

# COVID-19 RECOVERY OUTLOOK: TELEWORK AND ECONOMIC DEVELOPMENT

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By Victoria (Tori) H. Hall

Telework refers to employer-approved work by an employee at a location other than the employer's worksite, making use of Internet and telephone communications. Telework broadly includes work done remotely, for all or part of a work week, at locations such as: a co-working site, a satellite office, a coffee shop, or the employee's home.<sup>1,2</sup> Working from home (WFH) is a subset of remote telework. Another telework category is working from anywhere (WFA), which refers to an employer policy that employees may work full-time from wherever they choose within a time zone, a country, or even the world as long as they have reliable Internet.<sup>3,4</sup>

Coronavirus disease (COVID-19) caused by the virus SARS-CoV-2 has led to a worldwide pandemic.<sup>5</sup> In response, on March 30, 2020, Gov. Hogan issued a general stay-at-home order for Maryland. Almost immediately, many workers began working from home (WFH), while workers unable to WFH either continued working as before (at risk of infection), if deemed essential, or were furloughed or laid off. The result has been a near-historic spike in unemployment. (See OLO reports on unemployment trends [here](#).)

While COVID-19 persists, telework will be critical for maintaining employment for many workers. As compared to the U.S. average, the Washington metropolitan region, including Montgomery County, has relatively more employees able to WFH. Remote work has been growing for well over a decade. Now, as the pandemic forces employers and employees to try teleworking, this long-standing trend is rapidly accelerating. Many business analysts now speculate that increased remote work will extend past the pandemic, with implications for transportation, real estate, land use, and economic development. This report discusses, first, the near and long-term impacts of higher rates of remote work on all residents of Montgomery County and, second, how retaining and attracting teleworking residents could boost this county's economic growth and resiliency. This paper aims to further inform the Council's Economic Development Platform in the post-COVID-19 recovery.<sup>6</sup>

## SUMMARY OF KEY TAKEAWAYS

- In the near term, the pandemic is leading employers and employees to adopt remote work for continuity of operations and continued employment. The more local jobs can continue to be done remotely, the better the region is likely to sustain economic activity. However, jobs less able to be done remotely tend to be disproportionately held by people who are non-white, low-income, live in rental housing, lack a college degree, and lack employer-provided health insurance.
- In the long term, a post-COVID-19 trend of employers offering more remote work options would decouple the choice between where to work and where to live for workers who can work remotely part or all of the time, which will create economic risks and opportunities for this County. To minimize risks and maximize the upside, an essential goal is to promote and continuously improve Montgomery County as the most desirable place for remote workers to live.

Additional OLO research on COVID-19 recovery is available here: [www.montgomerycountymd.gov/olo](http://www.montgomerycountymd.gov/olo)

## REMOTE WORK IS TRENDING

The telecommuting concept began in the early 1970s with the notion that people could reduce commute time by working at satellite offices more convenient to their homes. The advent of the Internet radically enabled and accelerated telework.<sup>7</sup> Now, COVID-19 has catapulted remote work into a coveted job feature that can make the difference between employment and unemployment. While rates of remote work may not stay at the current high levels, COVID-19 is forcing an experiment in remote work that is likely to boost long-term rates above pre-pandemic levels. Many companies with mostly office-based employees are now extending their current remote working policies for the mid- to long-term, far beyond when stay-at-home orders by state and local authorities are expected to end.<sup>8</sup> Meanwhile, some companies, like Twitter and Square, have recently announced that working remotely full-time will now be a permanent option for their employees.<sup>9</sup>

Prior to the pandemic, factors contributing to the remote working trend have included:

- **Technology:**
  - *Teleconferencing:* Computers with built in cameras and microphones plus improved online meeting software makes tele-conferencing easier, faster, and cheaper than travel.
  - *Employee Supervision:* Managers want assurance that employees are productive and engaged. Collaborative work platforms (such as Microsoft Teams) increasingly allow supervisors to monitor whether and how employees work. If productivity can be discerned without observing someone at their desk, employers may consider physical proximity less relevant.
- **Business Operations:**
  - *Changing nature of business operations:* Increased online shopping shifts employment from customer-facing retail to logistics and online customer service. In addition, more types of work can be done without in-person interactions, such as telehealth and security screening.
  - *Office work looks more like remote work:* Ubiquitous use of email, texting, and online calendars across all work settings has erased some former distinctions between working inside and outside of an office. Employees within the same office suite now email each other; workers in the same meeting quietly text each other; colleagues on the same floor share and edit documents electronically.
- **Employee Preferences:** A desire for more work/life balance and reduced greenhouse gas emissions from commuting have increased employee demand for remote work.

Tradition has been a significant barrier to higher rates of remote work. But even as COVID-19 forces changes to conventional thinking, other barriers to telework persist, including the following:

- **Information Technology (IT) Support:** Many organizations offer IT support for office-based hardware and software, but not for employee-owned equipment used at home for business purposes; organizations may need new policies addressing how and when to offer IT support to employees WFH.
- **Hardware and Software:** Many employees may not have the computer hardware, software, or broadband at home to seamlessly move from working in the office to WFH. Organizations may need to purchase or reimburse employees for equipment and broadband, or switch from desktop computers to laptops, allowing employees to move their office-issued equipment more flexibly.
- **Security:** Employees working on their home computers may not have the same level of IT security in place as their employer has established in the office. Similarly, employees working with personally identifiable information (PII) of clients and customers may not have secure home IT systems to assure PII is not hacked or inadvertently shared. Organizations may need either to require employees to use only work-issued

computers and software when working at home, or to set minimum security standards for employee-owned computers.<sup>10</sup>

## REALITY CATCHES UP TO POTENTIAL

Surveys have shown that in recent years as much as 43 percent of the U.S. workforce worked from home at least some of the time, but only about four percent worked from home at least half the time.<sup>11,12</sup> An April 2020 study by the University of Chicago found that 37 percent of jobs in the U.S. can be performed entirely at home.<sup>13</sup> Workers in occupations that can be performed at home typically earn more than workers in occupations that cannot, so an even larger portion of wages are earned in such jobs.

**Table 1: Share of jobs that can be done at home, by industry.**

<b>Top five:</b>		<b>Bottom five:</b>	
Educational services	83%	Transportation and Warehousing	19%
Professional, Scientific, and Technical Services	80%	Construction	19%
Management of Companies and Enterprises	79%	Retail Trade	14%
Finance and Insurance	76%	Agriculture, Forestry, Fishing and Hunting	8%
Information	72%	Accommodation and Food Services	4%

*Source: NBER Working paper 26948 (Dingel and Neiman, April 2020).*

This study also found significant variation across cities and industries in the percentage of jobs that can be done from home. In the Washington metropolitan area (Washington-Arlington-Alexandria, DC-VA-MD-WV), the authors found that 50 percent of jobs could be done from home.<sup>14</sup> This suggests that this metropolitan area may weather the pandemic-related economic downturn relatively better than many other regions of the U.S. If employers find during the pandemic that employees can be productive working remotely, it could accelerate a recent push to decentralized workforces.<sup>15</sup> For example, Global Workplace Analytics predicts that within two years 30 percent of workers will WFH multiple days per week.<sup>16</sup>

Specific employment types have widely different ability to work remotely.<sup>17</sup> Research on the characteristics of individuals who cannot WFH found that they are more likely to be non-white, lower-income, live in rental housing, lack a college degree, and lack employer-provided health insurance.<sup>18</sup> However, as discussed in the next section, workers who cannot telework may still be affected by the repercussions of an economy increasingly turning to remote work. OLO intends to issue a separate research paper on how different job types are more less able to be done remotely, and the demographic breakdown of who predominately holds these jobs.

## MORE TELEWORK FOR SOME CAN AFFECT QUALITY OF LIFE FOR ALL

If, in the post-COVID-19 economy, remote work has a heightened role in corporate life, it could have major implications for corporate profits as companies reduce office space expenses. Employers may be able to recruit from a much larger pool of potential workers living outside the commuting radius of headquarters. Employee loyalty could decline, making retention harder. Managing remote employees has tradeoffs for management, but as one business executive recently told the New York Times, “[C]ompanies are in a period where cost matters a lot.[...] Even if employees who are working remotely are 5 percent less productive, companies can save 20 percent on real estate and end up with a higher return.”<sup>19</sup>

A corporate trend toward a more decentralized workforce may have unpredictable long-term impacts on wages. For example, firms bidding against more firms for talented remote workers could push national average wages up, but workers bidding against more workers could push wages down.<sup>20</sup>

Higher rates of telework post-COVID-19 will impact more than just remote workers and their employers. It will also affect patterns of daily life, transportation, commercial real estate, and more. Housing patterns and housing prices could be affected if remote workers begin moving based on lifestyle choices rather than commuting proximity to work. Table 2 below lists some potential advantages and disadvantages to increased rates of remote work, many of which will impact all Montgomery County residents, including those who cannot work remotely.

**Table 2. Potential advantages and disadvantages of increased rates of telework.**

<b>Potential <i>advantages</i> of increased telework:</b>	<b>Potential <i>disadvantages</i> of increased telework:</b>
<ul style="list-style-type: none"> <li>• The option to work from anywhere full-time may lead some remote workers to move <i>into</i> the County, increasing the local income tax base.</li> <li>• Reduced use of office space could allow for creative reuse of vacated space for other commercial or residential uses.<sup>21</sup></li> <li>• Residential real estate may focus on incorporating more home offices and multigenerational living, a boon to the renovation and construction sector.</li> <li>• A decrease in the number of commuters would enable those who must commute (by bus, train, bike or car) to have faster trips, especially if employers stagger part-time remote work across the work week.</li> <li>• Fewer commuting trips would improve air quality and lower greenhouse gas emissions.</li> </ul>	<ul style="list-style-type: none"> <li>• The option to work from anywhere full-time may lead some current residents who work remotely to move <i>outside</i> the County, decreasing the local income tax base.</li> <li>• Reduced use of office space could be detrimental to the commercial real estate and construction sectors and could negatively affect property tax revenue generation.</li> <li>• Reduced transit ridership would decrease fare revenues, increase net operating costs, and put pressure on transit agencies to reduce service levels.</li> </ul>

## TELEWORK CREATES ECONOMIC DEVELOPMENT RISKS AND OPPORTUNITIES

Viral epidemics are unpredictable in duration and recurrence, an uncertainty that over the near term incentivizes employers and employees to quickly adopt remote work for continuity of operations and employment. While the virus circulates, telework has a clear economic benefit in Montgomery County: the more residents can continue to work remotely, the better the County can sustain its economic activity.

Over the longer term, increasing remote work creates economic risks and opportunities for the County. Workers given the option to work remotely full-time could relocate to or from anywhere, and workers who can begin to work remotely part-time could relocate within this region. To minimize risks and maximize the upside, an essential goal is to promote and continuously improve Montgomery County as the most desirable place for remote workers to live. In a world that teleworks, the term ‘bedroom community’ takes on new implications. Under a conventional work model, many of the highest paid workers commute to offices. Therefore, to promote growth of the local economy and tax base, jurisdictions have competed to entice businesses to locate inside

their borders. A key assumption behind this approach is that attracting and growing businesses gives current residents more job opportunities *within a bearable commute of their existing home* and that creating more job opportunities also attracts future residents *because they will seek to live within a bearable commuting distance of their job*. While that model will still hold for many jobs, as remote work grows an employee's concern for a bearable commute that tethers their work and residence choices will diminish.

Under a remote work paradigm, current residents could remain in the County while gaining WFA employment with businesses located anywhere in the region or even the world, while many workers with WFA jobs could choose Montgomery County for their residence. The risky corollary is that current County residents whose jobs become largely or fully remote can choose to move elsewhere while retaining their jobs, and new WFA job openings for businesses headquartered in this County could be filled by remote workers living anywhere. Thus, under a remote work paradigm, the focus becomes positioning this County as a desirable place for teleworkers to live – because now more than ever they can make those choices separately.

## ATTRACTING AND RETAINING TELEWORKING RESIDENTS

Based on the premise that employees need to live near their employer, a key focus of economic development is attracting and building businesses and influencing where businesses choose to locate. Businesses bring jobs, and jobs generate wealth and tax revenue that multiplies through a region. For a business owner, dozens of factors go into such decisions, including: tax incentives and subsidies; prevailing wages; the cost of living; cultural and recreational amenities; proximity to high quality medical care; ethnic and racial diversity; ease of transportation; reliable government services; school quality; and the availability of a highly educated workforce.<sup>22</sup> These considerations will continue to be relevant. But if COVID-19 sharply transforms the prevalence of remote work, then the values and preferences of employees themselves will demand additional attention. In this evolving employment environment, state and local economic development strategies may need to focus on the recruitment and retention of remote employees as well as their employers.

Some jurisdictions offer remote workers cash or credits to relocate there.<sup>23</sup> For example, starting in 2018 the Kaiser Family Foundation has funded the Tulsa Remote program to recruit full-time remote workers from outside Oklahoma. The program promotes Tulsa's music and theater, sports venues, and parks, and offers recipients a cash bonus, co-working space, and community-building programs to help them engage with Tulsa.<sup>24</sup> The program's first round received thousands of applications; of the 100 remote workers selected, the gender breakdown was close to 50/50 and 40 percent were people of color.<sup>25</sup>

## TAKEAWAYS

In the near term, the pandemic is driving employers and employees to adopt remote work for continuity of operations and employment. The more local jobs can continue to be done remotely, the better the region can sustain economic activity. Certain job types offer more opportunity to work remotely than others. Jobs less able to be done remotely tend to be disproportionately held by people who are non-white, low-income, live in rental housing, lack a college degree, and lack employer-provided health insurance.

In the long term, for those workers who can work remotely part or all of the time, a post-COVID-19 trend of employers offering more remote work options can unlink the choice between where to work and where to live, creating economic risks and opportunities for this County. To minimize risks and maximize the upside, an essential goal is to promote and continuously improve Montgomery County as the most desirable place for remote workers to live.

## Endnotes

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<sup>1</sup> U.S. Office of Personnel Management (OPM) website: [www.opm.gov/FAQs/](http://www.opm.gov/FAQs/).

<sup>2</sup> The Federal government defined “telework” in the *Telework Enhancement Act of 2010* (P.L. No. 111-292, enacted 12/09/2010); retrievable from [www.congress.gov/bill/111th-congress/house-bill/1722/text](http://www.congress.gov/bill/111th-congress/house-bill/1722/text). The U.S. Office of Personnel Management (OPM) cautions that the terms “remote” and “mobile” work may refer to arrangements that operate differently than telework.

<sup>3</sup> *Is It Time to Let Employees Work from Anywhere?* by P. Choudhury, B. Larson and C. Foroughi (Harvard Business Review, Aug. 14, 2019); retrieved from <https://hbr.org/2019/08/is-it-time-to-let-employees-work-from-anywhere>.

<sup>4</sup> *Work From Home Is Dead, Long Live Work From Anywhere*, by D. Crichton (TechCrunch, 5/18/2020); retrieved from <https://.techcrunch.com/>.

<sup>5</sup> World Health Organization: *Naming the coronavirus disease (COVID-19) and the virus that causes it*; retrieved from [www.who.int/emergencies/diseases/novel-coronavirus-2019/technical-guidance/naming-the-coronavirus-disease-\(covid-2019\)-and-the-virus-that-causes-it](http://www.who.int/emergencies/diseases/novel-coronavirus-2019/technical-guidance/naming-the-coronavirus-disease-(covid-2019)-and-the-virus-that-causes-it).

<sup>6</sup> *Economic Development Platform for Montgomery County* (Resolution 19-300, adopted 11/19/2019); retrievable from <https://apps.montgomerycountymd.gov/ccllims/Default>.

<sup>7</sup> *White-Collar Companies Race to Be Last to Return to the Office*, by D. Streitfeld (New York Times, May 8, 2020); retrieved from [www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html](http://www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html).

<sup>8</sup> *White-Collar Companies Race to Be Last to Return to the Office*, by D. Streitfeld (New York Times, May 8, 2020); retrieved from [www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html](http://www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html).

<sup>9</sup> *Twitter, Square Announce Work From Home Forever Option: What Are The Risks?* by D. Brownlee (Forbes, 5/18/20), retrieved from [www.forbes.com/sites/danabrownlee/2020/05/18/twitter-square-announce-work-from-home-forever-option-what-are-the-risks/#5849f2252565](http://www.forbes.com/sites/danabrownlee/2020/05/18/twitter-square-announce-work-from-home-forever-option-what-are-the-risks/#5849f2252565).

<sup>10</sup> *The Top 10 Employer Cybersecurity Concerns For Employees Regarding Remote Work*, by S. Gul and M. Slipsky (Security Magazine, 3/26/2020); retrieved from [www.securitymagazine.com/articles/91999-the-top-10-employer-cybersecurity-concerns-for-employees-regarding-remote-work](http://www.securitymagazine.com/articles/91999-the-top-10-employer-cybersecurity-concerns-for-employees-regarding-remote-work).

<sup>11</sup> In 2018, 3.6% of the U.S. employee workforce worked at home half-time or more, from Global Workplace Analytics’ analysis of 2018 American Community Service data. In 2016, 43% of employees work remotely with some frequency, from Gallup State of the American Workplace 2016.

<sup>12</sup> Economic News Release, U.S. Bureau of Labor Statistics, Table 1. Workers who could work at home, by selected characteristics, 2017-18; retrieved from [www.bls.gov/news.release/flex2.t01.htm](http://www.bls.gov/news.release/flex2.t01.htm).

<sup>13</sup> NBER Working Paper Series: *How Many Jobs Can Be Done At Home?* J. Dingel and B. Neiman, (University of Chicago, Booth School of Business, Working Paper 26948, National Bureau of Economic Research, April 2020); retrieved from [www.nber.org/papers/w26948.pdf](http://www.nber.org/papers/w26948.pdf).

<sup>14</sup> Ibid, NBER Working Paper 26948.

<sup>15</sup> *The Technology 202: Remote work could be here to stay for some tech workers*, by C. Zakrzewski (Washington Post, May 13, 2020); retrieved from [www.washingtonpost.com/news/powerpost/paloma/the-technology-202/2020/05/13/the-technology-202-remote-work-could-be-here-to-stay-for-some-tech-workers/5ebae678602ff11bb117b222/?itid=hp\\_business-right-4-0\\_biz-latest-feed%3Ahomepage%2Fstory-ans](http://www.washingtonpost.com/news/powerpost/paloma/the-technology-202/2020/05/13/the-technology-202-remote-work-could-be-here-to-stay-for-some-tech-workers/5ebae678602ff11bb117b222/?itid=hp_business-right-4-0_biz-latest-feed%3Ahomepage%2Fstory-ans).

<sup>16</sup> *This is the end of the office as we know it*, by R. Molla (Vox, Apr 14, 2020); retrieved from [www.vox.com/recode/2020/4/14/21211789/coronavirus-office-space-work-from-home-design-architecture-real-estate](http://www.vox.com/recode/2020/4/14/21211789/coronavirus-office-space-work-from-home-design-architecture-real-estate).

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- <sup>17</sup> *Class and COVID: How the less affluent face double risks*, by Richard V. Reeves and Jonathan Rothwell (Brookings, March 27, 2020); retrieved from [www.brookings.edu/blog/up-front/2020/03/27/class-and-covid-how-the-less-affluent-face-double-risks/](http://www.brookings.edu/blog/up-front/2020/03/27/class-and-covid-how-the-less-affluent-face-double-risks/).
- <sup>18</sup> Ibid, NBER Working Paper 26948.
- <sup>19</sup> *White-Collar Companies Race to Be Last to Return to the Office*, by D. Streitfeld (New York Times, May 8, 2020); retrieved from [www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html](http://www.nytimes.com/2020/05/08/technology/coronavirus-work-from-home.html).
- <sup>20</sup> *Why Facebook's Plan to Tie Remote Pay to Location Will Probably Fail*, by J. Barro (New York magazine: The Intelligencer, 5/23/2020); retrieved from <https://nymag.com/intelligencer/2020/05/facebooks-plan-to-tie-pay-to-location-will-probably-fail.html>.
- <sup>21</sup> *Office-to-Affordable Housing Task Force Report*, prepared by the Coalition for Nonprofit Housing and Economic Development for the Council of the District of Columbia (Council Document #RC23-0108, August 2019); retrievable from <https://lims.dccouncil.us/>.
- <sup>22</sup> *The Real Story of How Virginia Won Amazon's HQ2: State officials and company executives were reading from the same book—literally*, by L. Mullins (Washingtonian Magazine, 6/16/2019); retrieved from [www.washingtonian.com/2019/06/16/the-real-story-of-how-virginia-won-amazon-hq2/](http://www.washingtonian.com/2019/06/16/the-real-story-of-how-virginia-won-amazon-hq2/).
- <sup>23</sup> *6 US cities and states that will pay you to move there*, by A. Adamczyk (CNBC, 8/31/2019); retrieved from [www.cNBC.com/2019/08/31/6-us-cities-and-states-that-will-pay-you-to-move-there.html](http://www.cNBC.com/2019/08/31/6-us-cities-and-states-that-will-pay-you-to-move-there.html).
- <sup>24</sup> Tulsa Remote program, Oklahoma; retrieved from <https://tulsaremote.com/>.
- <sup>25</sup> *The Great Tulsa Remote Worker Experiment*, by S. Holder (CityLab, 2/28/2020); retrieved from [www.citylab.com/life/2020/02/tulsa-incentives-work-remotely-coworking/604873/](http://www.citylab.com/life/2020/02/tulsa-incentives-work-remotely-coworking/604873/).