<u>The Work-From-Home Trend Faces Challenges</u>
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The work-from-home (WFH) trend has really taken hold from the start of the COVID-19 pandemic. Late last year, data scientists at Ladders, Inc. pointed to projections showing remote work opportunities continuing to increase through 2023, and that 25 percent of all professional jobs in North America will be remote by the end of 2022.[1] The increase of remote opportunities from under 4 percent before the pandemic, to about 9 percent at the end of 2020, to over 15 percent at the end of last year, this trend is referred to by Ladders CEO Marc Cenedella as the largest societal change in America since the end of Worl War II.[2]

Evolution of the Work-from-Home Trend

The impetus for working from home has shifted considerably since 2020. According to the Pew Research Center, fewer workers are citing concerns about being exposed to the coronavirus as a reason for working at home. Instead, more workers are remaining at home by choice instead of necessity.[3]

These changes in worker attitudes are reflected in the hiring practices of many companies. Research by The Conference Board shows that over 40 percent of the jobs posted by West Coast tech companies at this point are being posted outside of the region.[4] Residents of Silicon Valley and New York City are now competing with talent in places like Boise, Idaho, driving median home prices to ten times the city's median income. This higher competition for high paying jobs also provides companies with much greater abilities to acquire talent. Many living in big cities have to question the need to stay in-place with a higher cost of living.

Along with remote work, one can expect that much investment will be made in mobile work tools and virtual reality conferencing, as well as the development of Artificial Intelligence (AI) to serve a larger role in managing remote staff.

Challenges to the Work-from-Home Trend

The common discourse about the work-from-home trend is that it is unstoppable and permanent. Even many of the big banks and tech companies that have been resistant to the idea of a permanent remote workforce – including Goldman Sachs and JP Morgan Chase – have retreated from their stance and joined others in announcing flexible work from home policies in the face of rising Covid-19 cases.

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[1] "25% of all professional jobs in North America will be remote by end of next year". Ladders. December 7, 2021. Available at: https://www.theladders.com/press/25-of-all-professional-jobs-in-north-america-will-be-remote-by-end-of-next-year Accessed on July 11, 2022.
[2] Ibid.
[3] Parker, Kim, *et. al*. "COVID-19 Pandemic Continues To Reshape Work in America". Pew Research Center. February 16, 2022. Available at: https://www.economicmodeling.com/2022/02/01/2022-remote-work-trends/ Accessed on July 11, 2022.
[4] Oldham, Ethan. "2022 Remote Work Trends: How remote work is changing the geography of hiring for good". ESMI. February 1, 2022. Available at: https://www.economicmodeling.com/2022/02/01/2022-remote-work-trends/ Accessed on July 11, 2022.

To be sure, a strong economy supported by accommodative interest rate policies, fiscal stimulus, and a tight labor market (low unemployment), has fed this idea that remote work necessitated by the pandemic will inevitably be a permanent change. In other words, even if many employers question the benefits of a remote workforce, employee preference for remote work means that employers must adapt to the needs of this workforce to retain and attract talent.

The trouble is that the labor market looks set to loosen up. Inflation is now dramatically on the rise. Interest rates are climbing higher, with a Federal Reserve committed to hiking rates further to fight this inflation. These factors are likely to result in lower demand for products and services – possibly tipping the US and much of the world into a recession. Even without a recession, higher interest rates would suggest less investment and growth, layoffs and higher unemployment.

Already, companies such as Apple and Tesla have announced plans for employees to return to work or simply quit. In this way, a return-to-office policy can take the place of layoffs. Though, in Tesla's case an announcement of layoffs in the range of 10 percent of its workforce was unavoidable.

Staff writer for The Atlantic, Derek Thompson, has written on this subject recently. 'Remote work,' he says, 'isn't just a macroeconomic development. It's a cultural trend, which, like all trends, is sensitive to backlash'.[5] Thompson makes a strong case that current economic developments are likely to reverse some of the work-from-home trend. But, he hesitates to predict the death of the trend for three reasons. To summarize:

First, because so many millions of knowledge workers prefer work-from-home, it would take something stronger than a recession to get them to return to the office. Second, recessions lead to bankruptcies, and companies with high-cost structures that includes the cost of unused office space may be more susceptible to a poor outcome. This would leave more remote work friendly companies standing when the economy recovers. Third, a recession is likely to have companies with unused office space cut spending related to everything related to the office to survive.

In the end, remote work appears to have gotten a boost because of the pandemic. The trend was further fueled by low interest rates, fiscal stimulus, and a tight labor market. It may be premature to conclude that the trend will continue at a heightened pace. At least in some industries, a slowing or even a reversal of the trend should not be unexpected.

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[5] Thompson, Derek. "How a Recession Could Weaken the Work-From-Home Revolution". The Atlantic. June 23, 2022. Available at: https://www.theatlantic.com/newsletters/archive/2022/06/could-recession-kill-the-work-from-home-revolution/661361/ Accessed on July 11, 2022.