Why Working from Home Will Stick

Steven J. Davis, based on research with Jose Maria Barrero and Nick Bloom

Session on Medium-Run Economic Consequences of the Pandemic

EEA ESEM Meetings,
26 August 2021
Overview

1. WFH before, during, and after the pandemic
2. Why the shift to WFH will (partly) stick
   a) Mass experimentation and learning $\rightarrow$ re-optimization
   b) Investments by workers and firms that enable WFH
   c) Attitudes: ↓WFH stigma, lingering fears of proximity
   d) Surge of innovation that supports WFH
   e) Long pandemic entrenches the shift to WFH
3. Some consequences and implications
   a) Large benefits, mainly for the well paid and highly educated
   b) Productivity boost: true (large), and measured (small)
   c) Sizable productivity gains from better home internet
   d) Big worker spending drop in city centers
How Much WFH Before, During, and After COVID?

Percentage of paid full days worked from home

How much workers say they WFH during the pandemic.

What workers say about employer plans re WFH after the pandemic ends

Pre-COVID value based on American Time Use Survey data for 2017-18

“During” and “After” statistics based on the Survey of Working Arrangements and Attitudes.

Source: ”Why Working from Home Will Stick,” Barrero, Bloom and Davis, 2021 (BBD)
Survey of Working Arrangements and Attitudes

~50,000 respondents, fifteen survey waves to date
  • May 2020, monthly from July 2020 to August 2021, ongoing

US residents aged 20-64, earning $20K+ in 2019
  • After dropping “speeders” (10% of sample), we re-weight to match the CPS distribution of workers by state-industry-earnings. We are shifting to reweighting to match the age-sex-education-earnings distribution.

40-55 questions per wave
  • Demographics, earnings, hours worked
  • Extent of WFH during COVID and desires/plans after COVID
  • Experience, perspectives on WFH, contagion fears, vaccines, etc.
  • Home and workplace locations, commuting time, spending, etc.
  • WFH efficiency: Relative to worksite productivity and to expectations
Sample Survey Question

6. After COVID, in 2022 and later, how often is your employer planning for you to work full days at home?
   - Never
   - About once or twice per month
   - 1 day per week
   - 2 days per week
   - 3 days per week
   - 4 days per week
   - 5+ days per week
   - My employer has not discussed this matter with me or announced a policy about it
   - I have no employer
Figure 4: Many Workers Highly Value the Option to Work from Home

Value of the option to WFH 2 - 3 days/wk, % of current pay?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 35% raise</td>
<td>4.3</td>
</tr>
<tr>
<td>25 to 35% raise</td>
<td>4.4</td>
</tr>
<tr>
<td>15 to 25% raise</td>
<td>10.0</td>
</tr>
<tr>
<td>10 to 15% raise</td>
<td>16.2</td>
</tr>
<tr>
<td>5 to 10% raise</td>
<td>20.9</td>
</tr>
<tr>
<td>Less than 5% raise</td>
<td>26.9</td>
</tr>
<tr>
<td>Neutral</td>
<td></td>
</tr>
<tr>
<td>Less than 5% pay cut</td>
<td>3.6</td>
</tr>
<tr>
<td>5 to 10% pay cut</td>
<td>1.1</td>
</tr>
<tr>
<td>15 to 25% pay cut</td>
<td>0.7</td>
</tr>
<tr>
<td>25 to 35% pay cut</td>
<td>0.6</td>
</tr>
<tr>
<td>More than 35% pay cut</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Responses to a two-part question.

Part 1: After COVID, in 2022 and later, how would you feel about working from home 2 or 3 days a week?
- Positive: I would view it as a benefit or extra pay
- Neutral
- Negative: I would view it as a cost or a pay cut

Part 2: How much of a pay raise [cut] (as a percent of your current pay) would you value as much as the option to work from home 2 or 3 days a week?

Data are from 12,500 survey responses collected in September, October, November, and December 2020 by Inc-Query and QuestionPro. Each wave collected 2,500 responses, except the December waves which collected 5,000. We focus on the above survey waves where we kept the same question and response options. We re-weight raw responses to match the share of working age respondents in the 2010-2019 CPS in each {industry x state x earnings} cell.
How Often Do Employees Want to Work From Home Post-COVID?

Response to: “After COVID, in 2022 and later, how often would you like to have paid workdays at home?”

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rarely or never</td>
<td>24.5%</td>
</tr>
<tr>
<td>1 day per week</td>
<td>8.3%</td>
</tr>
<tr>
<td>2 days per week</td>
<td>13.9%</td>
</tr>
<tr>
<td>3 days per week</td>
<td>13.0%</td>
</tr>
<tr>
<td>4 days per week</td>
<td>7.1%</td>
</tr>
<tr>
<td>5 days per week</td>
<td>33.3%</td>
</tr>
</tbody>
</table>

Notes: Based on the Survey of Working Arrangements and Attitudes (SWAA), fielded by Inc-Query in May, June and July 2021 to U.S. residents aged 20-64 who earned at least $20,000 in 2019. The sample size for this chart is 9,809, which covers the 70% of respondents who report the ability to work from home 1+ days per week. We re-weight raw responses to match the share of working-age persons in the 2010-2019 Current Population Survey by {age x sex x education x earnings} cell.

Source: “Why working from home will stick”, Jose Maria Barrero, Nick Bloom and Steven J. Davis (2021)
People of Color Want More Work-from-Home Days

Black Americans want to work from home 2.6 days per week on average, as compared to 2.5 days per week for Asian Americans, 2.3 days per week for Hispanic Americans, and 2.2 days per week for white Americans, according to surveys of more than 10,000 Americans conducted between May and July 2021.

After Covid, in 2022 and beyond, how often would you like to have paid workdays at home?

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>Asian</th>
<th>Hispanic or Latinx</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days</td>
<td>2.6</td>
<td>2.5</td>
<td>2.3</td>
<td>2.2</td>
</tr>
</tbody>
</table>


College-Educated Women with Children Want More Work-from-Home Days

Among college-educated employees with young children, 34% of women want to work from home five days per week, compared to 26% of men.

After Covid, in 2022 and beyond, how often would you like to have paid workdays at home?

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-1 day per week</td>
<td>30.3%</td>
<td>32.1%</td>
</tr>
<tr>
<td>2-4 days per week</td>
<td>35.7%</td>
<td>41.6%</td>
</tr>
<tr>
<td>5 days per week</td>
<td>34.0%</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

### Table 4: Worker desires for WFH are much more similar across groups than employer plans

<table>
<thead>
<tr>
<th>Percent share of paid WFH days post-COVID</th>
<th>Employee desired (SE)</th>
<th>Employer planned (SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>46.5 (0.3)</td>
<td>21.6 (0.3)</td>
</tr>
<tr>
<td>Women</td>
<td>48.7 (0.5)</td>
<td>18.2 (0.4)</td>
</tr>
<tr>
<td>Men</td>
<td>43.8 (0.4)</td>
<td>26.1 (0.4)</td>
</tr>
<tr>
<td>Age 20 to 29</td>
<td>45.9 (0.7)</td>
<td>22.4 (0.7)</td>
</tr>
<tr>
<td>Age 30 to 39</td>
<td>48.9 (0.6)</td>
<td>25.4 (0.5)</td>
</tr>
<tr>
<td>Age 40 to 49</td>
<td>47.6 (0.6)</td>
<td>22.6 (0.5)</td>
</tr>
<tr>
<td>Age 50 to 64</td>
<td>43.2 (0.7)</td>
<td>15.2 (0.5)</td>
</tr>
<tr>
<td>Less than high school</td>
<td>43.4 (3.9)</td>
<td>13.6 (2.8)</td>
</tr>
<tr>
<td>High school</td>
<td>41.3 (0.9)</td>
<td>14.9 (0.7)</td>
</tr>
<tr>
<td>1 to 3 years of college</td>
<td>46.3 (0.7)</td>
<td>16.7 (0.6)</td>
</tr>
<tr>
<td>4-year college degree</td>
<td>49.1 (0.6)</td>
<td>24.0 (0.5)</td>
</tr>
<tr>
<td>Graduate degree</td>
<td>48.1 (0.5)</td>
<td>31.7 (0.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent share of paid WFH days post-COVID</th>
<th>Employee desired (SE)</th>
<th>Employer planned (SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann. Earnings of $20 to $50K</td>
<td>44.6 (0.6)</td>
<td>15.6 (0.5)</td>
</tr>
<tr>
<td>Ann. Earnings of $50 to $100K</td>
<td>48.6 (0.5)</td>
<td>26.3 (0.5)</td>
</tr>
<tr>
<td>Ann. Earnings of $100 to $150K</td>
<td>49.5 (0.7)</td>
<td>34.6 (0.7)</td>
</tr>
<tr>
<td>Ann. Earnings over $150K</td>
<td>50.5 (0.7)</td>
<td>43.3 (0.8)</td>
</tr>
<tr>
<td>Goods-producing sectors</td>
<td>41.6 (0.8)</td>
<td>19.3 (0.7)</td>
</tr>
<tr>
<td>Service sectors</td>
<td>47.5 (0.3)</td>
<td>22.1 (0.3)</td>
</tr>
<tr>
<td>No children</td>
<td>46.1 (0.5)</td>
<td>17.5 (0.4)</td>
</tr>
<tr>
<td>Living with children under 18</td>
<td>47.2 (0.4)</td>
<td>25.9 (0.4)</td>
</tr>
<tr>
<td>Red (Republican) State</td>
<td>46.5 (0.5)</td>
<td>20.7 (0.4)</td>
</tr>
<tr>
<td>Blue (Democratic) State</td>
<td>46.6 (0.4)</td>
<td>22.4 (0.4)</td>
</tr>
</tbody>
</table>

**Notes:** Percent share of respondents who are working from home ("this week") during the COVID19 pandemic, except the top right which estimates the share who "ever" worked from home during the pandemic. Data are from 20,000 survey responses collected in July, August, September, October, November, and December 2020 by Inc-Query and QuestionPro. Each wave collected 2,500 responses, except the August and December waves, which collected 5,000. We re-weight raw responses to match the share of working age respondents in the 2010-2019 CPS in each {industry x state x earnings} cell. This table excludes data from the May wave because we didn't ask about post-COVID employer plans that month.
Less than 20% of employers plan to have current working from home employees return to the office 5 days a week

Response to: “After COVID, in 2022 and later, how often is your employer planning for you to work full days at home?”

Notes: Based on SWAA data for May, June and July 2021. The sample size for this chart is 5,781, which covers the 46% of respondents who were employed and working 1+ full days at home in the survey week. We re-weight raw responses to match the share of working age persons in the 2010-2019 Current Population Survey by {age x sex x education x earnings} cell.

Source: “Why working from home will stick”, Jose Maria Barrero, Nick Bloom and Steven J. Davis (2021)
Why the Shift to WFH Will (Partly) Stick
COVID-19 Compelled Firms and Workers to Experiment at Scale with Working from Home

“If you’d said three months ago that 90% of our employees will be working from home and the firm would be functioning fine, I’d say that is a test I’m not prepared to take because the downside of being wrong on that is massive.”

– James Gorman, CEO of Morgan Stanley*

Quotation from Cutter (2020)
1. Forced Experimentation: WFH exceeded expectations

Compared to your expectations before COVID (in 2019) how has working from home turned out for you?

- **Hugely better** -- I am 20%+ more productive than I expected
- **Substantially better** -- I am to 10% to 19% more productive than I expected
- **Better** -- I am 1% to 9% more productive than I expected
- **About the same**
- **Worse** -- I am 1% to 9% less productive than I expected
- **Substantially worse** -- I am to 10% to 19% less productive than I expected
- **Hugely worse** -- I am 20%+ less productive than I expected

Relative to expectations, how has WFH turned out?

![Bar chart showing the percentage of respondents for each productivity comparison.](chart.png)

- Hugely better, 20%+: 20.2%
- Substantially better - 10 to 20%: 22.3%
- Better -- up to 10%: 19.0%
- About the same: 25.4%
- Worse - up to 10%: 6.9%
- Substantially worse - 10 to 20%: 3.3%
- Hugely worse, 20%+: 3.0%

Percent of respondents: 0, 5, 10, 15, 20, 25, 30
Desired and Planned Levels of WFH after the Pandemic
Rise with WFH Productivity Surprises during the Pandemic

- Employee desired
- Employer planned

Percent of working days

Relative to expectations, WFH Productivity during COVID (%)
2. Pandemic-induced investments that enable WFH

Investments at home to enable WFH = 0.7% of annual GDP

How many hours have you invested in learning how to work from home effectively (e.g., learning how to use video-conferencing software) and creating a suitable space to work?  
**Mean hours:** 14.2 (SE = 0.2)

How much money have you and your employer invested in equipment or infrastructure to help you work from home effectively -- computers, internet connection, furniture, etc.?  
**Mean:** $603 (SE = 12)

Valuing time at respondent’s wage, the **mean dollar-equivalent investment** is $1,499 (36) among those WFH in 2020.

$1,499 is 1.2% of annual labor income and 0.7% of GDP.

**NIPA Data: Investment in Info Processing**

Equipment & Software rose from 3.8% of GDP in 2019 to 4.2% in 2020Q2 and Q3, even as GDP share of other investment fell 16%. 
Since the COVID pandemic began, how have perceptions about working from home (WFH) changed among people you know?

- Hugely improved -- the perception of WFH has improved among almost all (90-100%) the people I know
- Substantially improved -- the perception of WFH has improved among most but not all of the people I know
- Slightly improved -- the perception of WFH has improved among some people I know but not most
- No change
- Slightly worsened -- the perception of WFH has worsened among some, but not most, people I know
- Substantially worsened -- the perception of WFH has worsened among most, but not all, people I know
- Hugely worsened -- the perception of WFH has worsened among almost all (90-100%) the people I know
### 3.b. Long-Lingering Fears of Proximity to Others

If a COVID vaccine is discovered and made widely available, which of the following would best fit your views on social distancing? (N=16,655)

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>Percent of Respondents</th>
<th>(SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete return to pre-COVID activities</td>
<td>27.0</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Substantial return to pre-COVID activities, but I would still be wary of things like riding the subway or getting into a crowded elevator</td>
<td>35.2</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Partial return to pre-COVID activities, but I would be wary of many activities like eating out or using ride-share taxis</td>
<td>24.6</td>
<td>(0.3)</td>
</tr>
<tr>
<td>No return to pre-COVID activities, as I will continue to social distance</td>
<td>13.2</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>
Residual fear of proximity to other people (reasons cited)

You have stated that you **would not return completely to pre-COVID activities**, if a COVID vaccine is discovered and made widely available. What **reasons** are behind your answer? Please check all that apply.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent of respondents</th>
<th>(SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am concerned about the effectiveness/safety/that not enough people will take the COVID vaccine</td>
<td>85.22</td>
<td>(0.546)</td>
</tr>
<tr>
<td>I am concerned about other potential diseases</td>
<td>23.24</td>
<td>(0.649)</td>
</tr>
<tr>
<td>I have gotten used to social distancing, using e-commerce, and avoiding in-person goods and services</td>
<td>19.18</td>
<td>(0.605)</td>
</tr>
</tbody>
</table>

**Observations**: 4,233

**Notes**: Data are from 7,500 survey responses collected in September, October, and November 2020 by Inc-Query and QuestionPro. Each wave collected 2,500 responses, but we only asked this question if the respondent stated they would not return "completely" to pre-COVID activities in the event a vaccine was discovered and made widely available. We re-weight raw responses to match the share of working age respondents in the 2010-2019 CPS in each {industry x state x earnings} cell.

Share of new patent applications that advance WFH technologies doubled from January to September 2020.

Reproduced from Bloom, Davis and Zhestkova (2021).
5. The Pandemic Has Endured and May Become Endemic – Entrenching Recent Shifts in Working Arrangements

Employer Plans for Post-Pandemic WFH Have Been Drifting Up Since early 2021

The horizontal scale shows the month the survey was fielded.
Why WFH Will Stick: Summary of Mechanisms

1. Forced experimentation revealed information that alters optimal working arrangements through a tail effect and a bias-elimination effect.

2. COVID-19 spurred investments that enable more effective WFH:
   - At-home investments to enable WFH during COVID = 0.7% of annual GDP.
   - Plus WFH-enabling investments on business premises and in the cloud.

3. A massive drop in stigma associated with WFH.

4. Lingering concerns about infection risk:

5. COVID-19 shifted the direction of innovation toward technologies that support WFH, as reflected in the flow of new patent applications.

6. COVID knocked down regulations that had blocked virtual service delivery, especially in the healthcare sector.

Strategic complementarities across firms in the choice of working arrangements amplify the direct impact of the pandemic experience on WFH – e.g., it’s easier for law firm staff to WFH when clients WFH. There also strategic complementarities across firms in experimenting with WFH. And the long pandemic is entrenching the COVID-induced shift to WFH.
Some Consequences
After COVID, in 2022 and later, how often would you like to have paid workdays at home?

After COVID, in 2022 and later, how often is your employer planning for you to work full days at home?

Worker Desires for WFH Are Flat with Respect to Earnings, But Employer Plans for WFH Rise with Earnings.

Note: Marker size is proportional to the number of respondents per income level.
1. Large Benefits, Mainly for Well Paid and Highly Educated

<table>
<thead>
<tr>
<th>As a Percent of Earnings</th>
<th>Value of planned Post-COVID WFH</th>
<th>Perk Value of option to WFH 2-3 Days a Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann. Earnings of $20 to $50K</td>
<td>1.5 (0.1)</td>
<td>6.8 (0.2)</td>
</tr>
<tr>
<td>Ann. Earnings of $50 to $100K</td>
<td>3.0 (0.1)</td>
<td>8.2 (0.2)</td>
</tr>
<tr>
<td>Ann. Earnings of $100 to $150K</td>
<td>4.8 (0.2)</td>
<td>9.6 (0.2)</td>
</tr>
<tr>
<td>Ann. Earnings over $150K</td>
<td>7.3 (0.2)</td>
<td>12.2 (0.3)</td>
</tr>
</tbody>
</table>

| Goods-producing sectors | 2.6 (0.2) | 7.1 (0.3) |
| Service sectors | 2.4 (0.1) | 7.8 (0.1) |

| No children | 1.8 (0.1) | 6.6 (0.2) |
| Living with children under 18 | 3.2 (0.1) | 8.8 (0.1) |

We estimate perk value from:

Q1: “After COVID, in 2022 and later, how would you feel about working from home 2 or 3 days a week?”

Q2: “How much of a pay raise [cut] (as a percent of your current pay) would you value as much as the option to work from home 2 or 3 days a week?”

To obtain the “value of planned post-COVID WFH,” we also use data on employer plans.
## 1. Large Benefits, Mainly for Well-Paid and Highly Educated

### As a Percent of Earnings

<table>
<thead>
<tr>
<th></th>
<th>Value of planned Post-COVID WFH</th>
<th>Perk Value of option to WFH 2-3 Days a Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>2.5 (0.1)</td>
<td>7.7 (0.1)</td>
</tr>
<tr>
<td>Women</td>
<td>1.8 (0.1)</td>
<td>7.6 (0.1)</td>
</tr>
<tr>
<td>Men</td>
<td>3.3 (0.1)</td>
<td>7.8 (0.1)</td>
</tr>
<tr>
<td>Age 20 to 29</td>
<td>2.4 (0.1)</td>
<td>8.3 (0.2)</td>
</tr>
<tr>
<td>Age 30 to 39</td>
<td>2.9 (0.1)</td>
<td>8.6 (0.2)</td>
</tr>
<tr>
<td>Age 40 to 49</td>
<td>2.9 (0.1)</td>
<td>8.4 (0.2)</td>
</tr>
<tr>
<td>Age 50 to 64</td>
<td>1.7 (0.1)</td>
<td>5.4 (0.2)</td>
</tr>
<tr>
<td>Less than high school</td>
<td>1.9 (0.6)</td>
<td>3.6 (1.3)</td>
</tr>
<tr>
<td>High school</td>
<td>1.4 (0.1)</td>
<td>6.1 (0.3)</td>
</tr>
<tr>
<td>1 to 3 years of college</td>
<td>1.6 (0.1)</td>
<td>7.0 (0.2)</td>
</tr>
<tr>
<td>4-year college degree</td>
<td>2.6 (0.1)</td>
<td>7.9 (0.2)</td>
</tr>
<tr>
<td>Graduate degree</td>
<td>4.5 (0.1)</td>
<td>10.0 (0.2)</td>
</tr>
</tbody>
</table>

### Notes

- The “value of planned WFH” is equal to the “perk value of the option to WFH” 2 to 3 days per week scaled by how much work from home each respondent's employer is planning.
- The “perk value of WFH” itself comes from responses to the following two-part question:
  - Part 1: “After COVID, in 2022 and later, how would you feel about working from home 2 or 3 days a week?”
  - Part 2: “How much of a pay raise [cut] (as a percent of your current pay) would you value as much as the option to work from home 2 or 3 days a week.”

Data are from 20,000 survey responses collected in July, August, September, October, November, and December 2020 by IncQuery and QuestionPro. Each wave collected 2,500 responses, except the August and December waves, which collected 5,000. We re-weight raw responses to match the share of working age respondents in the 2010–2019 CPS in each {industry x state x earnings} cell. This table excludes data from the May wave because we didn’t ask about post-COVID employer plans that month.
2. A Big Savings in Commuting Time

• 150 million Americans worked for pay as of December 2020.
• Average commute time: 54 minutes per day.
• WFH: 5% of workdays before COVID, 50% during the pandemic.

\[ \text{Time spent commuting fell} \ (0.5 \text{ minus } 0.05)(150 \text{ million})(54/60 \text{ hours}) \]
\[ = 61 \text{ million hours per workday during the pandemic} \quad \text{not counting the contribution of lower employment. That amounts to} \]
\[ (5/7)(30)(61) = 1.3 \text{ billion hours per month.} \]

Since our survey data say that about 25 (not 50) percent of full workdays will be supplied from home after the pandemic, the implied reduction in commuting time is about 580 million hours per month.
How Americans Say They Used their Time Savings

During the COVID-19 pandemic, while you have been working from home, how are you now spending the time you have saved by not commuting?

Please assign a percentage to each activity (the total should add to 100%).

Notes: Data are from four survey waves carried out by QuestionPro and IncQuery in May, July, August, and September/October 2020 with 2,500 responses in the first two and the last, plus 5,000 in August. We re-weight raw responses to match the share of working age respondents in the 2010-2019 CPS in each {industry x state x earnings} cell.
Productivity Effect of Shift to WFH
Implied Gains from Less Commuting

Weekly time savings from greater WFH in post-pandemic economy:

\[ TS_i = (WFH_i^{plan} - WFH_i^{pre})(1 - f_i)C_i, \]

\( C_i \) = daily round-trip commute time expressed in hours, and
\( f_i \) = fraction of commute time devoted to work-related activities.

Implied productivity gain in percentage terms:

\[ \text{Gain}^{Imp}_i = 100 \frac{TS_i}{L_i} = 100 \frac{(WFH_i^{plan} - WFH_i^{pre})(1 - f_i)C_i}{H_i + C_i(Days_i^{pre} - WFH_i^{pre})}, \]

\( L_i \) = total weekly hours devoted to paid work, inclusive of commuting time.
\( H_i \) = is conventional measure of weekly work hours (pre-pandemic)
\( Days_i^{pre} \) = number of full workdays per week (pre-pandemic)
Responses to the question: “How does your efficiency working from home during the COVID-19 pandemic compare to your efficiency working on business premises before the pandemic?”

40% of workers say they are more efficient when working from home.

In follow-up questions, workers attribute most of the WFH efficiency advantage to the savings in commuting time.
3. a Big Boost in True Productivity from More WFH

Using SWAA micro data to implement equations above, the commuting time savings imply an average productivity gain of:

- 1.8 (0.1) percent on an equal-weighted basis (N=4,447).
- 2.1 (0.1) percent an on earnings-weighted basis (N=4,447)

We also estimate the average full productivity gain using:

\[ Gain_{i \text{True}} = PrDiff_i \left( \frac{WFH^\text{Plan}_i - WFH^\text{Pre}_i}{Days^\text{Pre}_i} \right) + \chi_i Gain_{i \text{Imp}} \]

- 3.5 (0.3) percent on an equal-weighted basis (N=1,562).
- 4.7 (0.3) percent an on earnings-weighted basis (N=1,562).
3.6 But a Small Boost, as Conventionally Measured

The conventional approach ignores commuting time and yields a measured productivity boost of

\[ \text{Gain}_{i}^{\text{conv}} = (1 - \delta_i) \PrDiff_i \left( \frac{WFH_{i}^{\text{Plan}} - WFH_{i}^{\text{Pre}}}{\text{Days}_{i}^{\text{Pre}}} \right), \]

\( \delta_i = \) fraction of the self-assessed efficiency advantage of WFH that respondent attributes to reduced commuting time.

- 0.8 (0.1) percent on an equal-weighted basis (N=2,456)
- 1.0 (0.3) percent an on earnings-weighted basis (N=2,456)

Conventional measurement approaches will largely miss the productivity gains arising from the shift to WFH.
4. Given Lots of WFH after the Pandemic Ends, Universal Home Access to High-Quality Internet Service Would:

1. Raise earnings-weighted average labor productivity by an estimated 1.1% in the post-pandemic economy.
   - Implied output gains are $160 billion per year.
   - $4 trillion when capitalized at a 4% annual rate.

2. Raise flow output during future COVID-like disasters by three times as much.
   - Thus, widespread high-quality home internet access promotes greater economic resilience during future disasters that inhibit travel and in-person interactions.

See “Internet Access and its Implications for Productivity, Inequality, and Resilience” by Barrero, Bloom and Davis, July 2021, NBER w.p. 29102 for details.
Some Messages for Policy

1. The shift to WFH brings large benefits, but they will go largely unrecorded in standard productivity statistics.

2. Cities that enjoyed high inward commuting before COVID will see large, persistent drops in sales tax revenues, public transit toll revenues, and the property tax base.

3. The shift to WFH and fall in commuting is driving/will drive a big spatial reallocation of commercial activities.

4. For effective adjustment, government authorities must facilitate an expeditious repurposing of commercial and residential space. Otherwise, the creative-destruction process triggered by COVID-19 will mainly involve “destruction” in many urban areas.
Finally, handshakes are out post-COVID – especially for women

Notes: Data are from the survey waves carried out by IncQuery with 5000 responses during August 2021. Source: “Why working from home will stick”, Jose Barrero, Nick Bloom and Steve Davis (2021, NBER WP)
WORKING FROM HOME BEFORE, DURING, AND AFTER COVID

DOWNLOAD
Extra Slides
Impact on City Centers
Commercial buildings remain semi-deserted in U.S. cities

Notes: Kastle security index of swipe card access relative to pre-COVID average

https://www.kastle.com
COVID-19 donut effect on residential property prices and rents

Notes: Generated using data for the largest 12 US cities from Zillow Observed Rental Index and Zillow Home Value Index of residential property rental rates and purchases respectively by zip-code.

Spatial reallocation of worker spending away from dense city centers

Responses to the questions “In 2019, before COVID, in what ZIP code was your job located?”, “In 2019, when you worked at your employer’s business premises, roughly how much money did you spend during a typical day on food and drinks (e.g., lunch, coffee, snacks, etc.)?”, and “In 2019, when you worked at your employer’s business premises, roughly how much money did you spend during a typical week in bars, restaurants, and other entertainment venues that are near to your workplace?”
5. The Decline of Commuting Will Cut Spending in City Centers

Among inward commuters to urban area $U$, the average drop in weekly worker spending near employer premises is

$$AvgSpDrop_{IN}^U = \left(\sum_{i \in IN} s_i\right)^{-1} \sum_{i \in IN} s_i (WFH_{i, plan} - WFH_{i, pre}) SP_i,$$

$AvgSpGain_{OUT}^U$ is analog for outward commuters. Now compute

$$AvgSpDrop_{IN}^U (# \text{ Inward Commuters for } U) - AvgSpGain_{OUT}^U (# \text{ Outward Commuters for } U)$$

Multiply by 50 weeks, divide by 2019 consumer spending in $U$, then multiply by 100 to get the projected percentage drop in consumer spending for area $U$ associated with the persistent shift to WFH.
A Simpler Calculation for Manhattan

- Inward commuters spent $304 per week on services, food, shopping, & entertainment near their workplaces before COVID.
- Their employers’ plans imply 34% of workdays from home after COVID.
- Manhattan had 2.3 million net inward commuters per day in 2019. → Annual spending drop of $11 Billion = 12% of 2019 taxable sales.
- Analogous calculations for San Francisco imply a 4% drop.

This simplified calculation neglects the positive cross-sectional correlation between (a) spending near workplaces in 2019 and (b) the size of the shift to WFH. Also, our current approach greatly understates the drop in worker spending in and around the main commercial centers of large cities.
Figure 2: Survey Responses Compared to the CPS

Notes: Each figure shows the distribution of raw survey responses, survey responses reweighted to match the share of persons in a given (earnings x industry x state) cell in the 2010–2019 CPS, and the distribution among persons earning more than $20,000 per year in the 2010–2019 CPS. Data are from 22,500 survey responses collected in May, July, August, September, October, November, and December 2020 by Inc-Query and QuestionPro. Each wave collected 2,500 responses, except the August and December waves, which collected 5,000.
More on Managerial Challenges
Hybrid (e.g. 3-2) Working Arrangements Can Potentially Combine the Benefits of Office and Home

Working In the Office
1. Good for creativity
2. Good for culture

Working From Home
1. Quiet
2. Saves on Commute
Less than 20% US firms plan to call employees who currently WFH back on business premises full time

Question: “After COVID, in 2022 and later, how often is your employer planning for you to work full days at home?”

Notes: Based on SWAA data for May, June and July 2021. The sample size for this chart is 5,781, which covers the 46% of respondents who were employed and working 1+ full days at home in the survey week. We re-weight raw responses to match the share of working age persons in the 2010-2019 Current Population Survey by {age x sex x education x earnings} cell.

Source: “Why working from home will stick”, Jose Maria Barrero, Nick Bloom and Steven J. Davis (2021)
One reason: firms not offering hybrid risk losing 40% of employees (particularly employees with young children)

If my employer announced that all employees must return to the worksite 5+ days a week on Aug. 1, 2021, I would

- Comply & return: 57.2%
- Return & look for a WFH job: 36.4%
- Quit, even without another job: 6.4%

Notes: Data from two surveys in June and July 2021 carried out by IncQuery with 5000 responses each. We re-weight raw responses to match the share of working age respondents in the 2010-2019 CPS in each {industry x state x earnings} cell.

Source: [www.wfhresearch.com](http://www.wfhresearch.com)
There is huge variation in what employees want, so let them choose?

Response to: “In 2022+ (after COVID) how often would you like to have paid work-days at home?“

Notes: Data from the SWAA monthly survey of 2,500+ individuals aged 20 to 64 in the US labor force. Carried out by QuestionPro and IncQuery from May 2020 to July 2021. Only the 67% of respondents reporting the ability to work from home 1+ days per week included.

Source: “Why working from home will stick”, Jose Barrero, Nick Bloom and Steve Davis (2021)
In survey data we see most large firms are not planning on full choice.

Qu: “Who decides which days and how many days employees work remotely?”