WORK IN PROGRESS

How a Recession Could Weaken the Work-From-Home Revolution

Company culture may soon resemble what bosses want, rather than what workers want—and that could mean a lot more people in the office.

By Derek Thompson

The Atlantic; Getty

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Sometimes, a trend that seems inevitable turns out to be a fragile creature of circumstance. For example, throughout the 2010s, a fleet of consumer-tech companies took venture-capital money to provide subsidized services—including Uber and Lyft for ride-shares and DoorDash and Postmates for food delivery. As I wrote this month, these companies were beneficiaries of a low-interest-rate environment, in which investors were eager for firms with world-conquering ambitions to burn cash and grow. Then the party ended: Interest rates rose along with nominal wages, investors demanded profits, and now an Uber from here to the end of the block costs about $100.

Recently, I've been wondering whether the work-from-home revolution might suffer a similar fate. Clearly, the pandemic and the brisk economic recovery helped remote work in several ways. The coronavirus closed offices, and the ensuing tight labor market gave workers power to quit jobs, fight for more money, and reject the purgatorial tradition of a daily commute.

But just as the Uber-for-Everything revolution relied on a specific set of economic conditions that shifted very quickly, remote work might be sensitive to brisk economic changes.

To understand where I'm going with this, we unfortunately have to talk about the U.S. economy, which is not much fun. Inflation is stubbornly clinging to a 40-year high, and nominal gas prices have set a record. The Federal Reserve is trying to cool down demand by jacking up interest rates, even as energy prices are rising largely because of global factors, like the war in Ukraine constricting the supply of oil. Although a downturn isn't inevitable, the Fed does risk destroying so much demand that the U.S. tips into a recession in the next year or two. And even if growth doesn't turn negative, rising interest rates will almost certainly produce less investment, less growth, layoffs, and rising unemployment.

In the near future, then, management may regain the upper hand from labor, as the Great Resignation becomes the Great Labor Slackening. Company culture will more resemble what bosses want, rather than what workers want—and that could mean a lot more butts in seats. According to surveys by the Stanford economist Nicholas Bloom, nearly 80 percent of employees say they prefer to work at home at least one day a week. But managers are roughly split on the question of whether remote workers are as productive as office workers.

We're already getting little glimpses of how a bleak economic situation might burst the WFH bubble. Several weeks ago, Elon Musk told his employees to return to the office or else lose their jobs. This initially looked like a straightforward threat by an eccentric CEO with a passion for office-based proximity. But days later, Tesla announced that it would likely have to lay off 10 percent of its workforce, suggesting that Musk was using the threat of return-to-office to get some of his workers to quit on their own, without the indignity of announcing a large layoff.

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This morally dubious playbook is widely available. Several tech companies, including Apple, have tried out (and in some cases abandoned) a version of this stealth layoff strategy, according to the investor Jason Calacanis. “These companies are too prideful to do layoffs, so instead they say, ‘Come back to the office or quit!’” Calacanis told me on my podcast, *Plain English*.

The real-estate billionaire Stephen Ross articulated the flip side of this dynamic, predicting that just as employers may use a return-to-office policy to nudge workers to quit, workers may return to win their bosses’ affection before layoffs begin. “Employers have been somewhat hesitant because they didn’t want to lose their employees,” he told *Bloomberg*. “But I think as you go into a recession and people fear that they might not have a job, that will bring people back to the office. You have to do what it takes to keep your job and to earn a living.”

Remote work isn’t just a macroeconomic development. It’s a cultural trend, which, like all trends, is sensitive to backlash. Here’s a story one could tell that would result in the erosion of WFH norms. In companies without a sophisticated remote-work culture, many younger workers already end up adrift. In a recession, more offices might pull these young workers back to the office. As they build skills around one another and feel their fortunes rising, a WFH-skeptical movement could form among Gen Z, which could use this opportunity to engage in their favorite pastime: cheeky generational warfare. Young workers would make viral TikToks about how older workers look like crap all day, blearily wandering from their beds to their couches. *WFH is for dumpy Millennials* and *Never leaving your house is kinda pathetic!* would be the general idea. The fact that remote work can be most challenging to the demographic most active on social media could lead to some unpredictable places.

Despite all of this, I'm not ready to confidently predict that a recession will kill the remote-work revolution, for three reasons. First, millions of knowledge workers clearly prefer WFH so deeply that it would take something far stronger than a recession—the doubling of their salary? an act of God?—to get them to add a commute to their daily schedule. Second, recessions lead to bankruptcies, especially among firms with messy cost structures (like, say, paying through the nose for office space that you never use). As older, pro-office firms die, younger, work-from-wherever companies could rise to fill their space. In this scenario, remote work wouldn't fade away in a recession. It would advance, one corporate funeral at a time.

Third, from a purely mathematical standpoint, the most rational thing for a zombie-office company to do during a recession is to slash spending on everything related to the office. "Reducing office square footage and going fully remote is cost-saving for many firms," Adam Ozimek, an economist and a remote-work advocate, told me.

The downturn, if it comes, will be a stress test of an emerging phenomenon. Remote work thrived when the pandemic was raging, when managers were desperate to hang on to employees, and when white-collar workers knew they had power. The question is what happens when some of these tailwinds weaken. "Some employers will respond to a slowdown with a return-to-office plan," Ozimek said. "Some might be happy for 20 percent of the workforce leaving. But others might be really protective of their top talent and willing to bend over backward to keep them."

Derek Thompson is a staff writer at *The Atlantic* and the author of the Work in Progress newsletter.

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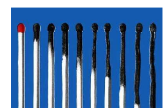

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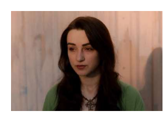

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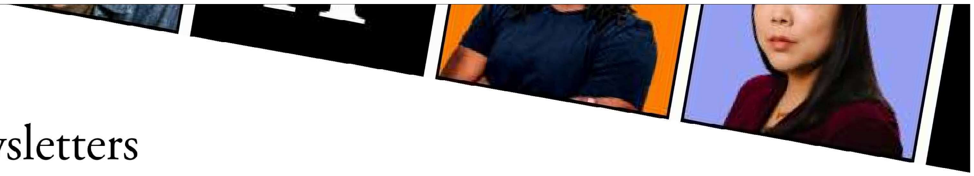

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