

EconoFact Chats: Has Working from Home Given Way to Return to Office?

Nicholas Bloom, Stanford University

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I'm Michael Klein, executive editor of EconoFact, a non-partisan, web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein

We all remember COVID – closed restaurants, masks in public and, for many people, working remotely. Restaurants have long since reopened, few people wear masks in public anymore, but there are still a lot of people who work from home – much to the chagrin of some employers. There have been efforts to get workers to return to office, with mixed effects. What is the evidence of the effects of working from home? Are employers right in worrying about shirking if workers are not in the office? Is hybrid, part-time in the office, and part-time working from home going to become the new normal for many occupations? To address these questions, I'm very pleased to be speaking once again with Professor Nicholas Bloom of Stanford University. Nick is the co-director of the Productivity, Innovation and Entrepreneurship program at the National Bureau of Economic Research. He's also a Fellow of the American Academy of Arts and Sciences. More to the point for this discussion, Nick is one of the three co-founders of the Survey of Working Arrangements and Attitudes, which began in May 2020 in response to the dramatic impact of COVID-19 on working arrangements. This is a monthly online survey run jointly by the University of Chicago, MIT, Stanford, and ITAM in Mexico. Nick, welcome back to EconoFact Chats.

Nicholas Bloom

Thanks very much for having me back on.

Michael Klein

Nick, you and I were both teaching remotely in the fall of 2020, and everyone we knew who could work from home was doing so. What was, in fact, the extent of working from home as the pandemic raged?

Nicholas Bloom

Great. So, yes, I was teaching remotely. You know, Stanford closed down. I remember the class I was teaching—actually a graduate class—like the day that I got the news telling everyone, well, we're going to cancel class, but when the pandemic ends in three or four weeks, I'll go back to teaching in person. You know, I was so totally wrong. So, if you look, I'll give you three data

points. The best measure is probably the share of Americans that work fully at home for a full paid day. That was about 7% in 2019. So, before the pandemic, people did work full days at home, but it was pretty rare. So, 7% kind of happened here and there. It went to 60% in April, May 2020. So, quite amazingly, more than half of all days, full days worked, were work from home in the peak of the pandemic. And now it's dropped down to about 25% where it's remained flat. So, basically, from 2019 to now, kind of five years later, more or less, we've seen about a fourfold increase in working from home.

Michael Klein

So, I first went back into the classroom in the fall of 2021 when I, and all my students, had to wear masks. More broadly, when did those who started working from home begin to return to the office or other places of work? Was it a sort of gradual return or did it happen more abruptly?

Nicholas Bloom

Yeah. I mean, it looks like, you know, if you look from 2020, it peaks at 60% in April, May 2020. You can see there's a pretty continuous and relatively rapid return over 2020. The rate slows down in '21, slows further in 2022. And quite amazingly, by the beginning of 2023—so now almost two years ago—it basically stopped. So, for the last almost two years now, data from us, from SWAA, from the US Census, from companies like Kastle Security (Kastle Systems) that track office attendance, or AI have shown pretty much a complete end of the return to the office movement. Now, people are always amazed because they read these newspaper headlines on like Amazon or Zoom, “cancels work from home”. But if you look at big data, you move away from anecdotes, you see the work from home movement has really stabilized over the last two years.

Michael Klein

So, one consequence for me of teaching remotely was I had to learn how to use Zoom. And subsequently, some students still come to class remotely when they're sick or when they're traveling. More broadly, it seems that the COVID experience changed, perhaps forever, the ability to, and acceptance of, remote work. What's the evidence now of how many people work remotely? And are they using these kinds of platforms?

Nicholas Bloom

Yes. So, I mean, remote work is, you know, permanently up, as I mentioned, it's about fourfold higher. And that looks like where it's stuck. You know, there's a bunch of reasons. One is exactly as you say, there's kind of hard and soft investments in it. So, you know, I'm standing right now at home talking to you on a kind of desk that raises and lowers. I think I bought it on Amazon. I can't remember. It cost four or five hundred dollars. You know, we all learned to use Zoom. I got a better microphone, better, you know...my laptop has a horrible camera. So, I've got a better one. So, there's a lot of investments making work from home better. It's also the case that society in general discovered it works more effectively than they thought. People were extremely

negative and pessimistic on working from home in 2019. I'm not going to claim it's perfect. There's definitely drawbacks in working from home in things like mentoring, innovation. All our research seminars and teaching are back in person. But in some ways, it's better than we thought. And that has what's generated the permanent shift. We've invested much more in it. It's turned out it's better. Interestingly enough, the technology is also improving a lot. So, you know, a couple of weeks ago, I was out in Google. They have something called Starline, like an incredible kind of 3D vision system. I was up earlier in the year up in San Francisco for a company that has these massive portals. Think of, you know, the headsets, virtual reality. So, this stuff is not quite here and there yet, here and there now. But, you know, by 2027, '28, my God, I'm talking to you now, right now, we're both looking at each other in a small window on a laptop. But I wouldn't be surprised in three, four years, we're going to have, you know, much bigger screens and maybe kind of 3D stuff.

Michael Klein

And I'm not sure I look better in 3D than in 2D. But, you know, I'll have to go with whatever there is then. So, you and I are able to use these platforms and this technology, but it probably differs a lot across occupation and industries. Obviously, there are a lot of jobs where working remotely is especially difficult, if not impossible. But there are jobs that were thought to be hard to perform remotely. But in fact, it turns out that remote work is possible. I had a post-surgery appointment with my surgeon in the spring of 2020, after the pandemic. And it was by Zoom and it seemed to go okay. Are there other kinds of things where people didn't think that you could work remotely, but in fact, now they've discovered you can?

Nicholas Bloom

Absolutely. So, why don't I give you three examples. So, there are some stuff that turns out to be, you know, impossible to do remotely. Think of like cooking hamburgers in a, you know, McDonald's restaurant. It's very difficult to do that. There's other stuff that's like kind of custom-made for it. It's actually call centers. I, you know, I have work going back 20 years on call centers. They are perfect for remote work. Because if you've ever visited them, you basically have a headset on and you can measure how many calls somebody processes and you can listen, you know, silently to 1% and quality assess them. So, maybe there's a little training in person. And then there's a third group of stuff. As you say, you kind of think it has to be in person, but some of it's changed. One is definitely the medical world. So, you know, my neighbor, she said, it's quite common now to have physicians to have one day at home a week because a lot of patients want things like follow-up tests, you know, prescription renewals, et cetera. A more entertaining example, I was told the other day is in fast food, is in drive-thru restaurants. So, you'd think like drive-thru restaurants, you know, surely that's impossible to have any of that work from home. And it turns out one job can be made remote at least, which is when you drive through and you wind down your window and you shout into that kind of loudspeaker thing, the person in that speaker thing that's listening used to be in the little hut, kind of 30 yards, you

know, beyond. They were just handing the orders to the person cooking it. Now it turns out if I drive through locally here, the person listening to that could be in Alabama, types it into a computer and that computer connects to the hut and they cook it. So there are a number of clever ways that people are taking little tasks here and there and converting into remote jobs.

Michael Klein

So with this expansion of working from home, what are employees' attitudes about this now that we've had almost four years of experience? What parts do people like and what don't they like? And how many people want to work remotely, either full-time or part-time? And are they able to?

Nicholas Bloom

Yeah. So when you ask employees, we've surveyed tens of thousands of people. So when you ask employees, what are the big things they like about working from home? Number one, by miles, is avoiding the commute. And just to put numbers on that: the typical American has to commute about 35 minutes each way. And when you go into the office or wherever you go, it also probably takes five, 10 minutes extra getting ready. So you're saving, you know, almost an hour and a half every day. Number two is flexibility. You know, for example, you want to go see the dentist, you can probably do that more easily if you're working from home. You can pop out, pick your kids up. When you ask people what they like about going to the office, you know, numbers one and two are basically socializing with and working face-to-face with colleagues. We had other options like, you know, "spend time with your manager." It's not there. No one really clicks that. You know, free bagels, pizza ping pong table—It's not really there. So it's really about face-to-face work. When you survey folks and ask them how many days they want to work from home, it's a complete mix, which is one of the reasons it's so hard to manage it. So 20% of Americans say never. They say, I want to come into the office every day, like five days a week. And they'll say, when you actually interview them, why? They'll say, look, I want to get mentored. I want to socialize. And they'll often say, look, think of my home. I'm sharing an apartment with four buddies of mine. And, you know, I don't want to work in my bedroom and there's no other space to go. So that's like one extreme. But the other extreme there's about 30% of people that love working from home and they want to work from home five days a week, like full-time, they tend to be more in their thirties, forties with young kids, a bit more senior. They kind of moved up that mentoring career progression ladder. And they will say, you know, have a nice house, a home office. It's a long commute. I like to see my kids and my family. I travel to see customers, clients. I just don't need to go in. And then the remaining 50%, which includes me—maybe you—is like, want to go for hybrid. Like, you know, I like going in some days, but I also like to work from home some days.

Michael Klein

So of course, employees don't have a full say of whether or not to work from home. And at first companies had their hands forced, but now working from home is a choice, not a necessity. What are various companies' attitudes about returning to office?

Nicholas Bloom

Typically, if you take big companies, so take, you know, any large company in the S&P 500, about 80% of them have managers and professionals. So think of kind of corporate office types as hybrid. So that's become very popular. They then tend to have, you know, many thousands of people that are also remote. So, you know, for Stanford University, that will, you know, just to give you some examples, we have about 20,000 employees, roughly 10,000 or about seven, 8,000 of our employees are hybrid. It's like faculty, staff, et cetera. We have a couple of thousand that are remote, they are back office support staff—payroll. I was putting in a grant application recently, the person helping out with it, he was fully remote. And then we have about 10,000 that are fully in person. So that's going to be food service, security, cleaning, transport. So typically, big companies in America have a mix of all three of them. For people that work in offices, for graduates, typically hybrid, that's, you know, become very dominant. And the classic version of that vanilla version would be Tuesday, Wednesday, Thursday, in the office. Monday, Friday, working from home.

Michael Klein

But are companies happy about this? Or are they bucking the trend?

Nicholas Bloom

So are they happy? It's a different question. So yes, there is a return to office movement. There's a paper that's looked at the top 3,000 companies in the US. So that's like every publicly listed company you've ever heard of, plus many more. There are 1,200 return to office announcements that they study that they found. So what do you find on return to office announcements? These include, by the way, people going from fully remote to hybrid and from hybrid to fully in-person. One is return to office announcements tend to happen after bad performance. So one view of it is maybe it's, you know, companies trying to turn things around. Another is it's CEOs blaming bad performance and kind of excusing it on work from home. Fact two is, after the return to office announcement, after it actually happens, there's no change in performance. So it doesn't get better, it doesn't get worse. Stock returns don't change, accounting profits, sales don't change. It doesn't seem to have any actual effect. Fact three is employees that absolutely hate it. So if you look at Glassdoor data, as soon as companies announce return to office mandates, you see, you know, the employee satisfaction plummets. It's full of really negative comments, hating on the company, really angry. And fact four is, interestingly, if you look at the CEOs that tend to announce big return to office moves, they tend to be male, older—as in above 50—and more powerful, which is defined as they get paid a lot more than the rest of the board. So Amazon is a

great example of this. So you have Andrew Jassy, who's, you know, above 50, male, pretty well paid relative to the board, announces a big RTO at Amazon. It's not going to change performance. What it is going to do is lead to a massive load of quits. So Amazon's real motivation for that is to reduce headcount. They're thinking, well, we can maybe have five, 10% of the workforce quit on us, save us a bunch of money. Obviously, the downside is a lot of the best performers leave because they're the ones with good outside options and also in the hottest area. So it saves them a lot of costs, but it's going to really damage things like AI because, of course, your top talent is going to walk out the door.

Michael Klein

So Nick, you mentioned that after a return to office announcement, there's no change in performance. More broadly, is there evidence that working from home hurts companies' bottom lines?

Nicholas Bloom

So I would say there's two or three studies. The one I'll just explain in detail. I mean, it's my study, but I also know it the best. I published in Nature in June of this year, June 2024. So it was a large A/B test or randomized control trial of a company called trip.com. They're a publicly listed company. They're massive. They have like 40,000 employees, probably. Pretty much everyone's used them, even if you don't know. They're like expedia, priceline. There's three of them that kind of run global online travel. And they took one and a half thousand professionals. So these are graduates, a third are postgrads. They're in finance, marketing, accounting, and computer engineering. And they did a huge experiment. So if you had an even birthday, so you were born on the 2nd, 4th, 6th, 8th of the month, you had to work from home for, sorry...you had to come into the office for five days a week. So if you're even birthday, you have to be in the office every day. If you have an odd birthday, like on May the 5th, that would be me. You got to work from home on Wednesday and Friday. And they did this for six months. They then followed up for another 18 months. So what did they find? So they found two big things. The first is there was just no effect on performance. So they looked at promotions, performance reviews, development scores, leadership scores, innovation scores, lines of code written, a massive amount of stuff. They looked at the short run up to two years out. They found absolutely nothing. So it's not better. It's not worse. And when they interviewed employees, they said, look, coming into the office is really useful for mentoring, for innovation, for connecting up, et cetera. But by the time I've come in for three days, it's really unclear how much extra I get from days four and five. And you've got to set that off against the fact it's quieter at home. So it's easier to concentrate. And I save an enormous amount of time commuting. So it looked like by the time you get to three days, that's enough. It may even be two days is enough. I don't know. But it looks like in that study, three days was kind of enough time in. The second big finding is quit rates dropped by 35%. And so for the company, they said, look, every person that quits costs us about \$50,000, because we've got to go out, re-advertise, re-interview, get someone in, get them

trained, get them up to speed, etc. And so the company said, hybrid is a total non-brainer. It's like, why wouldn't you do it? Save us tens of millions of pounds and, sorry, of dollars, increases their profits. So ultimately, hybrids become dominant, because it's so profitable. And it's not really about productivity, it's about lowering costs. So it just basically reduces retention recruitment costs. So that's why it's become so popular now in the US, North America, generally Europe, et cetera.

Michael Klein

So hybrid is becoming the favored compromise, both for employees and employers, it sounds like.

Nicholas Bloom

Yeah, I mean, it's odd. I've talked to enormous amounts of people that love work from home. And they come from all across the spectrum, and particularly folks more on the left. It's like, odd to be saying this. But look, capitalism is your friend, if you like work from home. Capitalism is driving companies towards hybrid, because turnover is really costly. The Society of Human Resource Management estimates that every person that quits costs typically about 50% of their annual salary, because you have a position empty, and then you've got to refill it, et cetera. The other thing to mention is for fully remote, fully remote is a slightly different cost benefit calculation. So fully remote can reduce productivity, it depends on the role and the setup and how well it's managed. There's a number of studies that kind of go all over the place. Why would any company do it? Why would Stanford, my own employer say have a couple of 1000 people fully remote? Well, even if it was to say reduce productivity by 10%, 20%, there are some big upsides. So the first is you'd have to pay for office space. And that's typically about 10% of somebody's salary. And secondly, you can hire them wherever you want. So for us, for example, we have regional pay scales, and it's 30% cheaper to hire the same talent in say, you know, the southeast, Mississippi, Alabama, Tennessee, than it is in the Bay Area. So when I talk to companies fully remote, the appeal is slightly different. They'll say, look, maybe I have a bit of a hit on productivity, it's possible. But it's so much cheaper that it's also profitable to do it for a number of often back-office support roles.

Michael Klein

So you mentioned fully remote and people not living at the place where the company is sited. When remote work was possible, there seemed to be a lot of movement of people from places like San Francisco or New York to places like Montana or the Hudson Valley. Are these people now returning to where they started out? Or are they still working remotely? Or have they quit their jobs?

Nicholas Bloom

No. So quite surprisingly, I'll tell you what we know and then what's maybe surprising. So there's something called the "donut effect." So the donut effect, we actually had a paper in the Proceedings of the National Academy of Sciences just came out on this, shows that about a million Americans have moved from the center of big cities out to the suburbs. So think of someone working at, I don't know, Goliath National Bank or a very big tech company, moves from central New York or San Francisco out to the suburbs. They still got to come in three days a week, but they don't have to come in five. And so they think, look, I can put up with a longer commute, maybe I need a bit of, you know, a bit of space for a home office, I'd like a backyard, et cetera. So that's happened en masse. We also see for Mastercard data, that's really reduced food and drink spending and retail, particularly in city centers and shifted out to the suburbs. So that move and that shift happened in 2020. Interestingly enough, what's kind of surprising is many people, most people didn't move back. So you saw this shift out. If we look at, say, the United States Postal Service change of address data, you see a lot of people changed addresses, moved out, mostly they never came back. On average, they just, you know, people have shifted out to the suburbs. So looking at the big sweep of kind of urbanization, you know, city centers became a lot more vibrant and expensive from 1980s to 2019. It was like 40 years. So central New York in 1980 was kind of a scary, you know, low-rent, cheap rundown place. By 2019 it's extremely expensive. Some of that has been unwound. So some of that, you know, maybe 20% of that's been unwound over the last four years. The suburbs have had a bit of a mini-revival because of work from home. And it looks like that's going to be permanent.

Michael Klein

So, Nick, you mentioned that Mastercard data about fall off and spending on certain things near where offices exist. Are there other kinds of spillover effects that you've noticed as well? We were told that cities would empty of jobs, offices would be converted to residences, and there'd be a reckoning for commercial real estate. Have any of these predictions come true?

Nicholas Bloom

So commercial real estate is definitely down. It's definitely not out either. As an economist, what we're seeing is supply is contracting. It would take a while, but there's what's called, 'peak office' has passed. So the total square footage of office in the US is now on a downward trend because there's not much being built and there's a bunch of it being scrapped and converted. But that was probably going to take another five to 10 years to kind of see out, see through the process. So yeah, right now rents are soft. They're particularly soft and kind of nasty, what's called class B or particularly class C office space. So, you know, the thought process going through many companies is, look, we still need an office because we're hybrid. We need somewhere for folks to come in Tuesday, Wednesday, Thursday. We want them to come in. We want it to be nice. So, you know, nice offices are doing fine with amenities, et cetera. Low quality offices are not. It's pretty fascinating as to which way this is going to go. So it depends on the age of the building.

So if I give you a building that was built in say 1910 in New York, think of what that looks like. That's kind of tall and skinny. Why? Because it was built before electrification. And so you needed a lot of daylight. So you had very kind of thin buildings with lots of windows everywhere. Those type of things convert really well to apartments. So, you know, there's enough windows and there's typically enough bathrooms to split these offices up into say, you know, six apartments per floor. The problem cases are buildings built in say 1970. Those massive warehouse type buildings with huge floor plates and they have not much windows. I mean, much of the office is lit by strip lighting. There's not enough bathrooms. Those types of buildings are a nightmare because they won't convert to residential. So those things are currently sitting empty. At some point, the day of reckoning will come. And I think a lot of them are just going to be scrapped. They're just literally going to be torn down and converted. The land's going to be used for something else. Currently, that's an expensive thing to do. And so while there's uncertainty over where things are going, it's just a bunch of empty offices.

Michael Klein

So Nick, we've been talking as economists and I'd like to, in my last question, shift gears a little bit and ask you, what do you think the effect of remote work has been on people's lives beyond sort of the things that we've mentioned already? Are people working from home feeling more isolated and alone? Or are they feeling a greater sense of freedom and self-actualization because they have more control over their day?

Nicholas Bloom

So it's interesting. We ran a survey where we asked people how many days working from home is best for your mental health? How many days working from home is best for your physical health? And what you see is that varies a lot. And so from that and from other data, I think the most important thing is folks have choice. So, you know, take two very different people. You've got a 23-year-old that would feel very isolated and depressed being forced to work from home five days a week. If you let them go into the office, say four days a week and work from home Friday, they're much happier. You know, that's the best outcome for them. Take somebody else in their mid-30s. They may, you know, they may have a disability, for example, that makes commuting hard. They much prefer to work from home, control their environment. They may have care responsibilities. For them, being able to work from home four or five days is best. So my takeaway is what's best for people is actually choice. So as an economist, we've long said, you know, one of the benefits of the market is it provides an enormous array of choice. You walk into your local, you know, supermarket and you're astounded at how many different types of jello or jam or peanut butter there are. I mean, why do we need? This is this famous thing about Khrushchev visiting the U.S. in whatever, the 1950s, and being astounded that there was more than one type of soup; particularly tomato soup and saying, you know, "in Russia, we just have one and that's it. People eat soup." And, you know, but we know that choice is important. And I think it's very clear that for work from home, choice is important. It's why I kind of get angry

with these, the CEO types. Again, you can imagine a demographic that are paternalistically or kind of patronizingly telling employees they should come back to the office because it's good for them. And for some people, that's true. But generally, people know what's best for themselves. They don't really need somebody else telling them some, you know, CEO telling them and using it as an excuse. So broadly speaking, flexibility and choice seem the best for physical and mental health.

Michael Klein

That's a very nice note to end on. And so, Nick, thank you for joining me today—remotely as it is—for this really interesting conversation that, for many people, is a central part of their day-to-day existence.

Nicholas Bloom

Michael, thanks so much for having me on. It's been great.

Michael Klein

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