

# Working From Home: The Macroeconomic Impact

By A. Chatterjee\*

As we all know, working from home was the norm before the industrial revolution. Most jobs, such as farming, weaving, pottery or textiles were done from the home-base. With the advent of the industrial revolution and subsequent progress in the development of our economy, people went to a centralized workplace such as commercial offices, retail and distribution centres. With the advent of the COVID-19 pandemic, global economies were shattered as the infection of the COVID-19 spread exponentially, the death rate rose in lock step.

To control the spread of COVID-19, governments across the globe enforced restrictions of movement of people along with other health and safety protocols, as directed by their respective medical and public health officials. One way to restrict movement of people and to maintain physical distancing is to encourage people to work from home. According to the International Labour Organization (ILO), 59 countries implemented a "work from home" policy for non-essential public servants. As well, most businesses in the private sector across the world allowed their employees to work from home for all non-essential workers.

It is worth noting, that prior to COVID-19, many employees of the developed nations were working from home. For example, in the United States about 7% of the employees worked from home, according to Pew Research Center. In Europe it is a bit higher, about 10% on average, with Sweden at 18% and Holland at 21%, according to a 2017 study (as referenced in International Labour Organization's Policy Brief, dated April 2020). These workers are of a higher income bracket and have the infrastructure to work from home, such as those in the IT sector.

The main aim of this paper is only to assess the general favourable and unfavourable economic effects of working from home.

There are some occupations where the scope for distance working is limited or not feasible. For example, to work in agriculture, forestry and fishery, craft and trade, construction and mining, nurses and lab-technicians, certain services and salesjobs, one needs to work from a centralized work center.

The good news is, at the time of writing this article, Canada, UK and USA have introduced the vaccine for COVID-19. It is now expected most advanced nations will be able to vaccinate their citizen by the end of next year. However, it will take more time to vaccinate the citizens of developing nations. Although it is not clear, at the moment, when we shall return to "normal", however, when we

do return to normalcy or to a "new normal" I believe a large percent of workers, across the globe, will work from home. There is a realization by employers and employees that some jobs can be done effectively by working from home.

There are currently no reputable studies to support or refute the premise that working from home increases labour productivity and subsequently, the GDP. However, there is a growing consensus that a large number of non-essential workers will be working from home. In my view, it would take some time for employers to digest and calculate the costs and benefits of employees working from home to finalize the rules of the game. Similarly, many employees need a lot of time to figure out if working from home is their best option. **Thus, it is not easy to predict what percent of the labour force will be working from home when normalcy prevails.**

However, it is clear to me, each country, especially in developed nations, will present different opportunities to their workers to work from home. Thus, the percent of workers working from home will vary from country to country. A recent study by the **International Labour Organization (ILO, April 2020), Working from Home: estimating the worldwide potential** provides some light on this issue. According to their report about 34% of American jobs can be performed from home, 24% for Italy,

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## Macroeconomic Impact Working From Home

Positive Impact	Negative Impact
Renovation industry	Fall in Commercial rental
Demand for Office furniture & equipment business	Decreased Commercial capital outlays
Technology	Decreased use of Public transportation
Increased Insurance Cover	Challenges for Food and retail vendors

28% for France, 29% for Germany, 25% for Spain and 31% for Sweden and the U.K. These estimates for home-based work potential took into consideration a complex matrix of income level of each country, including the availability of broadband internet, likelihood of owning a personal computer and the current housing situation.

The macro economic impact of working from home are as follows:

**On the positive side**, if people decide to work from home, they have to retrofit their house to a workable office space. They cannot work from the garage or from the laundry room for the long-term, they will eventually require a proper office space in the house. Thus, they will need to renovate their house, buy some office furniture and office equipment such as a computer and printer. Thus, this process will increase the demand for renovation activity. With the surge in renovation activity, the demand for construction workers such as carpenters, electricians and plumbers will increase. This sector is dotted with small businesses. Thus, it is expected that small businesses doing renovations will have a good fortune during the transition of working from home.

As well, big businesses, such as Best Buy and Staples as well as small companies that supply office equipment will enjoy healthy gains during this process. In addition, the demand for computer related services such as robust firewalls, strong antivirus software and video conferencing tools such as Zoom, will increase rapidly. Moreover, when working from home one needs additional insurance to cover unforeseen consequences.

**On the negative front**, as the workers choose to work from home, the rental-demand for commercial properties will fall significantly. Generally, large leasing companies and REITS dominate the leasing business. As the demand for rental space dries up, these companies will suffer. Indeed, the global stock markets have already taken a bearish view of this asset-class.

As the demand for leasing of commercial properties declines, resulting from the work from home practice, capital outlays in commercial buildings will fall which in turn will have a negative impact on a country's GDP.

Another obvious culprit of working from home will be the decline in the use of public transportation. As more

and more people choose not to travel to work, the demand for public transportation will fall. These transportation companies-private or public will experience sluggish ridership and significantly lower cash flow and associated revenues. Moreover, capital outlays – public and private, in this category of infrastructure will decline, as the rate of return on investment in this category is expected to be very low or even negative, which in turn, would cut the growth of the GDP.

Even if twenty-five to thirty percent of employees work from home as the ILO study suggests, many small food vendors, whether located in the food court or operating as an independent restaurant, will see a big decline in customers during the lunch time and coffee-breaks which in turn will cut their revenues and cash flows. This will cause serious job losses in this sector. As well, many vendors will be unable to continue their business and unfortunately, will file for bankruptcy.

Despite the arrival of vaccine for COVID, it is still unclear about the efficacy of the vaccine, the time line to put the vaccine to every citizen's arms and the overall damage the pandemic will cause to the economy. **However, it is very clear that our so called "normal" will disappear soon. We will live in a different work environment.** Many workers will set-up offices at home and will work from a home-base, will cut business travel and will hardly will see their co-workers in-person. Whether this change in work condition to work from home rather than working at the office will increase productivity and the overall job satisfaction of the worker, time will tell. Let's hope we get back to normal soon with the help of science and good political leadership. □