

Remote Work is Here to Stay!

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# GOING REMOTE



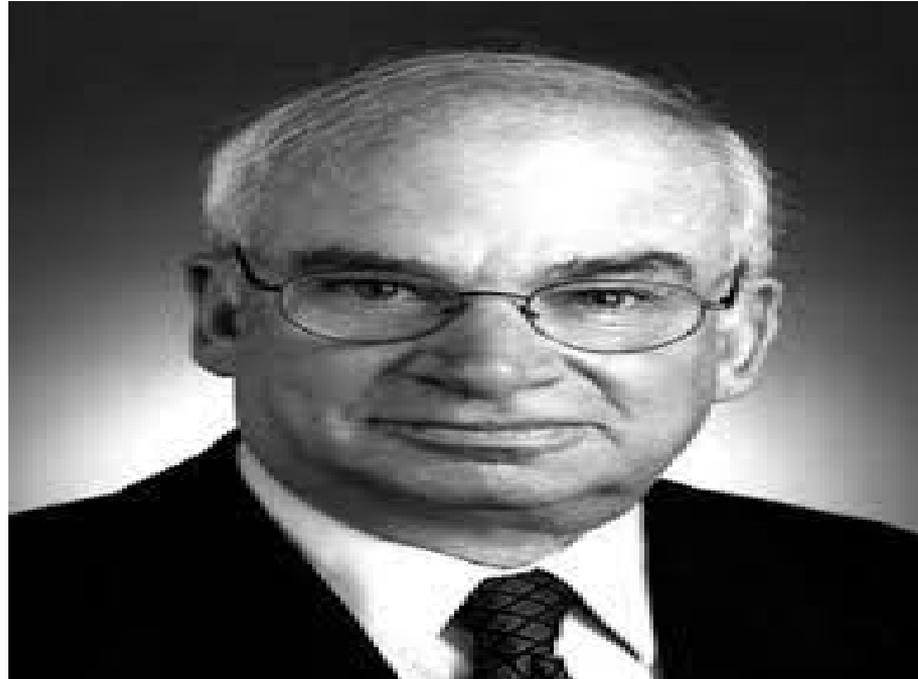
HOW THE FLEXIBLE  
WORK ECONOMY  
CAN IMPROVE OUR LIVES  
AND OUR CITIES



# 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
  - Cogan, John F. “Fixed Costs and Labor Supply.” *Econometrica*, vol. 49, no. 4, 1981, pp. 945–63. *JSTOR*,

# 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
- Moretti, Enrico. "Local multipliers." *American Economic Review* 100, no. 2 (2010): 373-77.

# 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!
- Costa, Dora L., and Matthew E. Kahn. "Power couples: changes in the locational choice of the college educated, 1940–1990." *The Quarterly Journal of Economics* 115, no. 4 (2000): 1287-1315.
- 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?)