.

Taken on its own, remote working will not necessarily increase productivity. As employees work remotely, they cannot spontaneously exchange information and ideas; serendipity suffers. At the same time, companies may need to spend less on office rents. Research suggests that employees tend to work longer hours and in many cases more efficiently at home.

**Impact on the office property market.** Demand for traditional office space appears likely to weaken in the medium term. However, the decline is likely to be smaller than the initial euphoria for remote working suggested. As workflows change, companies will be interested in office properties that can easily be adapted to different purposes.

**A legal right to remote working? Guidelines make sense, but companies need leeway, too.** In Germany, there has been no general legal entitlement to mobile working so far, yet corresponding company agreements are not uncommon. To fight the pandemic, a temporary general obligation until 15 March 2021 will be created through an occupational health and safety ordinance. Any further general legal framework that may form a basis for negotiations at the company level might be based on the provisions governing part-time work. As flexibility is the key advantage of remote work, any legal provisions should take this into account.

**The situation in Germany: Mobile working is not the same as teleworking.** According to the German Ordinance on Workplaces (“Arbeitsstättenverordnung”, ArbStättV), teleworking implies that the employer provides permanent display screen equipment (“DSE”) workstations in the employees’ home. There are no similar rules for mobile work; in many cases, employees use their own devices and equipment.

**Remote working may help to ensure workforce participation.** Demographic developments will considerably reduce the German workforce. Many workers will want to take care of family members. A more flexible handling of when and where employees do their work may help to meet these challenges.



## The COVID-19 pandemic has already changed and will continue to change working conditions in the long run

As infection figures rose and social distancing rules were tightened, many companies found that their premises simply did not meet the new requirements. In response, they had an unprecedented number of employees work from home. Before the pandemic, remote work tended to be a topic of individual agreements between employers and workers. COVID-19, however, has caused a quick and widespread shift towards working from home, provided that employees' individual roles allow it. In fact, remote work became indispensable for many parents, as childcare facilities closed and their children were not allowed to go to school anymore. Moreover, working from home is a safer option for employees whose health is already compromised. Surveys have shown that many employees feel that remote work is more efficient. They feel less stressed, not least because they do not have to commute to work.

At the same time, office floors in traditional office buildings are empty, but continue to cost the companies money. The expansion and operation of the communications infrastructure also leads to additional expense. Employees no longer exchange information quickly and informally at the office, but at regular virtual meetings. Spontaneous conversation, in which ideas and inspiration are exchanged, has become considerably less frequent.

Nevertheless, companies seem to have managed the shift to remote working quite well. So are we heading for an office property market crash? Office prices and rents steadily trended upwards before the pandemic. As mobile working becomes more popular, the cycle seems to be in danger of ending soon.

However, things are not quite as simple as that. During the pandemic, working from home is doubtless an ideal way to minimise infection risks, both from employees' and employers' vantage points. However, once the crisis is over, the key question is whether and to what extent people will want to continue with remote working. There are many arguments both in favour and against remote working, from potentially lower expenses for office space to data protection issues or workplace ergonomics. In view of the current temporary "work from home obligation", the political discussion on a general right to work at home is likely to gain momentum again, especially with the upcoming election campaign in Germany.

Quite apart from the fact that not all professional activities can be reliably performed at home, there is one major question: Companies certainly benefit from efficiency gains if their employees work from home. But are employees sufficiently rewarded by more spatial and temporal flexibility or should companies provide additional compensation?

### Working from home before and during the crisis – employers have a duty of care toward employees

During the first wave of the COVID-19 pandemic in particular, the number of remote workers jumped. Before the pandemic, roughly 13% of all German employees worked at least occasionally from home. However, this percentage covers all types of working from home. In this article, the term "working from home" will mean "remote working" or "teleworking", unless stated differently. It refers mostly to EDP-supported workflows, which may be completed outside the company (including from home), provided that the necessary infrastructure is in



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IAB: Number of remote workers up by c. 20% during the COVID-19 pandemic

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Percentages

Comparison 2019/20	Total	Women	Men
Still not wfh	45.7	40.2	47.7
Still wfh	30.9	28.8	31.6
Newly wfh	19.6	27.8	16.7
No longer wfh	3.8	3.2	4.0

wfh = working from home

Source: Institute for Employment Research (IAB)

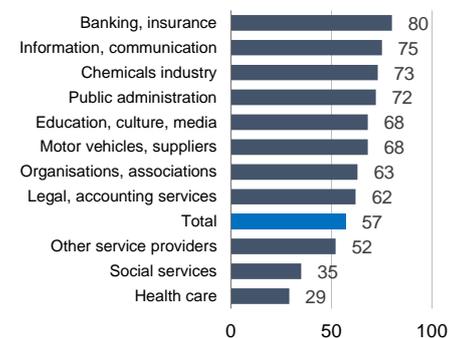
place. According to a representative online survey by the Bavarian Research Institute for Digital Transformation, 43% of those who had an internet connection at home worked at least occasionally from home in March 2020 – up from 35% directly before the pandemic. A telephone survey by Bitkom, the German digital association, painted a similar picture: 49% of the respondents said in March that they worked full-time or part-time from home. About one-third of them had not worked from home before the pandemic. These figures are in line with longitudinal data by the Institute for Employment Research (IAB), which show that about 50% of all employees worked at least occasionally from home in April/May 2020 (2019: 35%)<sup>1</sup>. Roughly one-fifth of them had started to do so due to the pandemic. The results of a Randstad/ifo survey among HR managers are even clearer. According to this survey, 61% of all employees worked from home in Q2 2020, compared to 39% before the pandemic. Three-quarters of the companies polled in the April ifo survey said they had expanded their remote working options in response to the crisis. According to the ifo Institute, 76% of all companies enabled their employees to work from home, up from 51% before the pandemic. Those who had already offered remote working options before the crisis saw the percentage of employees working from home rise from 18% to 42%. On average, 60% of all working hours were spent at home (up from 33%).

These figures are evidence of the major structural shift caused by the new conditions. Digitisation boomed above all in those sectors where it is relatively easy to work at home. According to Alipour et al. (2020)<sup>2</sup>, about 56% of all employees in Germany had the option of working from home by mid-2020. Depending on their roles, however, there may be considerable differences between the individual sectors.

Expansion of digital work

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"Employer has quickly and considerably expanded opportunities to work from home", %



2nd survey, N=7,226

Source: DAK

In a representative survey by DAK-Gesundheit, a statutory health insurance provider, 80% of bank and insurance employees said that remote working options had been “suddenly expanded”. The percentage of remote workers amounted to just above 70% in the public sector or the chemical industry; as expected, it was lowest in the social and healthcare sectors, at 35% and 29%. The coronavirus pandemic seems to have worked as a catalyst for remote working solutions.

### German employers have a duty of care toward employees

During the COVID-19 pandemic in particular, the massive expansion of remote work has enabled German employers to comply with their duty of care towards their employees pursuant to section 618 of the German Civil Code and to reduce health risks for their employees at work and during their commute. Moreover, the rules on SARS-CoV-2 work protection standards were refined in August 2020 and then again in January 2021. The new requirements in terms of minimum distances, social distancing and hygiene practically forced companies with closely packed open-plan offices to have their employees work from home whenever possible.

Seeing that COVID-19 infection figures ballooned again during winter 2020/21, remote working will remain a key infection protection measure for the foreseeable future, at least until infection numbers decline again. The health situation will probably remain tense until a vaccine is broadly available or a large percentage of the population has been vaccinated. The recent news suggest that this will be the case in second half of 2021.

<sup>1</sup> Frodermann, Corinna, Philipp Grunau, Tobias Haepf, Jan Mackeben, Kevin Ruf, Susanne Steffes, and Susanne Wanger (2020). Online survey of employees: How Corona has changed everyday working life. IAB Brief Report, 13/2020. Nuremberg.

<sup>2</sup> Alipour, Jean-Victor, Oliver Falck, and Simone Schüller (2020). Working from Home during the Pandemic and the Post-Crisis Implications. ifo Schnelldienst 2020, 73, No. 07, pp. 30 -36.



## Pragmatic solutions for mobile working until now; first calls for compensation for widespread mobile working have emerged

Overall, companies and employees obviously realise their joint interest in safe work procedures and act accordingly; they have responded pragmatically and found cooperative organisational solutions. Nevertheless, if remote working becomes more widespread, we are likely to see a discussion about the details. Employees have started to call for a compensation for their mobile-work-related expenses, in particular for the use of privately owned equipment (such as laptops, monitors or office chairs). Alternatively, they are asking employers to provide such equipment. In Germany, such demands apply above all to mobile working solutions, as employers are by definition obliged to provide any equipment for so-called teleworking. Employees have also asked for ergonomic office chairs and contributions for their general ancillary expenses, particularly in case that remote working becomes the “new normal” even after the pandemic.

### Lump-sum tax allowance for mobile work has defused tensions

The amendments to the annual tax law 2020 included a so-called “lump sum tax allowance for mobile working”. For 2020 and 2021 at least, the German parliament has defused tensions in the discussion about compensation for additional expenses related to working from home. The decision foresees a lump-sum tax allowance of EUR 5 per day for remote working up to a cap of EUR 600 per year. This is equivalent to a considerable tax relief for employees. The Federal Ministry of Finance estimates the total fiscal cost at about EUR 1 bn.

So far, any employees who wanted to claim tax relief for a study at home, but were provided with a regular workstation at the company’s office had to meet strict criteria. The study had to be a separate room and had to be used (almost) exclusively for professional or corporate purposes. Provided that the study is indeed a separate room, any expenses are tax-deductible in full only if employees work at home for at least three out of five working days per week. If they work at home only for two days a week, the potential deduction is capped at EUR 1,250 per year (lump sum). Couples who jointly use the study are allowed to deduct double the allowance. Before the easing of deductibility, it was impossible to claim tax relief for any work done in a “study corner” or at the kitchen table. Nevertheless, even if employees did not have a separate study, they were able to deduct some expenses for remote working from their tax debt, for example any spending on equipment, such as laptops, desks or office chairs, on office materials and a percentage of telecommunications and training expenses.

### Expenses for work done at the kitchen table are now tax-deductible – up to a certain limit

The amended provisions will apply to those who have not fulfilled the requirements for a tax-deductible study so far. The lump-sum allowance for remote work is treated like any other allowance for income-related expenses, which has led to some criticism. As people work from home, they cannot deduct commuting expenses any more. This means that, for some, the tax debt may exceed the maximum lump-sum deduction for remote work (EUR 600). Still, the tax allowance for commuting is meant to cover actual expenses, and working from home does not require a commute. Taxpayers would benefit excessively if the lump-sum allowance for remote work was granted on top of the lump-sum allowance for income-related expenses. Moreover, employees can deduct up to



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EUR 800 (plus VAT) from their tax debt for the purchase of any equipment which they mostly (i.e. to at least 90%) use for professional purposes, such as computers, monitors, desks or specialist literature. This deduction is possible in the year of the purchase.

### More flexible working hours are a major benefit

Many employees quite like their new-found liberty of working where and when they want to. Above all, they do not need to spend time on commuting, and in any case, it probably becomes easier to reconcile professional and private life. While time and cost saving effects are measurable, the main benefit is probably that people can more freely dispose of their time. According to the microcensus 2016, almost half of all German workers spend up to 30 minutes on their commute to work (one way). This sums up to one hour of commuting each day. Workers may already be stressed by the traffic when they arrive at the office. And if they have to drop their children off at school or kindergarten, the demands on their time are even higher. Working from home may reduce stress and result in more flexible working hours.

### Tax relief for remote working until the end of 2021

This is the background for any negotiations between employers and trade unions, be it at a general or at company level. In addition, only part of a company's workforce will have the option of working from home; this depends on the employees' individual tasks and functions. In the short term, the recent tax-law amendments will considerably reduce the financial burdens for employees who work from home. In all probability, employers and trade unions could agree on additional compensation schemes at the company level before the amended provisions run out by end-2021. Companies are likely to use attractive remote working options to keep, motivate and gain talent.

### Companies have opened up for work from home solutions; hybrid work models seem to be the future

Companies' plans and employees' hopes for the time after the COVID-19 pandemic reflect their favourable experience with remote working. In Q2 2020, 64% of the HR managers surveyed by Randstad and the ifo Institute said that they planned to use more web conferences in the future. 47% of the HR managers wanted to extend mobile working options further, and another 18% said they would keep the status quo. A Deloitte survey conducted in November led to a similar result. 66% of the participating CFOs said that they would try and expand mobile working options in the future. These figures are in line with the results of a survey of the Fraunhofer Institute for Industrial Engineering (IAO). Almost 500 companies were surveyed, with 42% of the participants saying that they planned to expand mobile working options and 13% wanting to keep the status quo.



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Scenario for a structural shift: 50% of office employees work from home for two days a week

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Assuming that, after the pandemic, office employees work 40% of their total working hours at home (instead of 10% before the pandemic), the number of "office days" will decline from 162 to 120 per year, i.e. by about 26% per employee. Let us assume further that 50% of all office workers are given the option of mobile working. In that case, demand for office space will decline by 13%. If tenancy agreements are concluded for 10 years on average and if 10% of all agreements run out each year, demand for office space will decline by 1.3% compared to the pre-pandemic level.

Outcome 1: This is equivalent to c. 2.4m sqm per year. By contrast, roughly 1m sqm in office space was additionally rented out every year between 2009 and 2019 in the 126 cities studied. Overall, demand for office space is therefore likely to decline by 3.4m sqm per year, which means a substantial drop in rents and prices.

Outcome 2: Under these circumstances, it is likely that workers will perform routine tasks at home and use their time at the office to exchange ideas, communicate and foster the corporate culture. This will require more space per capita – a development that should offset the drop in demand to some extent. Fewer business trips will also prop up demand for office space and cushion the potential shock.

47% of the managers have lowered their reservations against mobile working compared to their pre-pandemic stance. Nevertheless, 40% say that "management at a distance" requires some training.

These statements are hardly surprising, seeing that many companies have meanwhile procured the necessary equipment and employees have gained routine in using it.

### Mobile working may lead to corporate cost savings

Cost considerations will probably be another reason to make managers more willing to accept mobile working; after all, expenses will decline if less office space is necessary. Please see our study "[Working from home: Be careful what you wish for](#)" for more details on this aspect. A look at the German market, with its roughly 15 million office workers, shows that any potential savings would be highest in large cities. However, this is probably where employers will want to keep large offices, for example as company headquarters. Nevertheless, some efficiency gains are possible. For example, companies may introduce smart office solutions, which will enable employees to share desks, as some workers will work from home on any day of the week. In addition, even these cities always have secondary locations, so that companies may rent offices more cheaply. Overall, uncertainty on the office market is high for now.

Both recent employee surveys and company announcements suggest that hybrid work models will become popular in the near future. Provided that their roles and tasks allow it, employees may regularly work from home for one or two days a week in the future. Widespread, permanent mobile working seems unlikely, however, not least because people's homes are not suitable for that purpose. Housing markets are tight in many cities, which is why employees may find it difficult to move to a bigger apartment, be it because such apartments are not available at all or because they are too expensive.

While demand for traditional office space is indeed likely to weaken in the medium term, the decline will probably be smaller than the initial euphoria for remote working suggested. As workflows change, companies will be interested in office properties that can easily be adapted to different purposes. Digitisation will lead to additional changes in the medium term.

### Breakdown of working days

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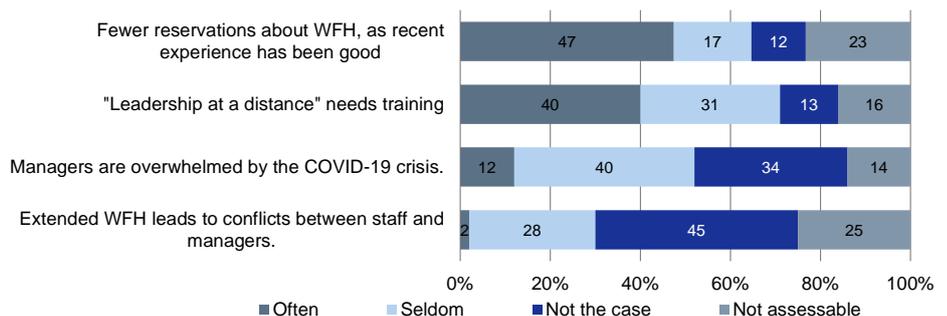
	pre-COVID-19	post-COVID-19
<b>Annual</b>	<b>250</b>	<b>250</b>
- Sickness	10	10
- Holiday	30	30
- Travel	30	10
<b>= Office days</b>	<b>180</b>	<b>200</b>
Working from home	18	80
	(=10%)	(=40%)
<b>Traditional office</b>	<b>162</b>	<b>120</b>

Source: Deutsche Bank Research

Expenses for work-related travel will probably decline considerably as well. The corona-induced digitisation boom has quite literally improved the mutual visibility of many teams. Virtual meetings are certainly a way to reduce travel costs, particularly for global companies. Online meetings are a good option at the regional level, too, unless people need to be present in person. As a positive side effect, the carbon footprint of these business processes will shrink.

### HR managers' views on working from home (WFH)

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Sources: Fraunhofer IAO, Deutsche Gesellschaft für Personalführung DGFP e.V.



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### Working from home: The HR vantage point

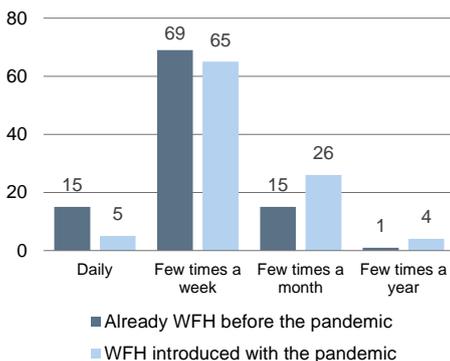
Working from home (be it mobile or teleworking) is an interesting issue for HR departments for several reasons. First, it may be a good option to provide employees with an environment in which they can really come into their own, to the advantage of both themselves and their employers. Giving people more choice among workplaces may enable them to get things done at the place where they work most efficiently. Teams, however, may have to overcome a challenge; they will need to find the optimal balance between more workplace flexibility, which may improve efficiency, and the necessary structures for an exchange of ideas.

Surveys have shown that employee satisfaction rises if people can work from home, not least because they feel they are more productive. A study by DAK-Gesundheit found that 56% of 2,100 employees who regularly work from home say that they are more productive at home than in the office. Moreover, staff fluctuation appears to decline if people can work at home. This may help to reduce recruiting expenses and the loss of knowledge. At the same time, shifting the workplace to the home may also suggest that the tasks can be outsourced to external platform or temporal workers. Moreover, the advantage of less staff fluctuation may wane once more and more employers offer their workers a remote working option.

Desired proportion of work from home after the COVID-19 pandemic

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Employees subject to social security contributions (aged 16 and older) working from home (WFH), %



Sources: IZA, BMAS

### Employees want to keep their newly won flexibility

Surveys have shown that a majority of employees would like to keep the new possibilities of working from home even after the pandemic. Take, for example, the results of a survey<sup>3</sup> taken for a [short analysis on behalf of the German Federal Ministry of Labour and Social Affairs \(Bundesministerium für Arbeit und Soziales, BMAS\)](#). 93% of the survey participants who worked from home in July and August 2020 said that they wanted to continue to do so after the pandemic. The percentage dropped to 88% among those who had not used mobile working before the COVID-19 crisis. Furthermore, just above two-thirds of the respondents said they wanted to work from home only “several days” a week. Permanent mobile working appeals only to 15% of those who had already gained experience with the concept before the crisis and only to 5% of those who started to work in a mobile office during the pandemic. 15% of experienced mobile office workers and 26% of newcomers said that they wanted to work at home “several days per month”. This suggests that most employees prefer a hybrid model, under which they work from home for one or two days a week. It is therefore no surprise that employees attach much importance to their potential employer’s mobile working offers. There are only minimal differences between the employees with different degrees of education. However, there was a gap between those who had already gained experience with mobile working before the pandemic and those who had not. Experienced mobile workers regard mobile office options as “very important” (58%) or “quite important” (35%). The percentages dropped to 32% (very important) and 42% (quite important) for newcomers. The difference may be explained by habituation and learning effects. It seems plausible that those who already worked from home before the pandemic tend to appreciate such options more than their less experienced colleagues.

<sup>3</sup> Bonin, Holger, Werner Eichhorst, Jennifer Kaczynska, Angelika Kümmerling, Ulf Rinne, Annika Scholten, and Susanne Steffes (2020). BMAS Kurzexptise. Verbreitung und Auswirkungen von mobiler Arbeit und Homeoffice.



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### Hybrid work models – the best of both worlds

Despite the enthusiasm for newly won flexibility in terms of working places and hours, mobile working has some disadvantages, too. For that reason, many employees prefer a mix of traditional office work and working from home. First, living spaces are often not ideally suited for working, and the technical equipment may be less than optimal. As employees were unexpectedly sent home, many set up a makeshift office at the kitchen table or at a desk which was quickly bought and put in a free corner in their apartments. All in all, private homes are often not the best environment for a permanent workstation. This applies in particular to comparatively small and expensive apartments in many metropolises – and the situation becomes even more difficult if two people want or need to work from home at the same time. There is often no separate study. In addition, the equipment used for mobile working often does not meet ergonomic standards. Many companies have already provided their employees with the necessary equipment or given them money to procure it. Still, much remains to be done, even though professional equipment expenses are tax-deductible in Germany.

Beyond these physical obstacles, people may feel that they are to some extent shut off from general communication at work and that the boundaries between professional and private life start to get blurred. As a result, working hours may increase and the overall stress level may rise. Working from home requires people to organise themselves better and to communicate better, particularly since there is no personal contact. In addition, family members may not be used to the employees' working hours and may distract them from their tasks; just think of family members popping up in the background of video conferences. Depending on the worker's particular role, a balanced mix of working at the office and from home seems preferable. This might be helpful for both companies and employees.

### Taken on its own, remote working will not necessarily increase productivity

When it comes to measuring the impact of mobile working on productivity, many researchers quote the study by Bloom et al. (2015)<sup>4</sup>. This study is based on a 9-month experiment concerning productivity, which was conducted in 2010 and 2011 in cooperation with a large Chinese travel agency call centre. It is important because it is one of the first randomised studies on this issue. Overall, the productivity of the employees who worked from home exceeded that of its peer group at the office by 13%. However, a closer look reveals an important detail, which is borne out by recent surveys conducted during the coronavirus crisis. A considerable share of the positive effect was due to the fact that employees worked 9% more per shift when they were at home; they took fewer breaks, and fewer days were lost to illness. Efficiency, as measured by processed calls by minute, was up only 4%. Nevertheless, the gain is remarkable. The employees said that the increase in efficiency was largely due to the quieter work environment, which enabled them to process customers' requests with fewer further inquiries.

At the company level, the shift from the call centre to people's homes resulted in a major productivity gain of 20 – 30%, mainly because less office space was needed, employees became more productive (see above) and staff fluctuation declined. Overall, the positive impact on corporate output stems not only from

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<sup>4</sup> Bloom, Nicholas, James Liang, John Roberts and Zhichun Jenny Ying (2015). Does working from home work? Evidence from a Chinese experiment. *The quarterly journal of economics* 130(1), pp. 165-218.



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higher efficiency; much of it is due to the fact that employees work more and skip breaks. At the same time, employees are more content if they can work from home, and the number of notices declined by 50%.

### Communication and exchange of information as a challenge

The study by Bloom et al. clearly shows that mobile working may help to increase productivity; on the one hand, labour and capital costs decline, and on the other, efficiency improves. However, this outcome requires a high-performance IT infrastructure. At the same time, it is necessary to counteract potential deficits which may arise from the fact that employees are no longer all in the same place. Communication and the exchange of information may suffer, and employees may lose sight of overarching tasks and corporate goals.

It is still unclear how mobile working affects team productivity, even though initial experiences appear promising. Still, it is by no means certain that short-term gains will remain in place in the long term. In particular, productivity may deteriorate if new colleagues need to be included in the team, and it may become more difficult to develop and nurture the corporate culture, both at the team and the company level.

As we have explained above, working conditions at home are not always ideal, which means that productivity will not necessarily improve. Still, learning effects may offset these disadvantages over time. Overall, the quick, simultaneous and far-reaching shift towards mobile working presents new challenges for the relationship between managers and employees. At the same time, employees may be more motivated and content. This effect is non-negligible and may play quite an important role for the success of the organisational shifts. As of yet, there is little comprehensive data on how working from home affects productivity at the corporate level. We are likely to see additional research, in particular on the impact on the economy as a whole.

### Working from home hinders spontaneous exchange of information – serendipity suffers

Working from home reduces accidental contact between colleagues at the office. While this is obviously desirable during the pandemic, it also prevents a spontaneous, but often inspiring exchange of ideas and information within the company and reduces serendipity. Just imagine Google founders Brin and Page had not met at Stanford University in 1995 and developed their first search engine. Or think of Murray Sargent and David Weise. They met accidentally in 1988 and started to discuss storage restrictions – a key moment for Microsoft, which paved the way for Windows 3.0. While these examples are somewhat extreme, one thing remains true: if numerous employees usually work from home and do not bump into each other anymore, companies' innovativeness may suffer. During the COVID-19 pandemic, online conference tools may help to get a grip on the problem.

### A legal right to remote working? Guidelines make sense, but companies need leeway, too

In Germany, there has been no general legal entitlement to mobile working so far, yet corresponding company agreements are not uncommon. Still, not all companies offer mobile work options. In the context of the fight against the pandemic, the Conference of Länder PMs of 19 January 2021 determined that, in view of the current situation in Germany, a further reduction of contacts in the work environment is necessary. To this end, the Federal Ministry of Labour and



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Social Affairs (BMAS) is to issue a decree obliging employers from 27 January to allow work from home wherever it is feasible. Irrespective of further legislative efforts, this Corona Occupational Health and Safety Ordinance will create a temporary general obligation to enable employees to work from home in the case of office work or comparable activities. This obligation is limited until 15 March 2021.

### Working from home not to become obligatory

Several political initiatives by the SPD and the Christian Democratic Workers Association (CDA) aim to prevent a shifting of expenses to employees if mobile working remains in place even after the pandemic. In that case, companies would be able to reduce office expenses, whereas employees would have to shoulder additional costs for mobile working. In addition, employees might even provide their own equipment and office furniture (tax allowance for mobile work starts here). Working from home might even become obligatory – a development reminiscent of companies' former practice of outsourcing simple tasks to home workers. In view of the current time-limited "work from home obligation", the discussion on a general right to work at home is likely to gain momentum again, especially with the upcoming election campaign (German federal elections on 26 September 2021). Nevertheless, this should not immediately inhibit the newly won flexibility; a regulation in collective agreements is preferable.

### Creating the legal framework for a dialogue between employees and employers

A general right to remote working, which does not take into account the specific situation of a company, would go too far. In any case, numerous companies have already found that it makes sense to give employees more freedom to choose where they want to work. What is needed is a legal framework for a dialogue between employees and employers that makes it possible to hammer out the details at the level of the individual company. This framework might be based on current provisions for part-time work and their implementation. In any case, strict rules (for example concerning the number of days to be spent at the office or at home) should be avoided, as flexibility is the key advantage of remote work.

### The situation in Germany: Mobile working is not the same as teleworking

In Germany, working from home usually implies that employees engage in some form of EDP-assisted work, but do not do so at their regular desk in the office. As a rule, this is in fact "mobile working" pursuant to the definition of German law, not "teleworking". In English, the usual terms are "remote work", "mobile office" or "work remotely". In Germany, there is an important legal difference between "mobile" and "teleworking". In November 2016, the German Ordinance on Workplaces (Arbeitsstättenverordnung, ArbStättV) was amended to include a definition of teleworking. In contrast, there is no clear definition of "mobile working". Pursuant to section 2 subs. 7 of the Ordinance, "tele workstations" are "installed permanently by the employer in the workers' private sphere". The employer also has to provide and install the necessary "furniture [and] work tools". In contrast, mobile working – the most common option during the COVID-19 pandemic – implies that employees use their own infrastructure and communications equipment.



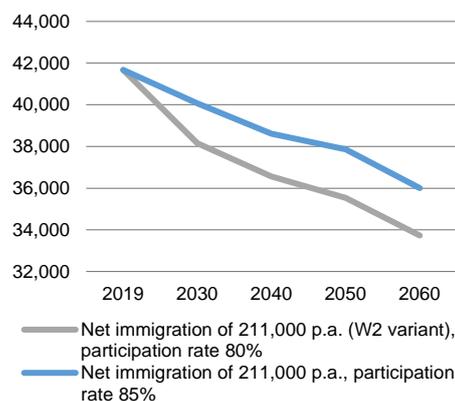
## Work from home has come to stay

This was particularly important before the recent decision to introduce a lump-sum tax allowance for working from home because many employees do not have a tax-deductible separate study and the tax allowance for the commute diminished because people did not have to commute to work anymore. Still, commuting expenses fell, too. In addition, many employees may not own high-performance IT equipment. Many companies already provide their employees with notebooks or monitors for mobile working or subsidise the purchase of up-to-date IT equipment. In addition, time saved by not commuting to work may be regarded as a compensation, despite taxation disadvantages. During the current crisis, many employees may be quite willing to work from home, particularly since the COVID-19 pandemic will remain a problem until vaccines are widely available. In addition, the labour market situation has become more difficult and will probably make people more willing to compromise.

Germany: Demographic change points to a significant decline in the labour force

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Demographic projection of the German labour force (people aged 20 - 65 years), '000



Source: Federal Statistical Office

### Remote working may increase workforce participation against the background of demographic change

Demographic developments will considerably reduce the German workforce, largely because the baby boomers are going to retire in the coming 25 years. The latest calculations by the Federal Statistical Office suggest that the German workforce (i.e. the number of those aged 20 – 66) may shrink by 3.5 million by 2030, assuming that net migration is moderate (221,000) and workforce participation is relatively low (remaining at the average of the years 2017 – 2019). Even if net migration was up by 100,000, the workforce would still decline by about 3 million. A considerable increase in people's actual working lives or higher workforce participation are the only ways to mitigate the demographic development. According to projections by the Federal Statistical Office, higher workforce participation would reduce the shrinkage to just below 1.6 million; including higher net migration, the workforce would still decline by 1.15 million.

These figures underline just how important high workforce participation is. Remote working results in more flexible working hours and a larger choice of workplaces. This may make people more interested in working at all. Individual time and cost savings (see above) reduce the opportunity costs of working. This may be particularly important to parents or future parents. In addition, many workers may want to take care of family members.

### Potential compliance and data protection issues

Mobile working has become quite common due to the coronavirus pandemic – and that makes it necessary to pay more attention to compliance and data protection issues.<sup>5</sup> As workers move from offices to their homes, potential risks surface which both employers and employees can minimise or completely avoid at the regular office. For example, access to rooms where sensitive data are processed is usually restricted. At home, however, employees may put their laptops on the kitchen table or anywhere else where any household member might take a look at it. Moreover, people's homes are usually not equipped for regular office work, particularly not if two or more people work from home at the same time. Confidential phone calls, for example, may be overheard, perhaps even by a next-door neighbour. These examples show how just how easily risks may materialise, even if precautions are taken. Employees should be made aware of such issues, besides being made to comply with high security standards and clear compliance guidelines.

<sup>5</sup> See Grunau, Philip, Kevin Ruf, Susanne Steffes, and Stefanie Wolter (2019). Home office offers advantages, but also has pitfalls. IAB Brief Report 11, 2019, p5.



## Conclusion and outlook

The COVID-19 pandemic required quick adjustments to many workflows, above all in the office. As social distancing became necessary in order to protect people from infection, many companies and their staff showed an unprecedented degree of flexibility. Wherever employees' roles permit it, the organisation of work is likely to change in the long term. Remote working harbours particular challenges when it comes to the exchange of information, which is, in turn, important for productivity. In view of the speed with which remote work was introduced it is no surprise that a discussion about an equitable trade-off between time savings and higher expenses has flared up. Careful consideration and the willingness to discuss the issues will remain key, particularly with a view to second-round impacts.

We expect that working at the office and remote working will be combined in some way in the future, but work from home has come to stay.

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