The Work-From-Home Economy and the Urban Job Outlook

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FULL TEXT

Restaurant Associates is not the company it used to be. It has long operated restaurants, catered events and run corporate dining rooms for clients including Google and the Smithsonian Institution. Now it employs about half of the 10,000 or so people it had on staff before the pandemic.

As its lines of business dried up, the company invented new ones. It has made soups and side dishes for the online grocer FreshDirect. It has delivered meals to displaced Wall Street traders working from Connecticut, and to guests attending “virtual galas” from home.

Restaurant Associates is probably going to have to keep improvising. Just as things started looking up in the summer —with some museums reopening, businesses scheduling a return to the office, and catered galas bouncing back in full force —the Delta variant of the coronavirus brought everything, again, to a halt.

“We were very hopeful that by September we would start coming back strong,” said Dick Cattani, the chief executive. Now, he said, “we don’t know what’s happening, what’s next.”

This anxiety is widespread across the American economy. As Kevin Thorpe, chief economist of the commercial real estate services firm Cushman &Wakefield, noted, “The longer the virus lingers, the more transformative it is going to be.”

A critical question is whether the urban service economy —the restaurants, hotels, taxi services and entertainment venues that employ millions of workers —can recover from the multiple waves of Covid-19 that have kept their customers away.

After months of social distancing and remote work, this will depend to a large extent on how employers and workers readjust their attitude toward proximity and density —toward space.

Three researchers —José María Barrero of Autonomous Technological Institute of Mexico, Nicholas Bloom of Stanford University and Steven J. Davis of the University of Chicago —estimate that from April to December 2020, half of the working hours in the American economy were supplied from home. After the pandemic ends, they think, the share will fall to around 20 percent. That is still four times the amount of work delivered remotely in 2017 and 2018.

And remote work will be concentrated among the most highly paid workers in the most densely populated places. For instance, over half of the workers in high-skill, information-intensive services —in finance and insurance, information, professional services and management —were still working from home in January, according to researchers from Princeton, Georgetown, Columbia and the University of California, San Diego.

Big cities face a dual threat of losing both their most skilled workers and the consumer service economies they sustain, the researchers wrote. “As a result,” the authors added, “they may shrink in size unless they manage to provide advantages that justify the costs of urban density when residential choices are set free from proximity-to-workplace considerations.”

About 18 percent of office space in central business districts across the United States is vacant, compared with 12 percent before the pandemic, according to Cushman &Wakefield. Groupon, Twitter, United Airlines and other businesses are shedding office space. Some are rethinking their use of space entirely.

The sports equipment retailer REI sold the corporate headquarters it was building in the Seattle area, meant to

house some 1,800 employees, and is setting up three smaller satellite offices around the area, for workers to gravitate to if they wish. They can work entirely from home, too.
“We felt there are moments when being physically together makes a difference but it doesn’t have to be all the time,” said Christine Putur, REI’s executive vice president for technology and operations. “We want to move forward with more habits, new norms —let the outcomes drive when and how we get together.”
This reconfiguration of work is likely to reconfigure the American economy, changing wages and spending patterns.
Google, for instance, is allowing employees to work remotely. But it will adjust compensation depending on the local cost of living. In a blog post to employees, Google’s chief executive, Sundar Pichai, estimated that some 20 percent of them would choose to work from home permanently. And the company developed a calculator for employees to figure out the effect on their pay.
Mr. Davis of the University of Chicago and his co-authors estimate that the increase in working from home will reduce spending in city centers by 5 to 10 percent, hurting business at restaurants, bars and other spots that rely on the spending of office workers.
“Some of the leisure and hospitality activities will follow those people that are no longer in the downtown area,” Mr. Davis said. But the spending of newly suburbanized workers may be different, including fewer lunches and happy hours than when they worked downtown.
America’s economic geography looks different from what it did two years ago. New York City’s share of the nation’s employment fell to 2.8 percent in July 2021, from 3.1 percent in July 2019. That means about 375,000 fewer jobs than if the city had at least kept pace with the country as a whole.
Other places tell a similar story. The Boston metropolitan area’s share of the nation’s jobs dropped abruptly after Covid struck, and has only partly recovered. The same is true of Los Angeles, Chicago, San Francisco and Philadelphia.
The pattern of employment in and around cities has changed, too. By July, the Atlanta metropolitan area had recovered most of the jobs lost since the same month of 2019. But employment in its food and drink businesses was down more than 10 percent. The leisure and hospitality sector, which also includes entertainment and accommodation, was employing 13 percent fewer people.
Employment in the Phoenix area had actually increased since July 2019. But leisure and accommodation jobs were down by 6 percent. And in New York, Boston and San Francisco, home to some of America’s best-paid workers in technology and finance, employment in leisure and hospitality in July was down by at least a fifth compared with two years earlier.
Some jobs have returned. Barbara Xocoyotl, furloughed when the Omni hotel in New Haven, Conn., was shuttered for months last year, is again cleaning rooms. So is Maria Valdez at the Grand Hyatt in San Antonio, though she says she has fewer co-workers.
And new opportunities have arisen. Notably, even as the country lost 256,000 retail jobs from July 2019 to July 2021, warehousing and transportation added 209,000 positions, as Amazon and other providers set up distribution centers to keep up with the increase in online ordering.
Warehouse work is generally outside the urban core, though. Employment in the downtown service economy —which depends on the spending of office workers, business travelers and tourists —has yet to recover from Covid’s blow.
Rob Siminoski is back running shows at Universal Studios, a short drive from downtown Los Angeles, but his schedule is uncertain. “Technically I’m back to work, but this week I had two days; a couple of weeks ago I had zero days,” he said. He says he has so few hours that he continues to qualify for unemployment benefits.
The Jacobs Theater in Manhattan hasn’t reopened yet. So Zoraida Rodriguez hasn’t returned to her cleaning job (she is working a three-month gig at her union, Local 32BJ of the Service Employees International Union). Neither has Kristinia Bellamy, who cleaned an office building in Midtown Manhattan until it was closed last year.
Altogether, some 3,000 of 21,000 office cleaners in 32BJ are on recall lists, waiting for their buildings to reopen,

said Denis Johnston, who heads the local's commercial building division.
That's down from 7,000 in the spring of 2020. But as companies start delaying their plans to return to the office, progress has halted. "Six weeks ago we had so much momentum," Mr. Johnston said. "For our members out of work, the idea that reopening is not going to happen until next year …it's ugh."
Could this all eventually snap back to the way things were before the pandemic? Enrico Moretti, an economist at the University of California, Berkeley, suggests that remote work will be reined in by employers who fear workers' productivity will suffer.
Job offers allowing fully remote work jumped from about 2 percent of openings to 6 to 7 percent after the pandemic hit, he noted. But they have maintained that share since then. "It remains a niche phenomenon," he argued.
He doesn't expect that to grow much further. Employers may allow working from home a couple of days a week, he said, but Zoom is not a permanent replacement for the kind of interaction and collaboration on which innovation thrives.
Juggling desperately as his customers keep pushing back their plans to return to the office, Mr. Cattani at Restaurant Associates hopes Mr. Moretti is right.
Mr. Cattani (whose company runs the cafeteria in The New York Times Building) ticks off reasons that his customers will return: Workers won't want to take a pay cut to work remotely; more will get vaccinated; they are "Zoomed out"; there is huge pent-up demand for the social activities that Covid took away.
Still, he acknowledges, "the crystal ball is very cloudy."

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