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Remote work

A temporary 'bug' becomes
a permanent 'feature'



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Summary

- The COVID -19 pandemic has forced many organisations to adopt remote working arrangements as an emergency measure to continue operating.
- However, many organisations may look to make remote working arrangements a permanent option given the potential cost, productivity and talent attraction benefits.
- While the potential for remote work varies across geographies, sectors and occupations, we estimate a potential 50 million jobs could switch to remote work across the ASEAN-6 countries.
- An abrupt transition to working from home has not been ideal. Homes might lack a “fit-for-purpose” space, necessary technology infrastructure, security, and privacy required for productive work. In addition, most leaders and managers also lack the necessary practices to manage high performing, virtual teams.
- However, even with sub-par spaces, novice remote working practices, many firms have demonstrated their resilience in shifting work to remote, and in some cases even shown productivity gains in doing so.
- As the world recovers from the pandemic the ‘new normal’ for the workplace will reset. Many, will choose, or be required, to work remotely. Conditions for working from home, and practices for working remotely will improve.
- Furthermore, as remote work becomes more prevalent new workplace solutions, like “Work Near Home” suburban shared workspaces will emerge that match work environment needs with shorter commutes.
- Organisations and policy makers who lead this transition will have an opportunity to shape the future of how and where we work, and create and capture value from it.

COVID-19's lasting impact on the workforce: A move to remote



With the possible exception of the World Wars, few events have had such a rapid and radical impact on the global workforce as the COVID-19 global pandemic in 2020. Governments globally have closed borders, implemented lockdown measures restricting all but essential service workers to their homes. The **International Labour Organisation has estimated that 2.7 billion² or more than 4 out of 5 workers in the world have been affected, challenging organisations to embrace work from home arrangements.**

Even before government intervention, a significant proportion of the workforce chose to socially distance themselves, where possible, due to fear of infection. The same fear has also led to a shift in consumer expectations, preferring to access goods and services online, further reducing the demand for face-to-face engagement. In ASEAN countries, share of online spend for consumer goods have jumped by 5 percentage points during the COVID period with 76% of Singapore consumers expecting to maintain their online shopping habits post COVID³.

1 In this paper we use 'remote' and 'virtual' working interchangeably. They both denote working remotely in virtual teams.

Fortunately, the ability for us to shift to remote working arrangements and still remain connected and productive, is now better than it has ever been. Internet connectivity is pervasive and reliable across the region. Applications for video chat and online collaboration have enabled us to continue to work, learn and stay connected with our friends and family, whilst being socially distant. The cloud-based video conferencing tool, Zoom, went from 10 million daily meeting participants in December 2019, to over 300 million in April 2020⁴. Microsoft Teams, a chat-based collaboration tool, had 70% growth in active daily users across the single month of April⁵. These enabling tools are transforming the way we work and allowing businesses to perform ... provided leaders and their teams are able to adapt.

Remote working arrangements have been thrust upon us by global events. However a few progressive companies are seizing this opportunity to make it permanent. Tech giants such as Facebook and Google have publicly announced that they will continue with working from home arrangements until the end of the year⁶ at a minimum, and it is widely expected that flexibility will continue beyond. Twitter has cancelled all in-person events for the remainder of 2020, and has announced that employees can continue to work from home in perpetuity⁷.

Whilst this might be expected of digital-natives, other early adopters are stepping up as well. **Tata Consultancy Services (TCS) headquartered in India, is preparing to have 75% of its workforce working from home by 2025⁸.** The telecommunications giant, Optus, will continue to have their Australian based call-centre staff work from home on a permanent basis⁹.

The decision to embrace remote working arrangements on a permanent basis makes sense from financial and productivity perspectives. **Significant cost savings from reduced real estate, travel and infrastructure costs explain why 74% of CFOs expect flexible work arrangements to continue in some form¹⁰.** There is also the potential from productivity gains, especially in high density, urban areas due to reduced commute times. A recent survey of workers across Australia found that over half were using the time previously spent on commutes to work, and 70% of those surveyed felt they were either as productive, or more productive working from home as in the office¹¹. It is a message that senior leaders are listening to, with the Chief Operating Officer of TCS, NG Subramaniam recently quoted as saying "[w]e don't believe that we need more than 25% of our workforce at our facilities in order to be 100% productive". Furthermore, remote working arrangements make it easier to rapidly flex workforce size, composition and cost by leveraging the gig workforce and cross border teams.

From a talent attraction and retention perspective, remote working arrangements have long been clear draws for the tech savvy millennials and Gen Z. These generational cohorts appreciated the flexibility and autonomy provided by remote work, and it is likely that some of the older generations will quickly adapt to appreciate these characteristics as well. Moreover, organisations with flexible working arrangements have three times more female leaders, indicating access to a larger pool of talent¹².

Across multiple drivers, there is clear evidence that remote working arrangements can make sound commercial sense, and what started as a temporary bug, is therefore shaping up to be a permanent feature.



50 million people could transition to remote work in ASEAN

Based on analysis conducted by Deloitte, **up to 47.8 million people in the ASEAN-6 nations (Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam) could shift to working remotely over a multi-year time horizon.** This is based on assumptions around the kinds of occupations where remote work is feasible, the proportion of the workforce in these occupations, and the likely timeframe needed to provide the appropriate infrastructure and environment to make the transition.

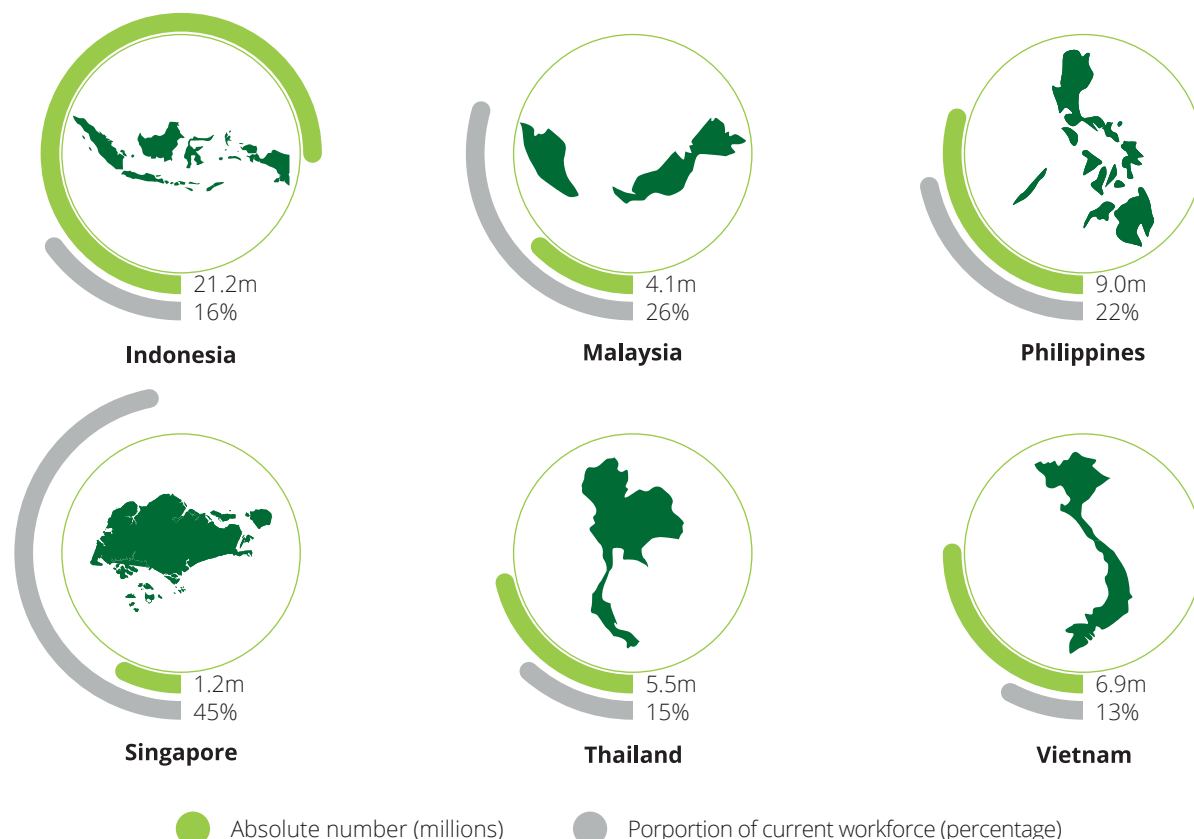
Singapore and Malaysia will lead the region with a potential remote workforce of up to 45% and 26% respectively due to the relative dominance of service industries. The business case for Thailand, Indonesia, Philippines and Vietnam is also fairly strong, given the massive productivity losses related to urban commute time.

In comparison, around 200 million people or 25.5% of the Chinese workforce were working remotely by the end of the Chinese New Year holiday¹³.

Seen side by side with the China perspective, our estimates for ASEAN appear fairly conservative. We believe that ASEAN will get there but only if we are able to transition infrastructure, skills and policy simultaneously, over the next 2 years. The advantages of this tectonic shift in the way we work in ASEAN will come with significant value and benefit, for employees, employers and governments.

While remote work isn't without its drawbacks, broadly **this shift will allow employees more time with family, less commute and travel, and more flexibility to balance work and life.** Working in remote formats will also allow for greater autonomy and time to invest in learning new skills. Employers will gain advantages in cost, productivity and flexibility/agility. Eventually, as remote working becomes the norm for some employers, the geographical limitations of talent will disappear, allowing employers to access talent in international locations without the burden of mobility costs and complications. Governments will benefit from less traffic on the roads, revitalisation of suburban economies and ecosystems, and a rapid transition of digital production and consumption.

Potential workforce transition to remote working arrangements across ASEAN-6 nations



Services first – the sectoral outlook for remote work

Due to the nature of the jobs to be done, the tertiary (services) industry will have the more significant shift to remote working arrangements. There are variations across the landscape but we expect that anywhere between a fourth (25%) to two thirds (67%) of the workforce will move to permanent remote arrangements in the medium term.

This is significant for several sectors. **Professional services, technology and telecommunications industries demonstrate the greatest upside - there is virtually no ceiling for these industries with the potential to transition 90% of the workforce to remote working.** The constraint considerations are limited to the need to drive collaboration, interact face-to-face with clients (and build relationships) and other human preferences. Even with these considerations, we expect around 67% of the workforce to transition with the next 2 years. The productivity gains, speed of execution, flexibility of talent models etc. are overwhelming positives for these sectors to prioritise on premise work over remote for too long.

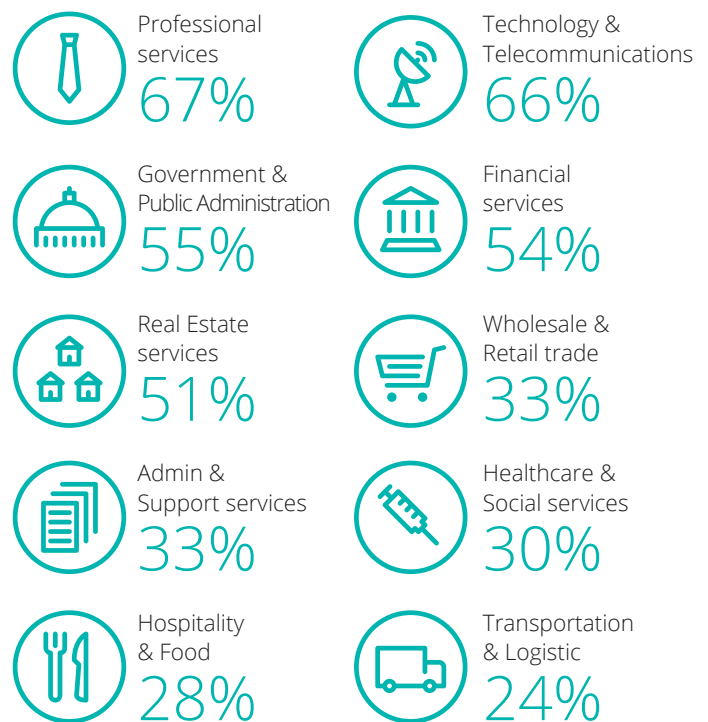
Financial services, government agencies and real estate sectors make up the next group. With government services, this might take a while as mindsets shift slowly in most bureaucracies. However, **in financial services and real estate, the margin pressures, move to digital, changing customer preferences and the presence of younger, tech savvy workforce will likely accelerate the transition over coming quarters.**

Some banks in India are working actively to move up to 95% of their sales workforce to work remotely as they realise that customers are going to be hesitant about face-to-face contact even after the lockdowns are removed. This will change the role and number of branches and accelerate the move to digital customer acquisition and experience platforms. Front line workforce transitions will vary from sector to sector based on customer preferences. This will also depend on country culture and the need for face to face interactions to engage and service customers.

Other services like administration and support, wholesale and retail trade, healthcare, hospitality and transportation / logistics show more modest potential for remote transitions (between a fourth and a third of the workforce). Most of the roles that will transition in these sectors are support / enablement roles like finance, HR, legal, marketing and technology.

What is interesting is that even with the constraints of a large proportion of staff in field operations (and, by definition, mostly onsite), there is still a significant proportion of support, management and control roles that can make the transition, improving the overall cost structures of these sectors.

Potential workforce transition to remote working arrangements across the services sectors



This analysis does not mean that other sectors like manufacturing, utilities, agriculture, mining etc. will not be impacted. We have simply profiled the analysis here for the top 10 sectors of impact.

In the manufacturing sector, the occupation analysis suggests that a significant proportion of support, management and enablement roles can (and will) move to remote formats. This will reduce the cost burden on these sectors for expensive real estate for headquarters employees, most of whom can work in remote format.

Some occupations will move faster than others

In a recent study from Slack, the online collaboration platform, a vast majority of users in different functions and occupations signaled their willingness and ability to work remotely. **Only 11% of 2877 workers surveyed in this report felt that their work cannot be done remotely¹⁴.**

Having said that, we must accept that certain occupations are more suited to remote working arrangements than others. **Back office support and enablement functions such as HR, Administration, Legal, IT and Security will make the largest wholesale transition to remote working.** Customer facing occupations are likely to adjust slower as they adjust to new customer interaction expectations and technology requirements. Hybrid occupations, to be completed in specific locations, or requiring specialised equipment such as field operations, will see the least movement to remote working arrangements.

Senior leaders have the highest potential to shift fully offsite, however they are facing barriers in terms of the skills and mindsets necessary to lead highly effective virtual teams.

Companies such as Gitlab¹⁵ operate with a completely virtual C-Suite without compromising the effectiveness and speed of decision making.

These early movers will provide the inspiration for a majority of senior executives to consider working (at least partially) in remote format. The advantage of this format, especially for senior executives is the ability to focus on critical decisions, less distractions and a more informal/relaxed way of interacting - impossible in a hyper-formal board room environment.

An Indonesian CFO mentioned in one of our conversations recently "working from home has had a significant impact on our (senior executive team) productivity. For one, everybody is on time for the meetings, there is no time wasted in idle gossip at the beginning of meetings and, most importantly, everything we decide is recorded, driving more accountability from everyone".

Moving senior executives to remote formats is critical in accelerating this transition. In our hierarchical social construct in ASEAN countries, the actions of senior leaders are quickly adopted by others.

Potential workforce transition to remote working arrangements across occupations



Remote working is not the same as Work-From-Home



Whilst COVID-19 has accelerated the pace of the transition to remote working, working from home (WFH) has its challenges. We expect that over the next 6 months companies are going to review their work from home arrangements and look for alternatives to this form factor.

The greatest challenge has been around work environment. With small urban living spaces, kids running around the house, and the noise and discomfort of tight residential environments, it has been difficult for employees to adjust to the new normal. Insufficient space for a suitable home office has left many working from dining tables in communal spaces, impacting confidentiality, data privacy, ability to focus, and overall productivity.

As workers try to work from home with sub-optimal space and environment, they are also recognising that rather than help with work life balance, work from home is becoming an all-consuming reality that starts early and does not end until late in the evening. We are no longer sure of when work ends and life begins. The absence of face to face engagement with peers can also be isolating for some, potentially leading to mental health and wellbeing implications.

The personal costs associated with the physical set-up including furniture, monitors, headsets, and high-speed internet are significant. During the COVID-19 crisis, many companies have been providing stipends of up to \$1000 USD per employee to cover these additional expenditures¹⁶. Even with the financial support to set up appropriate home work spaces, it can be challenging for employees to access appropriate support if their equipment malfunctions or their high speed connectivity breaks down. The cost and disruptive effects of these infrastructure challenges can prove to be show stoppers for wide spread adoption of work from home.

Then there is the cybersecurity challenge. According to the Interpol threat actors are exploiting vulnerabilities of systems, networks, and applications used by businesses, governments and schools to support staff who are now working remotely¹⁷. Business Email Compromise (BEC) has become the scheme of choice, involving the spoofing of supplier and client email addresses – or use of nearly identical email addresses – to conduct attacks. This requires careful consideration as companies look to transition effectively to remote working. **Providing the right safeguards and effective training for staff in areas of cyber-security is critical to ensure that the gains of remote are not lost to catastrophic cyber failures.**

Working remotely also requires a new language, skillset and toolset for managers and employees. Many managers, used to having daily face-time with their teams, are not yet skilled in how to achieve the trust and ways of working required for highly effective virtual teams. The way we are working has changed dramatically, and the way we lead needs to catch-up if we are to be truly effective. **New ways of setting goals, creating alignment, assigning work, monitoring progress, providing feedback and coaching, and resolving conflict, among others, need to be understood and adopted across all levels of management.** This is a substantial transition for more traditional work-from-office cultures, but one that they will have to address sooner rather than later to stay competitive with digital-first companies.

For all the reasons above Work-From-Home may not be the eventual form factor that creates a sustainable move to remote working. While the advantages of the transition are many, these are significant challenges that also need to be addressed for this shift to happen.

Work Near Home – an emergent 'new normal'

The 'new normal' that emerges from the global pandemic will change how we work, and where we work. With Work-From-Home challenges and a full-scale return to congested Central Business District (CBD) offices unlikely, a "best of both worlds" solution is emerging: Work-Near-Home (WNH). These communal / shared suburban worksites, located in the suburbs, close to where people live, provide the functional requirements for the remote workforce of large employers and small employers alike. They will be more functional and less premium than branded CBD centric co-working spaces, while providing the benefits of safety, security, connectivity and comfort of an office.

These spaces will radically change the way large organisations plan and deploy space for their workforce, creating a third option for workers between office and home.

Shared workspaces are not new; firms such as WeWork have grown very rapidly in the recent past, but they were largely located in CBDs and provided high-end office facilities targeted at small businesses and start-ups. They do not serve as effective solutions for a workforce that want to maintain the advantages of not having to commute to the CBD while addressing the challenges of a sub-optimal work environment at home.

This could be **a strategic move for various industry stakeholders** including real estate players (see table 1). With a potential market of 47.8 million seats in the major ASEAN economies, **this opportunity will be significant for any who are bold enough to move quickly.**

Industry stakeholder	Potential benefits
Real Estate Companies	Potential for new tenants as retail and large office tenants leave
Retailers	Repurposing of retail space made available due to the shift of consumers online
Government-Linked Corporations	Land and real estate assets in suburban spaces can be repurposed
Hotels	Venues for large events and meetings that will not be used in the short to medium term can be repurposed
Trading Organisations	Warehouse spaces in suburban location can be repurposed
Financial Services	Repurposing of suburban branches as consumers move online

“Never let a good crisis go to waste.”

Winston Churchill

The COVID-19 pandemic radically shifted where we work, and how we work. **Ahead is the opportunity for visionary business leaders and policy makers to chart options and pathways for creating more permanent options and shape 'new normals' for how and where work gets done.** Whilst all ASEAN-6 countries, sectors and occupations will be impacted, the potential upside will be far greater in certain areas; those who can quickly and effectively leverage data and business insights into bold strategies and plans will shape our futures as we emerge from the current pandemic.

A shift to remote work is not simply a shift in our physical space of where we work. It will require us to rethink what we do, and how we do it. **Similar to a 'digital-first' mindset, we will have to adapt a 'virtual-first' mindset to reimagine what work will be like when the majority of us may be working remotely.** High performing virtual teams, will require adaptive senior executives capable of leading from the front, agile and tech savvy managers capable of driving outcomes remotely, and work environments conducive to focus, productivity, and security. To that end, rapid re-training of leaders and managers at scale will be critical; execution will be key. Done right, this will help unlock greater productivity, greater employee satisfaction, and greater profitability

For proactive leaders, this is an opportunity to pivot from crisis to long-term advantage.

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Authors



Indranil Roy
Executive Director
Deloitte Consulting SEA
indroy@deloitte.com



Duleesha Kulasooriya
Executive Director
Deloitte Centre for the Edge, Asia
duleeshak@deloitte.com



Clarissa Turner
Senior Manager
Deloitte Consulting SEA
clturner@deloitte.com



Vicnan Pannirselvam
Manager
Deloitte Consulting SEA
vpannirselvam@deloitte.com



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