Remote Work is Here to Stay!

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GOING REMOTE

HOW THE FLEXIBLE WORK ECONOMY CAN IMPROVE OUR LIVES AND OUR CITIES

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America’s Urban Challenge Before March 2020

- Superstar cities as our productive hubs for highly educated people (Silicon Valley, Seattle, Boston, NYC)
- These Progressive Cities were not building housing and this NIMBYism caused an inelastic supply curve
- Very high home prices in Superstar Cities pushing people further and further out → longer commutes
- No road pricing!
- Many workers tethered by their commute to live where they didn’t want to live!
- The bundling constraint of living close to one’s place of work was binding!!
Sherwin Rosen and the Hedonic Bundling Challenge of 2019
WFH Accommodates Our Diversity

- An example
- The U.S features roughly 3,000 counties
- The bundling constraint imposed that one must live and work in the same county.
- WFH implies that the live and work spatial menu now has 9 million possibilities
- The consumer surplus gains from this huge menu is large in the short run and longer in the medium term!
- The anticipation that one holds this WFH option creates life-cycle investment strategies to accommodate our role as worker, spouse and child and parent!!
- Our “real wage” soars.
Going Remote’s Worker Themes

● WFH unbundles place of residence from place of work
● Once we are “untethered”, how much time do we save and where do we go?
● How much are workers willing to pay to engage in WFH??
  ○ Diversity in WFH demand by age, leisure tastes, family responsibilities
  ○ The option value of WFH flexibility (sick kid, sports events, a Chicago snowstorm)
  ○ I conjecture that WFH will increase women’s labor force participation over the life-cycle
The Quality of Life for non-WFH Workers?

- Who is qualified to be a WFH worker? Professor “yes”, dentist “no”, plumber “no”
- Is WFH elitist?
- More educated people are more likely to be WFH eligible
- The Local Multiplier Effect and employment opportunities for non-WFH workers
Going Remote’s Firm Based Themes

● The Future of Face to Face (F2F) interaction and the modern firm
● A tradeoff between quality versus quantity of F2F interaction
● Firms will open dispersed HQ2 and HQ3 to attract and retain more diverse talent
● The Offshoring Hypothesis (advanced by Richard Baldwin) – the challenge to the U.S education system
The Apple Headquarters was built in 2017

- In Late 2022, does Apple regret this sunk investment?
Going Remote’s Place Based Themes and the New Geography of Jobs

- San Francisco, commercial real estate => residential housing conversion?
- Bozeman Montana
- Baltimore, Maryland
- Rural areas --- high quality of life areas attracting “City Slickers”
- will incumbent residents welcome them?
Some WFH Freakonomics!

- Power Couples Revisited!


- As Center Cities lose their employment monopoly due to WFH, the competition to retain WFH footloose workers will nudge mayors to experiment with public school and street safety innovations!

- WFH accelerates climate change adaptation (why?)