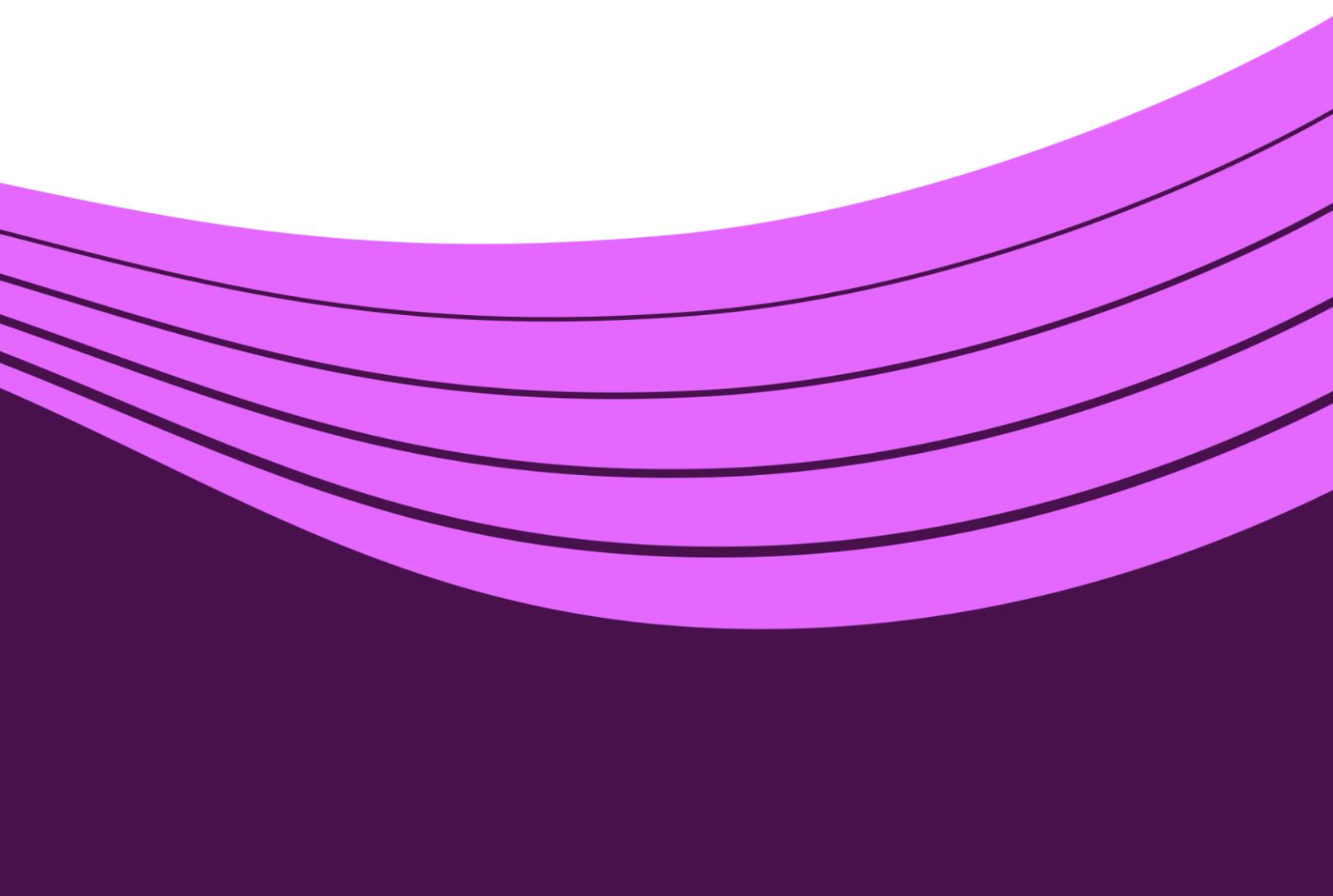


REPORT

The Business Case for Hybrid Work

Evidence on Talent, Productivity, and Performance



The Business Case for Hybrid Work

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Executive Summary

The report examines the current state of hybrid work and provides data-driven guidance for CHROs navigating return-to-office (RTO) debates. Drawing on a listening tour of 100 CHROs and a broad body of post-pandemic research, the report concludes that hybrid work has largely reached a steady state and remains the dominant model across organizations. While executive leaders often predict a return to full-time in-office work, the data shows that flexibility is now the number one driver of hiring and a significant factor in retention and engagement. Strict five-day RTO mandates are associated with longer time-to-fill, reduced hiring rates, and talent loss, while hybrid arrangements are generally linked to productivity gains and neutral-to-positive financial outcomes.

This report also addresses common concerns around equity, productivity, financial performance, and mental health, finding minimal systemic equity impacts, stronger engagement among hybrid and remote workers, and no clear link between hybrid work and weakened company performance. Importantly, employee well-being appears more influenced by quality of workplace interactions than by location alone.

To help organizations operationalize hybrid successfully, the report recommends four core actions: train teams for hybrid collaboration, create intentional in-person opportunities for early-career employees, designate ownership of the hybrid workplace experience, and establish structured in-office anchor days. Ultimately, the report positions hybrid work not as a temporary compromise but as a durable and strategic lever for talent competitiveness and organizational effectiveness.

Introduction

From 2023 to 2024, Seramount HR Executive Board conducted a listening tour with 100 Chief Human Resources Officers (CHROs) of leading companies across a wide variety of industries. When asked what workplace challenges kept them up at night, one of the most commonly referenced topics was the state of hybrid and flexible work. While some companies had fully returned to office (RTO), with employees working full-time from an office or designated frontline location, many CHROs and their organizations are continuing to puzzle over the best balance of office/remote work for their workplaces and how to optimize their chosen work arrangement.

Decisions around work arrangements will always be organization-specific, influenced by your employees, stakeholders, and partners. But this report strives to offer facts to inform your decisions.

Diverging Opinions on the Future of Hybrid Work

By and large, CEOs and other corporate leaders are confident that hybrid work is on its way out. In [late 2024](#), 79 percent of CEOs believed that most workers would be back in the physical workplace in the next three years. Seventeen percent envisioned a world where most roles were hybrid, and only 4 percent expected workers to be remote.

But employees don't agree. According to [one study](#), 58 percent of workers believe a hybrid model will become more common than other models. By contrast, 29 percent think most jobs will shift to fully remote, and only 7 percent believe most jobs will return to full-time in-person work.

In this climate, it's not surprising that individual organizations are pursuing wildly different RTO policies. Major companies such as [Amazon](#) and [JPMorgan Chase](#) have summoned employees back to the office five days a week, while [Spotify](#) and [Pinterest](#) herald their work-from-anywhere policies.

The truth is, most organizations today are somewhere in the middle: [88 percent](#) of U.S. employers provide at least some hybrid work options. A study by [CBRE](#), a commercial real estate firm, found that the global average building utilization rate was 53 percent in 2025, its highest since before March 2020, driven by hybrid working. Data from CBRE also demonstrates that office density is tightening, resulting in a global occupancy rate of 111 percent. More workers are allocated to buildings than there are physical seats, as companies acknowledge they need less space and lock themselves into smaller physical footprints; indeed, 67 percent of organizations in CBRE's study indicated that the primary driver for contraction was "less space needed due to hybrid work."

Employees are also on board with hybrid work: [Six in 10](#) employees with remote-capable jobs want a hybrid work arrangement, and [more than half](#) of current job seekers also prefer a hybrid role.

A Steady State, but Questions Remain

Since late 2022, office occupancy has largely stabilized at a new normal, [around 50 percent](#). The U.S. office market [is also stabilizing](#). Hybrid work, it seems, is here to stay. While there's massive variation between companies, [the latest data](#) shows that only 34 percent of U.S. organizations require full-time office presence. Three-day hybrid is the most common policy (35 percent) among Fortune 100 companies. Meanwhile, 67 percent of companies under 500 employees have no set in-office requirements.

But many C-suites are still debating how to manage in-office requirements—or even what their in-office requirements should be. During our listening tour, CHROs shared their challenges and concerns with us:

- “Our executive team hasn’t come to a consensus on hybrid work and unfortunately the longer you wait to take action, the harder it is to take action.”
- “Monitoring productivity and days in the office is a big time suck for my team. This is an entirely new mandate. No one worried about this pre-pandemic.”
- “I think some things are harder to replicate virtually—culture, the apprenticeship model, relationship building. We’re working to make hybrid as effective as possible.”
- “Every time a company announces its return-to-office policy, we get dragged into the same debate all over again. Honestly, I’m tired of rehashing it. We need to align on a policy that works and move forward.”

This confusion is understandable given how high the stakes are. Work arrangements impact virtually everything about our workplaces, from hiring and productivity to culture and mental health.

Back in 2020, large-scale hybrid and remote work options were relatively new. We lacked rigorous data on their effects. But thanks to all of the research that’s been conducted since then, we now have a solid handle on hybrid’s impact, even if it gets lost amid the headlines and noise. The next section reviews some of the most consistent findings from this emerging body of research.

What the Data Definitively Shows

Flexibility Boosts Hiring

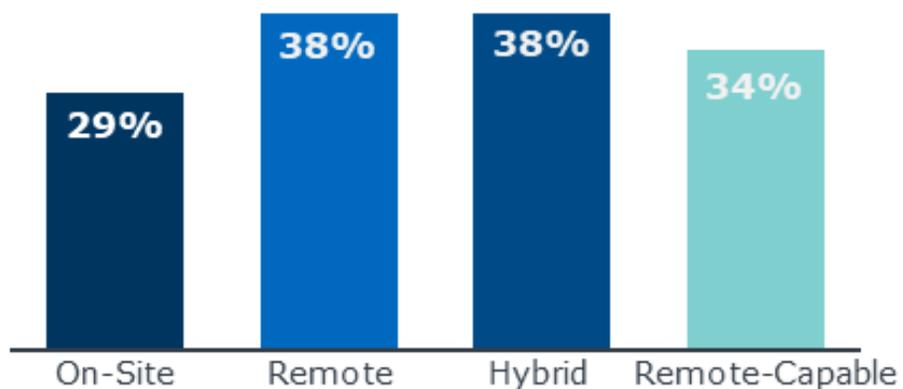
A survey of job seekers demonstrated that flexibility is now [the number one factor](#) they consider when choosing a job—even above compensation. Similarly, 70 percent of job seekers say [they're most interested in positions that offer hybrid work arrangements](#). All [recruiters](#) agree hybrid and remote work options make filling positions easier, and even more importantly, 83 percent say it leads to better candidate quality.

By contrast, strict RTO plans hurt recruitment. Companies that require in-office work 5 days a week [report experiencing](#) a 23 percent increase in time-to-fill and a 17 percent drop in hiring rates, and 80 percent of them report losing talent.

Hybrid Is a Significant Retention and Engagement Driver

Among existing employees, flexibility is a top factor for [staying in a job](#), close behind compensation. Further upstream, employee engagement varies significantly by work arrangements. As the chart below demonstrates, only 29 percent of all on-site staff, including those in roles that can't be done remotely, report feeling engaged at work, compared with 38 percent of remote workers and the same percentage of hybrid workers. Among remote-capable workers—those whose jobs can be done remotely but who are working on-site—34 percent feel engaged. In a climate of lagging employee engagement, hybrid work can be a critical advantage.

Percentage of staff reporting feeling engaged



Source: [Gallup](#).

Employees Are Willing to Trade Compensation for Flexibility

Another mechanism through which flexibility can drive hiring and retention is by mediating the impact of compensation. Stanford researchers who conducted a meta-analysis of job postings found that employees will accept 8 percent lower pay on average in exchange for greater flexibility. In other words, those seeking full RTO should expect to pay an 8 percent premium. Part of the reason why employees are willing to trade off on salary is because they're able to make up the lost compensation

by saving money on commute costs. Factoring in the costs of transportation, food, and professional attire, employees save [an average of \\$30,322 annually](#) by working locally four days a week rather than commuting into a city center daily.

Employers are [starting to accept](#) their employees' logic: 59 percent of organizations say they're willing to pay a premium of up to a 20 percent salary increase in exchange for staff spending four to five days in the office.

Organizations Report Minimal Impact on Equity

Having a dispersed workforce has raised some equity concerns, such as the possibility that staff will be treated differently—whether intentionally or not—based on the time they spend in the office. But [a survey of CHROs](#) found that only 10 percent expect to increase promotion eligibility for fully-in-office workers over fully-remote workers, while 15 percent plan to increase high-profile office projects for in-office workers over fully-remote workers, and 7 percent plan to increase development opportunities for fully in-office workers.

The employee perspectives outlined above suggest that even the few employees who would be negatively impacted by remote work would be willing to accept this trade-off. When given the choice between potential career advancement and remote work, many staff will choose the latter. In 2024, [Dell encouraged employees](#) to voluntarily return to the office by explicitly stating that most remote staff wouldn't be considered for promotion. Faced with this ultimatum, 50 percent chose to stay remote anyway. That failed experiment led Dell to implement [mandatory RTO](#) five days a week.

Of course, not all roles are remote-capable, leading to the possibility that staff whose jobs require in-person work will grow resentful of their colleagues who enjoy more flexibility. But [a 2023 Gallup survey](#) revealed that the majority of non-remote-capable workers (57 percent) were "not at all" bothered by colleagues working from home. While they also want more flexibility, frontline workers rate time flexibility higher than location flexibility. They would prefer a choice of which days per week they work, increased PTO, or a compressed four-day workweek to remote work.

Hybrid Is Shown to Boost Productivity, but the Impact of Remote Work Is Mixed

The impact of remote work on productivity has been one of the most popular—and controversial—areas of research since 2020. There are now dozens of studies measuring hybrid productivity in a range of workplaces and roles, from call centers to online travel agents to knowledge workers. These studies generally find that on average, hybrid workers are more productive than fully on-site staff. For example:

- A study by the [United States Bureau of Labor Statistics](#) found that across 61 private industries, the growth in total factor productivity (TFP)—output relative to combined inputs such as labor and capital—was positively associated with increases in the percentage of remote workers from 2019 to 2022. This suggests industries with larger remote work gains also tended to see higher productivity growth over that period.
- A six-month [randomized control trial](#)—the [gold standard](#) of evidence-based research—investigating the effects of a hybrid/work-from-home setup on 1,612 employees in a Chinese technology company in 2021–2022 found that the 395 managers in the experiment revised their surveyed views about the effect of hybrid working on productivity, from a perceived negative effect before the

experiment to a perceived positive one after the experiment. They now believed that hybrid working had increased productivity by 1 percent.

These productivity gains largely come from reclaimed commute time and having more quiet, focused time, balanced with some in-office time for collaborative work.

Conversely, some studies do show lower productivity for fully remote staff, with gaps of [up to 10–20 percent](#). However, it's important to remember that hybrid work and remote work are very different dynamics, so it's not surprising that they would generate distinct effects on productivity. But they're often conflated in the press, leading to confusion.

There's No Connection Between Hybrid Work and Company Financial Performance

The results of research connecting hybrid work and financial performance are also neutral to positive. [One study](#) that surveyed CEOs at organizations that implemented full RTO found that only one in three reported even the slightest impact on financial performance. Researchers who compared the earnings and stock prices of [S&P 500 companies](#) to their organization's work arrangements found no evidence of arrangement impacting financial performance. But they did see an inverse connection: Drops in stock price were a statistically significant predictor of future RTO mandates, suggesting that executives hoped bringing people back would somehow increase performance. Finally, when Trip.com, a major travel company, conducted [an internal experiment](#) to evaluate the effects of hybrid work, they found that subsequent reduced turnover saved the company millions in hiring and training expenses.

Staff Mental Health Is More Impacted by Interactions than Work Arrangements

The connection between hybrid work and mental health may be the most nuanced of the impacts. According to [a survey of 200 full-time remote workers](#), unplugging after work hours is the biggest pain point they encounter when working in their virtual environment, reported by 40 percent of respondents. Some studies suggest a connection between remote work and burnout or loneliness. For example, [one study](#) found that remote workers report feeling lonely the most often while at work: 24 percent were often lonely, compared to 12 percent of office workers and only 9 percent of hybrid workers. [Many studies](#) conducted at the height of the COVID-19 pandemic also found that remote and hybrid working negatively impacted workers' mental health and sense of connection to their organizations and colleagues.

But more recent data suggests that the relationship between mental health and work arrangements looks very different today. For example, [Seramount's 2025 national survey of employees](#) found that among three of the four generations currently in the workplace (Gen X, Millennials, and Gen Z), fully remote workers experienced the highest levels of well-being, followed by hybrid workers, and finally those who were fully in-person. Only Baby Boomers experienced higher well-being when working in person. Seramount also found that remote employees feel more supported by their organizations in balancing their mental health and work: 49 percent of employees who are fully remote feel very supported balancing mental health and work, compared with 38 percent of those who are hybrid and fully in office. Similarly, [a study by the Integrated Benefits Institute](#) found that fully-in-person staff were most

likely to experience anxiety or depression, while hybrid work may lower chances of anxiety or depression compared to working fully in-person.

In fact, a study in [the Harvard Business Review](#) argues that blaming the “workplace loneliness epidemic” on remote work is a mistake. A survey of 1,000 knowledge workers analyzed the factors most closely correlated with workplace loneliness and found that work arrangement isn’t a particularly important driver. Rather, the strongest predictors were participation in specific workplace social activities such as happy hours, Employee Resource Groups (ERGs), and volunteering opportunities. The study also found no difference in the level of loneliness reported by those who were working a hybrid schedule versus those who spent five days in the office, suggesting that days in the office have diminishing returns when it comes to easing loneliness.

Workplace socialization activities are certainly more likely to happen organically in the office. But with effort and intentionality, these moments can also be replicated virtually. [Neuroscience researchers](#) found that small tweaks in a virtual setting can boost employee engagement and productivity. Specifically, the study demonstrated the importance of short, 10-minute breaks to interrupt Zoom fatigue, maintain creativity, and lower stress. The scholars also found that work friends displayed similar brain activity both in person and virtually, demonstrating that connections between remote colleagues can be just as powerful as those between employees who are collocated.

In summary, hybrid and remote staff don’t need to be lonelier than their colleagues who are fully connected to the physical office. However, remote and hybrid organizations do need to be intentional about the social opportunities they create for their employees.

Making Hybrid Work for Your Company

Regardless of what approach your organization chooses, there are four key strategies every organization can leverage to make hybrid work as effective as possible.

Train Hybrid Teams to Collaborate Effectively

Only [21 percent](#) of hybrid employees and 28 percent of managers have received training for working in a hybrid or remote environment. While training will be unique to each team and company, it's important to ensure that all employees are on the same page about processes and expectations, particularly when it comes to communication. KPMG supports their [Flex with Purpose](#) hybrid model with trainings organized into distinct pathways for working and leading in a hybrid environment, focusing on hybrid feedback, upward management, communication channels, and etiquette.

Provide In-Person Opportunities for Early-Career Professionals

Many talent developers are concerned about the impact hybrid and remote work has on early-career staff. A lot of important early learning, from chatting in the hallway or shadowing a meeting, occurs informally. While some organizations have addressed this by requiring junior staff to be in office more often, other organizations have focused instead on doing more to draw young employees into the office. For example, Cox attracts younger employees to the office with optional "Moments that Matter," experiences that aim to build a foundation for early-career professionals to thrive. Programming includes learning and development opportunities; networking with peers, colleagues, and executives; and formal mentoring.

Identify an Owner of the Hybrid Workplace Experience

Being intentional about implementing successful hybrid work may require dedicating specific employees, departments, or functions to it. On the individual leader side, CSAA hired a dedicated People and Culture Specialist who coordinates all programming and owns and updates policies to oversee the hybrid experience. By contrast, Dynatrace created a Workplace Experience Team that oversees space planning and all events, both in-person and virtual. Unlike CSAA's approach, which required adding a new leader, Dynatrace's approach was initially a cost-neutral reorganization, drawing from staff across HR, events, finance, and real estate roles and breaking down the silos between them.

Designate Standard In-Office Days

To maximize the effectiveness of hybrid work, particularly the opportunities for in-person collaboration, it's important to set not just the number but also the specific days in office. Ideally, everyone on a team would come into the workspace on the same day. But only 34 percent of hybrid workers have guidelines on which days or times are designated for on-site work. Research from [Stanford University](#) demonstrates that an "anchor day" approach is the best strategy to solidify the benefits of both hybrid and in-person work and ultimately leads to a 3 percent to 5 percent productivity boost.

Toward ‘Spaceless Operations’?

Despite forecasts that RTO mandates could be here to stay, there is another direction hybrid could evolve in—fully spaceless organizations, or companies with no physical footprint whatsoever.

Companies often begin their lives as remote organizations out of pure necessity, so this has always been true for many small start-ups. But now, some large, established organizations are moving in this direction. Block, formerly Square, and Coinbase both claim no official headquarters, despite boasting about 10,000 and 3,000 employees, respectively.

But what would spaceless operations look like at scale? How would organizations adapt? There are at least two different paths, although they’re not necessarily mutually exclusive.

The first alternative is to recreate the in-office experience online through a virtual office space. In [Kumospace](#), which bills itself as “The #1 Virtual Office Software,” each employee has an avatar that moves around a virtual office. Audio stays live, so people hear and can join in virtual hallway conversations. Kumospace calls those “collisions” between staff, and they track and report on this metric. On the other hand, if you need quiet space or to join a meeting, you move into a virtual private room. Kumospace argues that their tool enables the kind of impromptu “watercooler moments” that conventional platforms such as Slack and Microsoft Teams can’t replicate. It also offers digital tools such as a whiteboard, webinars, and other virtual event features. The platform already boasts KPMG as an early adopter.

The other approach is to acknowledge that while employees need interpersonal connection to combat loneliness and detachment, maybe these connections don’t always have to be coworkers. WeWork and other coworking spaces have existed for 15 years, offering an office-like environment to remote workers at a variety of distinct organizations. But what if employees shared a workplace with people in similar types of roles or with similar interests? A lot of useful learning and socialization could happen in this setting. These are called Third Places, because they offer opportunities for connection in a third location outside of home and work. To this end, many gyms [now offer coworking space](#).

While virtual offices are dedicated to intra-company collaboration, Third Places provide more opportunities for external and interpersonal socialization. Of course, organizations can foster both.

Regardless of which direction organizations or remote work heads in, change is an inevitability. Leaving home to go to a different building and work with peers became the norm only a few hundred years ago—not long in the grand scheme of history. We shouldn’t view office work as an immutable law of nature. It was a change from previous norms, and we can expect more changes to follow.

Maybe this is another inflection point, where work and physical place decouple. Or maybe it isn’t, and most employees will continue to work in offices for another century or even longer. Regardless, today’s leaders have an opportunity to imagine all of the radical new possibilities of what work could look like in the future.