Chapter 7: Could Home Be Where the Job Is? Or, There’s No (Work)Place Like Home

Chapter Seven in *Modern Labor Economics* begins by discussing how much more complex the labor supply decision is than a mere choice between labor and leisure. In particular, many nonmarket activities usually done at home seem a lot more like work than they do leisure, as we normally think of that term. Well, the complexity doesn’t stop there. Recent articles in *The Wall Street Journal* highlight the practice of people having jobs that they can largely perform from home. That option may, among other things, provide them with the opportunity to mix their activities throughout the day between paid work, nonmarket work, and leisure.

It is important to begin our discussion by making clear what this is not about. Namely, this is not about being self-employed and working from your home; being an independent contractor, or doing commission-based sales or piecework. Rather, this is about being a regular employee of a company, earning an hourly wage or a fixed salary plus benefits. In many cases, employees have at least some obligations to make regular, scheduled appearances at a traditional workplace, but with the ability to do most of their work from home.

According to a *The Wall Street Journal* article by Andrea Coombes, companies should probably be hiring a lot more home-based employees. Reporting the results of a survey of 10,000 U.S. workers, she finds that on virtually every measure, home-based employees seem to score more favorably than traditional office-based workers. The numbers are almost surprising in their consistency across a variety of topics. Seven to ten percent more home-based workers than office-based workers indicated that:

- they are satisfied with their jobs;
- they are proud of their company;
- they believe there is open and honest communication in their company;
- they aren’t thinking of leaving their job within 12 months;
- they believe senior management speaks honestly;
- they believe senior management demonstrates that employees are important to the success of the company.

Jack Wiley, the executive director of the Kenexa Research Institute, which did the survey, said the positive attitude among home-based employees was not there because they could watch their favorite soap opera or take the dog for a walk. "It boils down to respect." Allowing employees to work from home is telling them that they are trusted to perform without the need for supervision.

Employers give up some control over home-based workers but appear to get more loyalty and devotion, and arguably, greater productivity. In some cases, it saves them the expense of providing office space for everyone. On the down side, it can create questions of fairness when the option cannot be made available to all workers. Also, there are some considerations of having to purchase redundant equipment, like a laptop computer for home work even though there is already a desktop in the office. Workers, on the other hand, get greater flexibility with their time, save on commuting costs, and get more time with their families—but miss out on the camaraderie of the office (which may account for their higher productivity at home).

So, it seems like a lot more wins than losses. Will this practice be coming soon to an employer near you? Maybe not. Of the 10,000 people surveyed, only 4 percent worked from their homes, a percentage that has not changed much for a number of years. But perhaps there is still reason to hope. A second article by *The Wall Street Journal*’s Sue Shellenbarger identified a number of major employers who are making much more extensive use of home-based workers. Most notable about them was that they are hiring people to work at home from day one, although the privilege has historically been reserved for workers with an established track record within the company. Among additional reasons Shellenbarger cites for the trend are shortages of skilled workers (giving them more bargaining leverage with companies) and significant improvements in mobile office technology. Particular skill sets seem to be most in demand for immediate home-based assignments, with the variety of occupational areas ranging from computer software and/or hardware to financial analysts, project management, or nursing, among others.
Though Ms. Shellenbarger’s overall message was one of optimism, she tempered that with a couple of caveats. One is that there are still a very limited number of opportunities for home-based work. A second warning is that wanting it for personal reasons (“I have kids at home,” or “I have to let my dog out”) will not make it happen. Instead, workers have to prove that they can be responsible and self-directed enough to work in an unsupervised environment with its accompanying distractions and that they are devoted enough to readily make themselves available as needed.

A third warning sign for home-based employment wannabes came from a reader’s question to The Wall Street Journal’s ‘Work and Family’ mailbox, which is answered by Ms. Shellenbarger. The reader asked about having not gotten a raise for a long time, having been with the same company for ten years and working from home, and being told by the employer that being able to work from home was part of the compensation package. Though Ms. Shellenbarger’s reply indicated that because of the above-noted loyalty and productivity effects and lower costs, home-based workers are usually better bargains for their employers, she also noted that the perception of the employer in question was not uncommon, even though there have been successful lawsuits against employers treating home-based employees differently.

Sources:
“Good News for Professionals Who Want to Work at Home,” by Sue Shellenbarger, The Wall Street Journal, November 15, 2007 (p. D1);

Questions:

1. Should employees looking to work from home be expected to receive less compensation for their time than office-based workers?
2. How does working from home change the labor supply calculation with respect to trading off hours of “leisure” for earnings?
3. Why shouldn’t employers be skeptical of the productivity of home-based employees? What can they do to help limit abuse of the opportunity?