

# A snapshot of a new working-from-home economy

June 29 2020, by May Wong

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Nicholas Bloom. Credit: L.A. Cicero

The new "working-from-home economy," which is likely to continue long past the coronavirus pandemic that spawned it, poses new challenges—from a ticking time bomb for inequality to an erosion of city centers—according to Stanford economist Nicholas Bloom.

Results from several nationwide surveys Bloom has been conducting during the COVID-related economic shutdown provide a snapshot of the emerging new reality.

Bloom, who is the William D. Eberle Professor of Economics in Stanford's School of Humanities and Sciences and a senior fellow at the Stanford Institute for Economic Policy Research (SIEPR), focuses on labor economics, management practices and uncertainty. Since the coronavirus crisis broke out, his 2014 study on working from [home](#) and ongoing research with other colleagues on business firms have been in high demand as policymakers and others scramble to better understand the shifting dynamics of the workforce and its economic implications.

Here, Bloom discusses the societal impacts of working from home and what his latest research reveals. And in a related SIEPR Policy Brief, he expands on his findings and offers policymakers and business leaders suggestions for making remote-work a permanent part of the labor landscape.

## **We live in an information economy and a gig economy. Now you've identified a new "working-from-home economy." Why is that?**

We see an incredible 42 percent of the U.S. labor force now working from home full-time. About another 33 percent are not working—a testament to the savage impact of the lockdown recession. And the remaining 26 percent—mostly essential service workers—are working on their business premises. So, by sheer numbers, the U.S. is a working-from-home economy. Almost twice as many employees are working from home as at work.

More strikingly, if we consider the contribution to U.S. gross domestic

product based on their earnings, this enlarged group of work-from-home employees now accounts for more than two-thirds of U.S. economic activity.

## **How vital was the swift shift to working at home during the COVID crisis?**

Without this historic switch to working from home, the lockdown could never have lasted. The economy would have collapsed, forcing us to return to work, reigniting infection rates. Working from home is not only economically essential, it is a critical weapon in our fight against COVID-19—and future pandemics.

## **Why do you think working remotely is morphing into a more permanent reality?**

The stigma associated with working from home prior to COVID-19 has disappeared. And working remotely is now extremely common, though under very challenging conditions, as I've written about earlier.

And a number of corporations are developing plans for more work-from-home options beyond the pandemic. A recent separate survey of firms from the Survey of Business Uncertainty that I run with the Atlanta Federal Reserve and the University of Chicago indicated that the share of working days spent at home is expected to increase fourfold from pre-COVID levels, from 5 percent to 20 percent.

Of the dozens of firms I have talked to, the typical plan is that employees will work from home one to three days a week, and come into the office the rest of the time.

## **What red flags are you seeing?**

Not everyone can work from home. Only 51 percent of the survey respondents—mostly managers, professionals and financial workers who can carry out their jobs on computers—reported being able to work from home at an efficiency rate of 80 percent or more.

The remaining (nearly) half cannot work remotely. They work in retail, healthcare, transport and business services, and need to see customers or work with products or equipment.

Many Americans also lack the facilities or sufficient internet capacity to work effectively from home. More than half of those surveyed who are now working from home are doing so either in shared rooms or their bedrooms. And only 65 percent of Americans reported having fast enough internet capacity to support workable video calls. The remaining 35 percent have such poor internet at home—or no internet—that it prevents effective telecommuting.

## **What do all these negatives add up to?**

Taken together, this is generating a time bomb for inequality. Our results show that more educated, higher-earning employees are far more likely to work from home—so they are continuing to get paid, develop their skills and advance their careers. At the same time, those unable to work from home—either because of the nature of their jobs, or because they lack suitable space or internet connections—are being left behind. They face bleak prospects if their skills and [work experience](#) erode during an extended shutdown and beyond.

## **What other impacts should we watch for in this transition to more remote work?**

Growth of city centers are going to stall. During the pandemic, the

overwhelming share of employees who shifted to telecommuting previously worked in offices in cities. I estimate that the loss of their physical presence slashed total daily spending at city center restaurants, bars and shops by more than half.

This upsurge in working from home is largely here to stay, and I see a longer-run decline in city centers. The largest U.S. cities have seen incredible growth since the 1980s as younger, educated Americans have flocked into revitalized downtowns. But it looks like that trend will reverse in 2020—with a flight of economic activity out of city centers.

## **Where will the workforce go?**

The upside is this will be a boom for suburbs and rural areas.

Given the need for social distancing, the firms I talk to are typically thinking about halving the density of offices, which would lead to an increase in the overall demand for office space. But instead of building more office skyscrapers—which has been the dominant theme over the past 40 years—I predict that COVID-19 will dramatically shift the trend to industrial parks with low-rise buildings.

High-rises in cities face two massive challenges post-COVID. First, mass-transit—the subway, trains and buses. How can you get several million workers in and out of major cities like New York, London or Tokyo every day with social distancing?

Second, elevators. Typically, before COVID, you could squeeze people into an elevator, with each person taking roughly four square feet of space. But if we enforce six feet of social distancing we need more like 100 square feet of space, cutting the capacity of elevators by over 90 percent, making it impossible for employees to reach their desks during rush hours.

## **What if social distancing is no longer needed?**

Nobody knows for sure, but if a COVID-19 vaccine eventually comes out, my prediction is that society will have become accustomed to social distancing. And given other recent near-miss pandemics like SARS, Ebola, MERS and avian-flu, or the prior influenza pandemics of 1957-58 and 1968, firms and employees will fear the potential need to return to social distancing. So I anticipate many firms will be reluctant to rapidly return to dense offices.

My latest survey results seem to bear this out: employees reported a 25 percent drop in demand to work in high-rise offices in 2021, presumably after COVID.

If I were a company right now planning the future of my office, I would be looking to the suburbs.

Provided by Stanford University

Citation: A snapshot of a new working-from-home economy (2020, June 29) retrieved 26 April 2024 from <https://phys.org/news/2020-06-snapshot-working-from-home-economy.html>

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