

# Accelerating Remote Work After COVID-19

Arpit Gupta

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The disruptions in economic activity resulting from COVID-19 have significantly been mitigated by digital tools enabling remote work. Zoom, for instance, has seen an astonishing [rise](#) from 10 million to 200 million users in three months.<sup>1</sup> However, digital work is not just a temporary replacement for in-person activity. Public policy must embrace a remote working future to drive growth.

The paradox of the digital age so far is that it has only made the physical location even more important, as illustrated by San Francisco's real estate prices. This is plausible because digital tools have complemented, rather than replaced, in-person communication, as Jess Gaspar and Ed Glaeser, [have argued](#).<sup>2</sup> So far, people have preferred to text, Slack, and message people they already also see in person. In turn, this has raised the value of developing real-world contacts, since digital collaborations with them are more feasible.

While there have been some promising [trials](#) of remote working for individual production, teams—such as Yahoo—have found more limited gains from working from home.<sup>3</sup> Despite these drawbacks, the share of remote workers has been [steadily growing](#).<sup>4</sup>

There are several reasons to think that COVID-19 will accelerate these trends towards remote work. The most important is coordination—everyone is trying remote work together, and paying the fixed cost of adoption. Additionally, we now have different digital tools—such as Slack and Zoom—which are well-suited to foster digital collaboration in teams. Finally, superstar city prices have grown too high, as the YIMBY movement has had little success in removing barriers against urban construction, creating high economic incentives to move away.

These factors mean that remote work will probably see large growth, regardless of what we do. Public policy can help push these trends even further.

The most critical area to focus on is medicine. The coronavirus pandemic has led to relaxations on doctors practicing across state boundaries, revealing the unnecessary nature of these regulations. This regulatory relief should be permanent. Telehealth has also seen enormous gains, aided by CMS decisions to reimburse in-person and physical visits [at the same rate](#).<sup>5</sup> This

reimbursement policy should continue, as Ezekiel Emanuel and Amol Navanthe [urge](#).<sup>6</sup>

Over time, the combination of a national healthcare market and fully-remote providers has the potential to radically upend healthcare. Rather than requiring patients with chronic diseases to come in frequently for visits—which is difficult for rural patients and those who live in hospital deserts—remote technologies can monitor patient health, and telehealth consultations can meet many medical needs. In-person hospital visits can be reserved for urgent procedures which require a physical examination.

A more remote future also calls for zoning reform to make suburban areas more livable for individuals working from home. The YIMBY movement has so far focused on building apartment buildings in areas zoned for single-family homes, leading to substantial backlash. A complementary suburban agenda would call for the upgrading of suburban life. This would entail lowering minimum lot size requirements, as Nolan Gray [has advocated](#), allowing for greater density in suburban areas without altering the environment more radically.<sup>7</sup> Developers and owners could always choose to pay for larger lots without driving up the cost for those who prefer a smaller lot at a lower price. Legalizing accessory dwelling units (ADU) units would also recognize the multi-generational nature of families. These units would provide residences for elderly grandparents, adult children moving back, or simply rental homestays.

A suburban livability agenda should also target concentrations of urban amenities in suburban areas where they make sense—for instance, near transit stops. Removing regulatory barriers against the provision of amenities like restaurants, cafes, and bars will make it easier for households to move to suburban areas.

Upgrading suburban life also requires an adjustment to our financing vehicles. Currently, real estate brokers take 5-6% of every real estate transaction, a hefty fee in an age of online listings. This sizable transaction cost makes residential real estate an illiquid asset class, and costly for individuals to relocate. Fortunately, a new range of tech companies—iBuyers—are helping to increase the liquidity and ease of transacting in real estate. We need to encourage these trends. Another real estate innovation has been the rise of rental management companies, which have allowed for new rental models. Shifting away from homeownership as the

only means of accessing suburban areas will broaden access by alleviating the financial price of entry in the form of down payments.

Aside from removing regulatory constraints to assist remote work, the government also should play a critical role in encouraging investment in broadband internet. While many Americans already have access to (and have been using) high-speed internet, the FCC [estimates](#) that almost 25 million Americans lack access to broadband, while Microsoft estimates this number is as high as 163 million.<sup>8</sup> Whatever the precise number, the reality is that too many Americans—particularly in rural areas—lack the internet to make full use of remote work options. We need to recognize high-speed internet is as critical for infrastructure as roads or sewers are.

Suppose we reshape our built environment, our regulatory regime, and our digital infrastructure to be more suited for an era with more remote work. What is the scope for increasing remote work, and how would Americans gain?

First, the possible increase in remote work is massive. Though only 5% of Americans currently [report](#) primarily working from home, Jonathan Dingel and Brent Neiman [find](#) that as many as 37% of American jobs could potentially be done at home.<sup>9,10</sup>

Increasing remote work closer to that level would result in economic growth from the substantially greater scale enabled by digital technologies. So far, productivity growth has been limited to those segments of the economy that have seen economies of scope enabled by new technology. Digital tools can enable much faster productivity growth in service industries that have so far lagged—including healthcare, education, and legal services.

Second, we could address the issue that economic growth has been eaten away by housing rents. Currently, knowledge workers typically reside in areas like San Francisco and New York—and see their paychecks drained by high rent and mortgage payments. Instead, these workers could live in cities like Nashville or Cleveland and enjoy far lower housing costs and higher disposable income while working remotely.

A key concern with remote work is the disruptions it would spark through the superstar effect. A world with superstar professors or doctors may affect the status of many professionals, just as the digital recordings affected the pay of ordinary musicians who never became stars. However, it is important to keep in mind that these dislocations will generally be *progressive* in nature because of increases in consumption. They will work to raise the purchasing power of lower- and middle-class Americans while affecting some upper-class professionals.

Additionally, a reshaping of the economy away from the “winner take all” dynamics of superstar cities will help rebalance economic activity. Too many Americans have been left behind by lopsided growth. A more even spread of economic growth will help middle-class Americans in the Heartland. A downside of our overly concentrated economy has been periodic populist revolts. Ensuring that Americans participate more broadly in economic activity will help to regenerate a shared national experience.

These trends do not mean that cities, or in-person interactions broadly, are dead. We may have “barbell” dynamics in terms of human interactions. Developing networks and connections in formative ages may continue to be important, and cities will play an important role there. However, ensuring that Americans then can leave to destinations they may prefer—and work remotely—will broaden opportunity and growth for everyone. Though the current crisis is harrowing for many Americans, the success that many firms and individuals have had with remote work under these circumstances points to the possibility of a promising remote work future.

**Arpit Gupta** is an Assistant Professor of Finance at New York University Stern School of Business

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The Center for Growth and Opportunity at Utah State University is a university-based academic research center that explores the scientific foundations of the interaction between individuals, business, and government.

The COVID Recovery Symposium explores public policy changes needed in the wake of the COVID-19 crisis to encourage economic growth and opportunity over the next decade.

The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Center for Growth and Opportunity at Utah State University or the views of Utah State University.

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