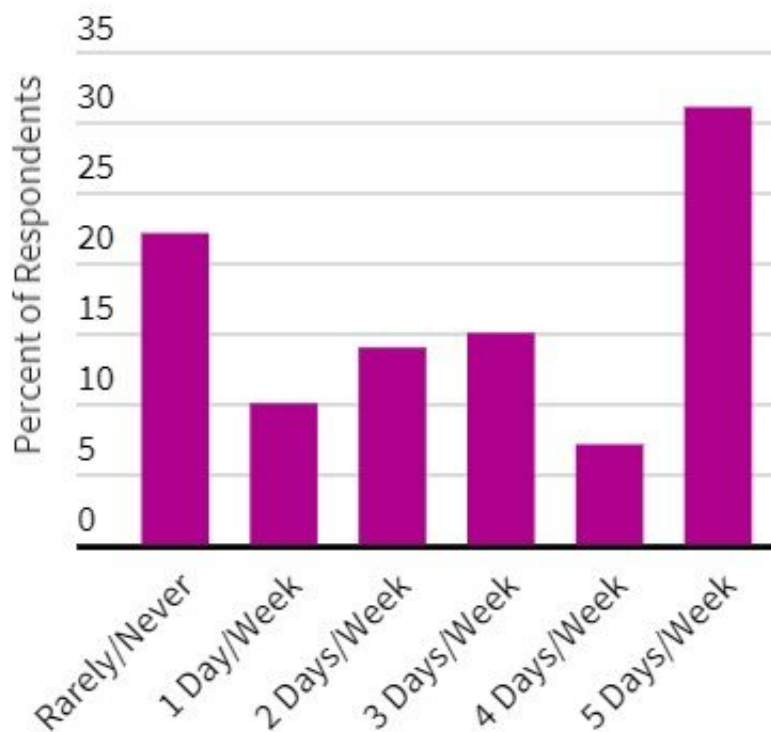


The pandemic blew up the American office—for better and worse

June 4 2021, by Edmund L. Andrews

After COVID, how often would you like to have paid WFH days?



Credit: Stanford University

The COVID-19 pandemic will eventually abate, but it will leave behind a profound change in what it means to go to work. After being forced into a massive yearlong experiment in working from home, employers and employees alike have discovered that remote work not only is more feasible than they had thought but actually boosts productivity.

This shift in attitudes toward working from home is likely to stick, according to Nicholas Bloom, a professor of economics at Stanford Graduate School of Business. [Surveys of more than 30,000 Americans](#) conducted by Bloom and his colleagues show that most full-time workers expect to continue working remotely at least two or three days a week. Bloom predicts that half of all American employees will work from home at least two days a week post-pandemic. The new normal will be hybrid arrangements in which about 20% of workdays will be carried out from home—a decrease from the pandemic peak but a fourfold increase in the WFH rate before last spring.

Bloom, working with Jose Maria Barreroopen in of the Instituto Tecnológico Autónomo de México and Steven J. Davisopen in of the University of Chicago, has been regularly surveying thousands of working-age adults on this topic since May 2020. In their most recent survey, conducted in April, they found that about 30% of respondents were still primarily working from home. Overall, more than 60% said that working remotely had turned out better than they'd expected. In fact, the average [employee](#) said the value of working from home was a perk worth roughly 7% of their total paycheck.

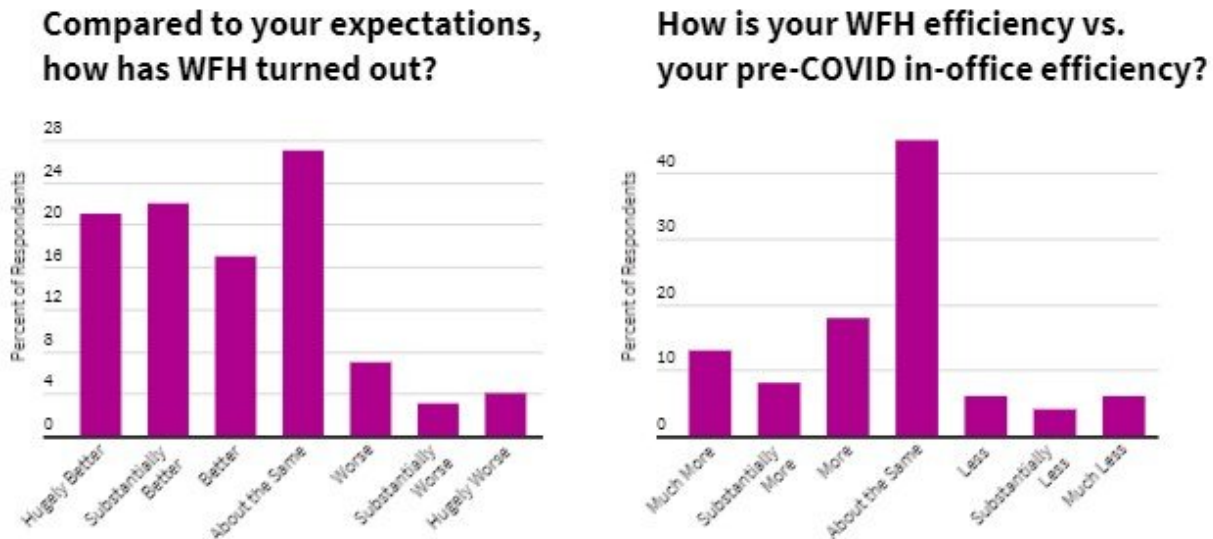
It's not just employees who have come to like WFH. The stigma of "shirk from home" has largely disappeared as employers have discovered that remote work can boost productivity. Nearly 40% of respondents said that they have been more efficient working from home. The main source of that efficiency comes from the drastic reduction in commute time, which sucks up billions of hours a year. Bloom and his coauthors

calculate that working from home has resulted in a savings of 60 million commute hours every workday.

Empty Suites, Empty Streets

Not all of the [economic impacts](#) of increased remote work are positive, however: Empty offices and absent workers are hollowing out some cities' downtowns. "It's a permanent shift," says Bloom. "Major cities will suffer as a result." [In a study](#) published earlier this year, Bloom and Arjun Ramaniopen in , a researcher at the Stanford Institute for Economic Policy Researchopen in , documented how rents have plunged in central business districts and dense urban areas since the start of the pandemic. At the same time, home values in less dense areas climbed much more quickly than those in denser areas. Using change-of-address data, Bloom and Ramani found that both people and businesses have been moving away from the biggest and most densely populated cities and out to suburban rings.

This "donut effect," as Bloom calls it, is mainly confined to the 12 most densely packed cities, such as San Francisco, Los Angeles, and New York. In those cities, Bloom and his colleagues predict that overall spending will drop between 5% and 10% compared to their pre-pandemic conditions. Medium- and small-size cities, where commuting isn't such a burden, haven't been much affected by outmigration.



Credit: Stanford University

Best of Both Worlds

Bloom says there is an emerging consensus about the need for hybrid work arrangements in which people split their days between home and office. Several large companies, including Google and Salesforce, have already announced those kinds of plans for the post-pandemic era.

Rather than letting individual employees simply choose when they will come into the office, companies should implement an organized approach, Bloom argues. "If this is well managed, you can have the best of both worlds," he says. "But my advice to firms is to decide this centrally. A mixed mode can be pretty terrible if some people are working from home and others are in the office."

Companies could, for example, cluster group activities, such as planning meetings and client presentations, on "in-office" days. To make the best

use of space, especially since many people will still want a measure of social distancing, companies could also schedule the days on which different departments or teams work on site.

Despite the benefits of WFH that are now apparent, Bloom cautions that a complete shift to [remote work](#) would also impose a toll on innovation, because working together in person is crucial to creative collaboration, brainstorming, and long-range planning. "There is a tradeoff," he says. "On the one hand, working from home can be more productive for people carrying out individual tasks, mainly because it eliminates the commute. But every manager I've spoken with says that working from home can damage innovation in the long run."

Off Site, Out of Mind?

Working from home could also be detrimental to inclusion if badly managed. In their survey, Bloom and his colleagues found that among college-educated workers with young children, women were almost 50% more likely than men to want to work from home five days a week. That could be problematic because there's evidence that working from home while other team members are in the office can hold back employees' advancement. [In another study](#) Bloom and a Stanford GSB team ran at the Chinese travel agency Ctrip, they randomized 250 volunteers into a group that worked remotely for four days a week and another group that remained in the office full time. They found that WFH employees had a 50% lower rate of promotion after 21 months compared to their on-site colleagues.

Altogether, these findings suggest that letting employees choose how many days they work from home could lead to post-pandemic disparities and conflicts. Single young men could choose to come into the office, gaining rapid promotion, while employees with young children who choose to work from home, particularly women, could be held back.

This, Bloom says, would be both a loss for diversity and "a legal time bomb" for employers.

Another concern raised by Bloom's survey is that while working from home is seen as a valuable perk, it is typically only available to managerial and professional employees with more education and higher incomes. Approximately half of all U.S. employees cannot work from home, particularly service and manufacturing workers. These frontline workers have already faced increased infection risk since they have had to come into work during the pandemic. Now they are likely to miss out on the valuable hybrid WFH perk. Bloom says an executive he spoke with reported resentment among frontline staff over this, highlighting how employers need to consider ways to address this post-COVID friction.

Whatever it may look like, Bloom says, working from [home](#) is here to stay. The next challenge is how employers and employees navigate the transition to a new world in which there's no such thing as just another day at the office. "This is a revolution, but we're only halfway through it," he says.

More information: The Donut Effect: How COVID-19 Shapes Real Estate. [www.gsb.stanford.edu/faculty-r ... 9-shapes-real-estate](http://www.gsb.stanford.edu/faculty-r...9-shapes-real-estate)

Provided by Stanford University

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