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Long-Distance Work

NABE TEC

October 29, 2024

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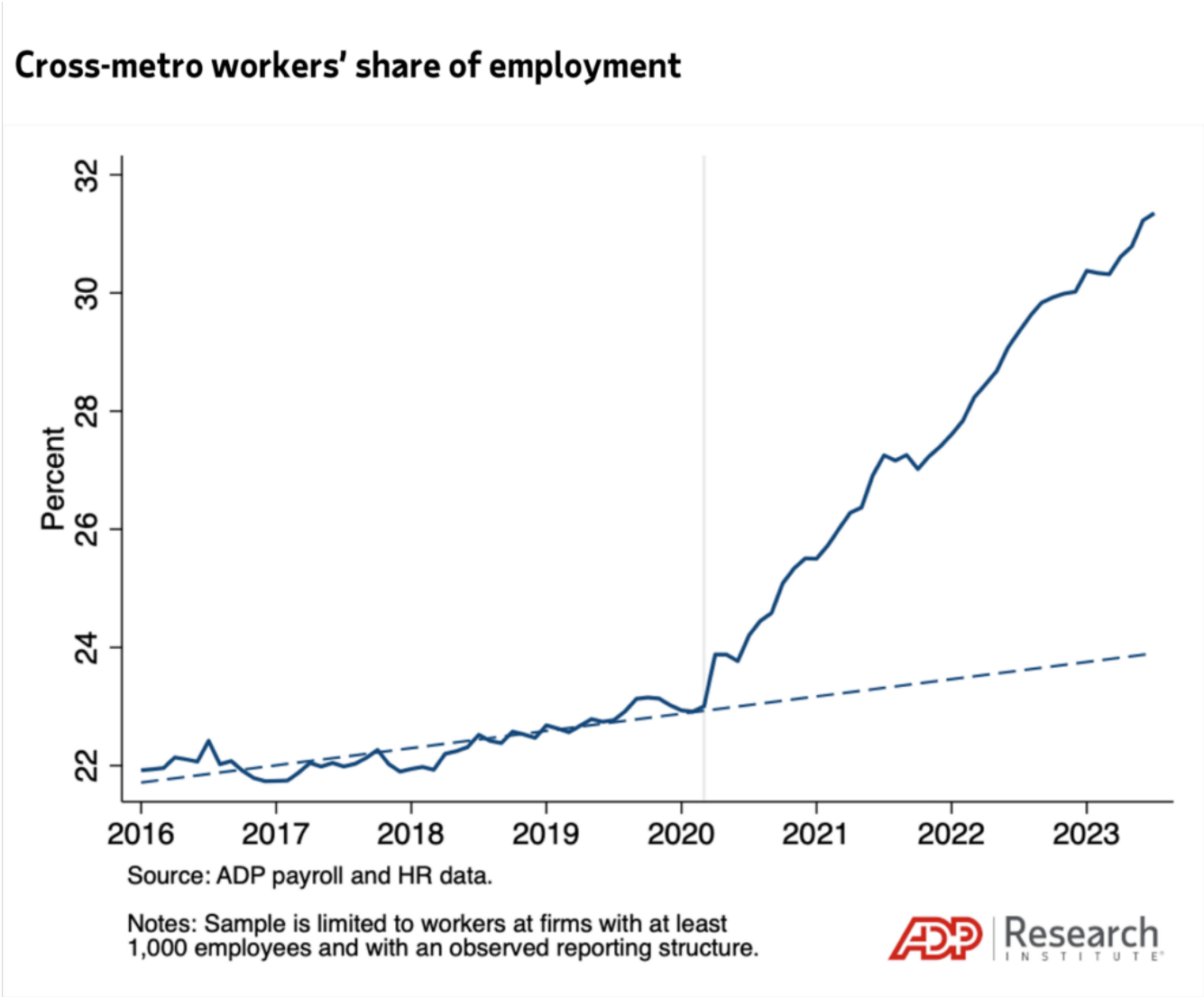
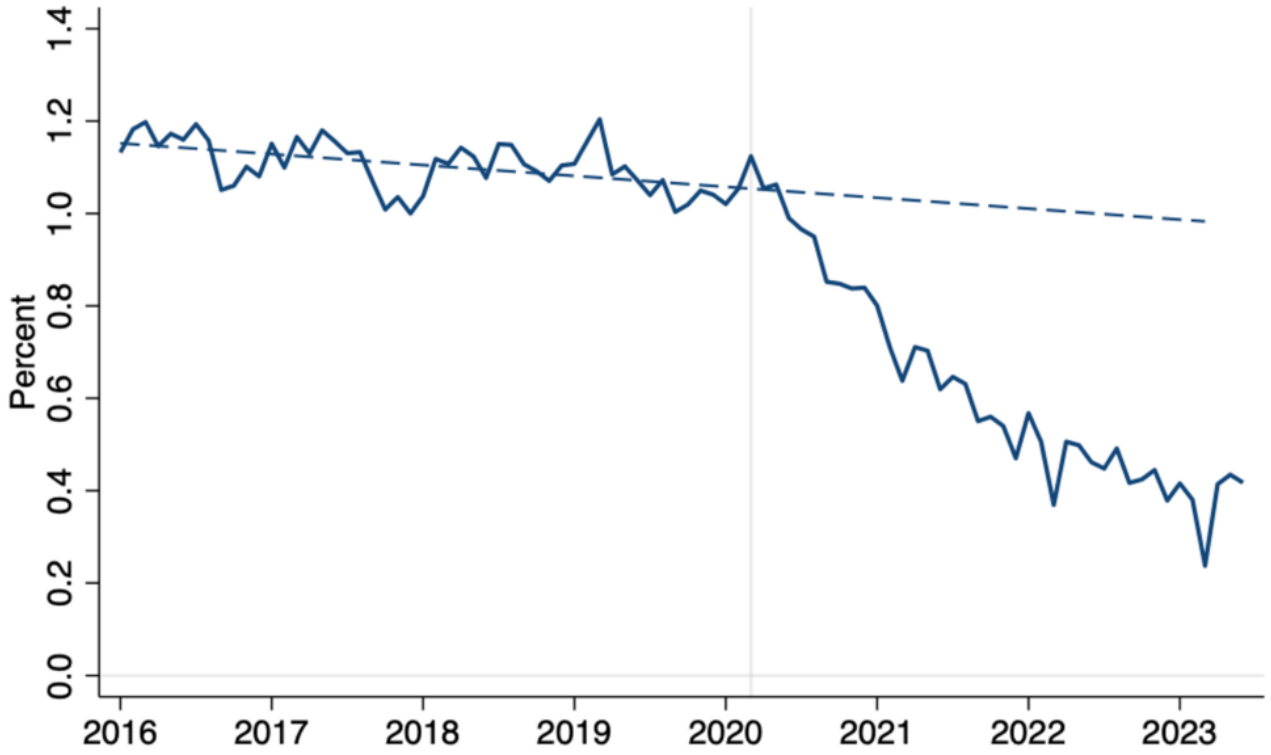
What Happened to the Prevalence of Long-Distance Work?



Profile of Long-Distance Workers Converging to Typical

Cross-metro workers' average wage premium



Source: ADP payroll and HR data.

Notes: Wage premium is with respect to the average pay within each cross-metro worker's team. Sample is limited to workers at firms with at least 1,000 employees and with an observed reporting structure.

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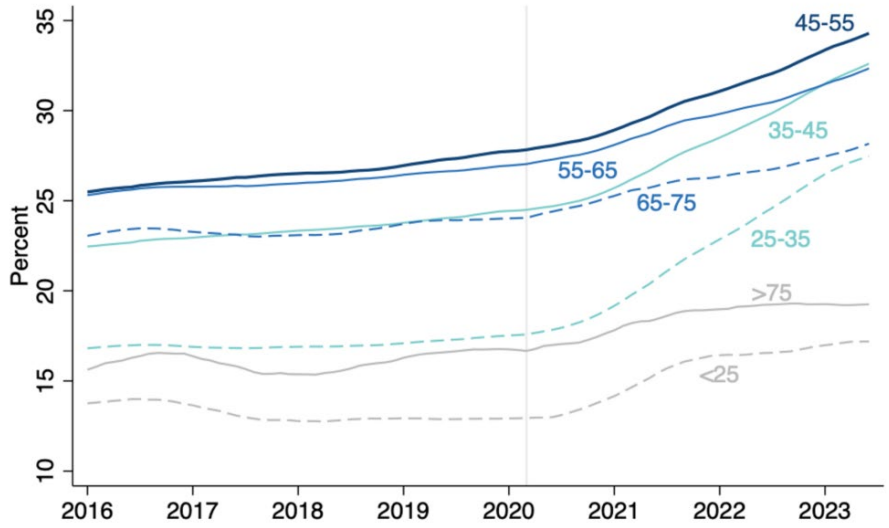
Cross-metro workers' share of employment, by age group



Source: ADP payroll and HR data.

Notes: Sample is limited to workers at firms with at least 1,000 employees and with an observed reporting structure. 12-month trailing average.

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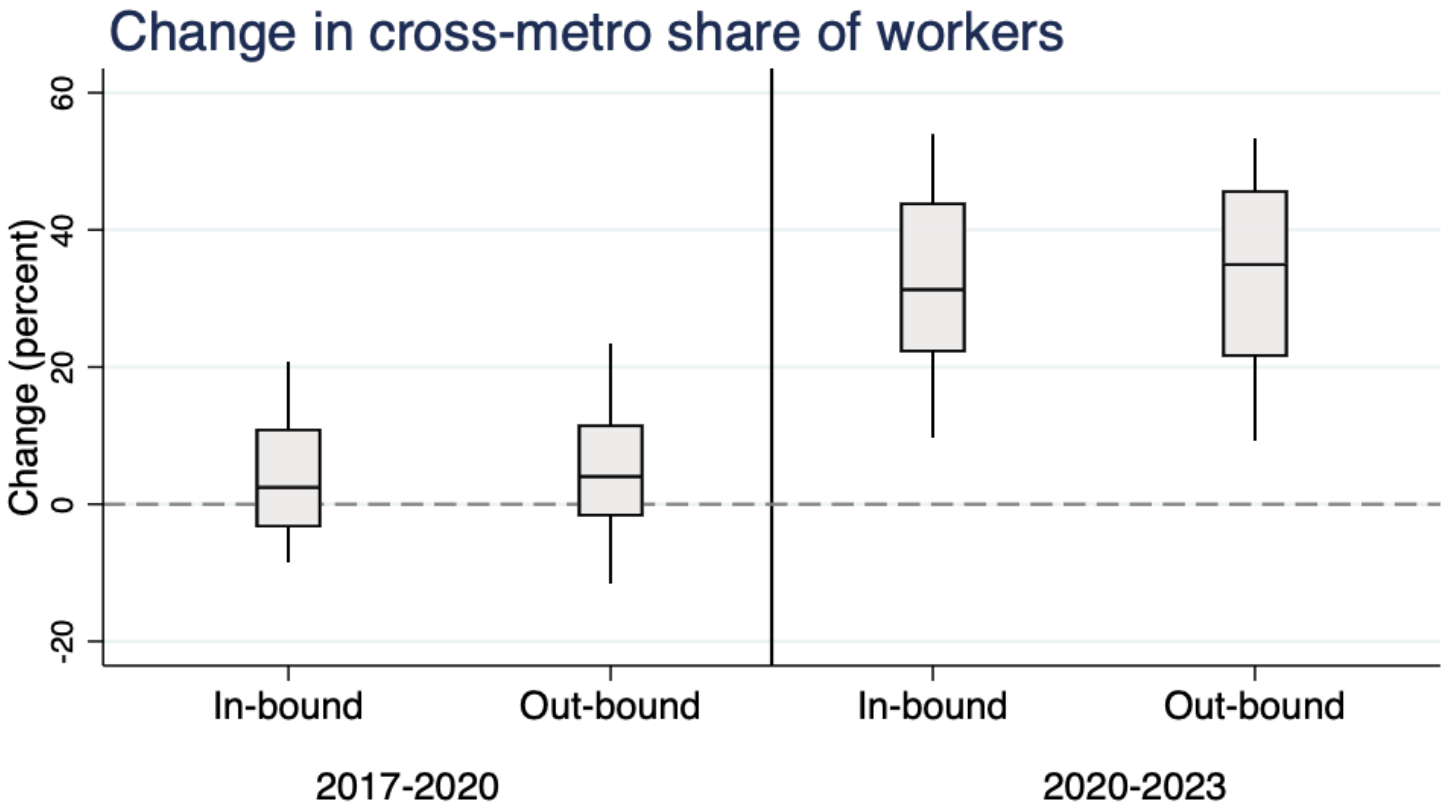
Greater Interconnectivity



Source: ADP payroll and HR data

Notes: Boxes reflect 25th, 50th and 75th percentile of U.S. metros with over 1 million residents, and whiskers reflect the 10th and 90th percentiles thereof. The underlying sample of is limited to workers at firms with at least 1,000 employees and with an observed reporting structure.

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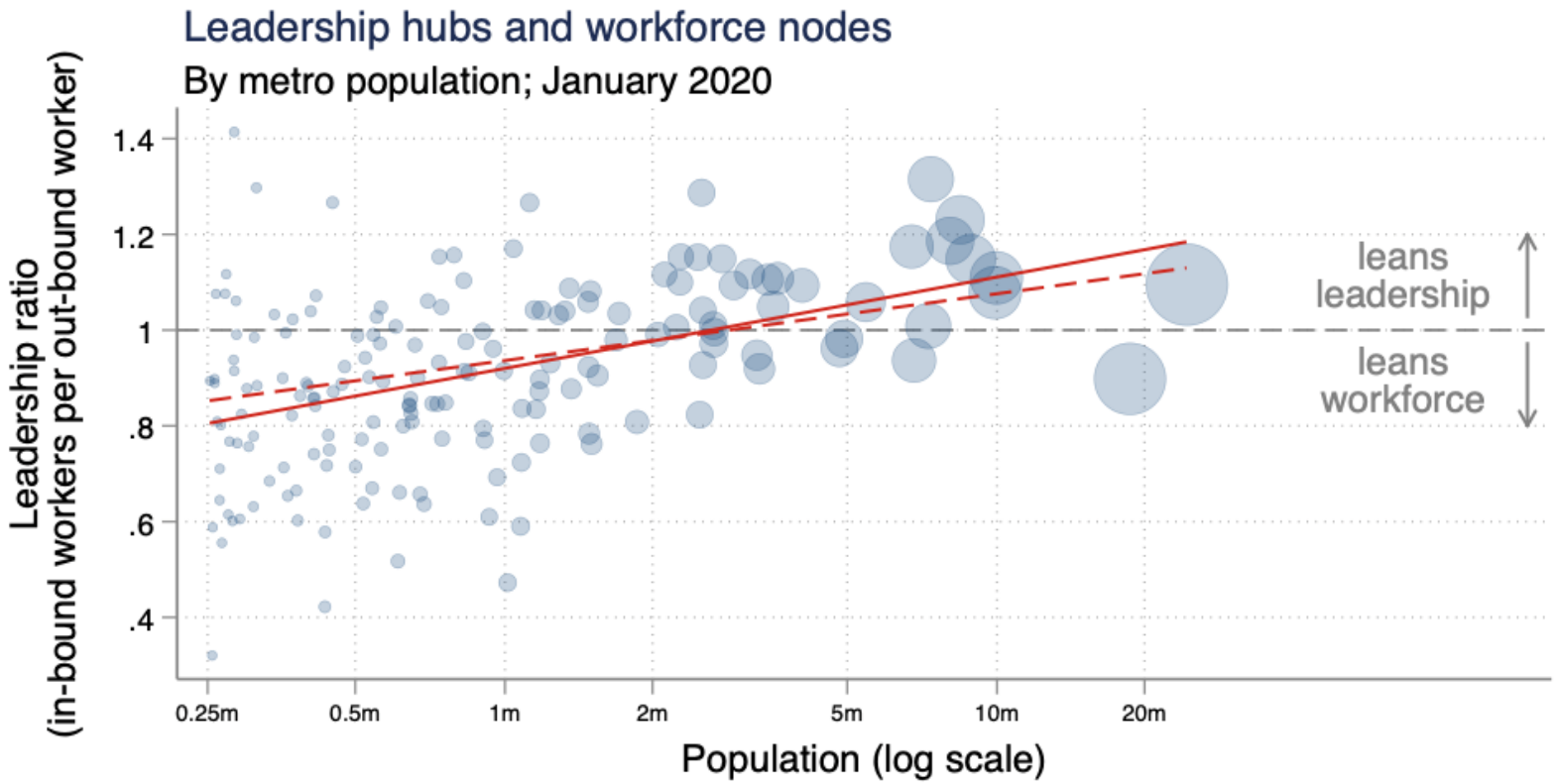
Leadership Hubs and Workforce Nodes



Source: ADP payroll and HR data

Notes: Circles represents all U.S. metros with over 250,000 residents, and are sized in proportion to population. The underlying sample of firms is limited to workers at firms with at least 1,000 employees and with an observed reporting structure. The solid fitted line corresponds to the linear regression estimate below (robust standard errors in parentheses): $\hat{y}$ = -.23 (.17) + .083x (.012). The dashed fitted line corresponds to the same regression weighted by population.

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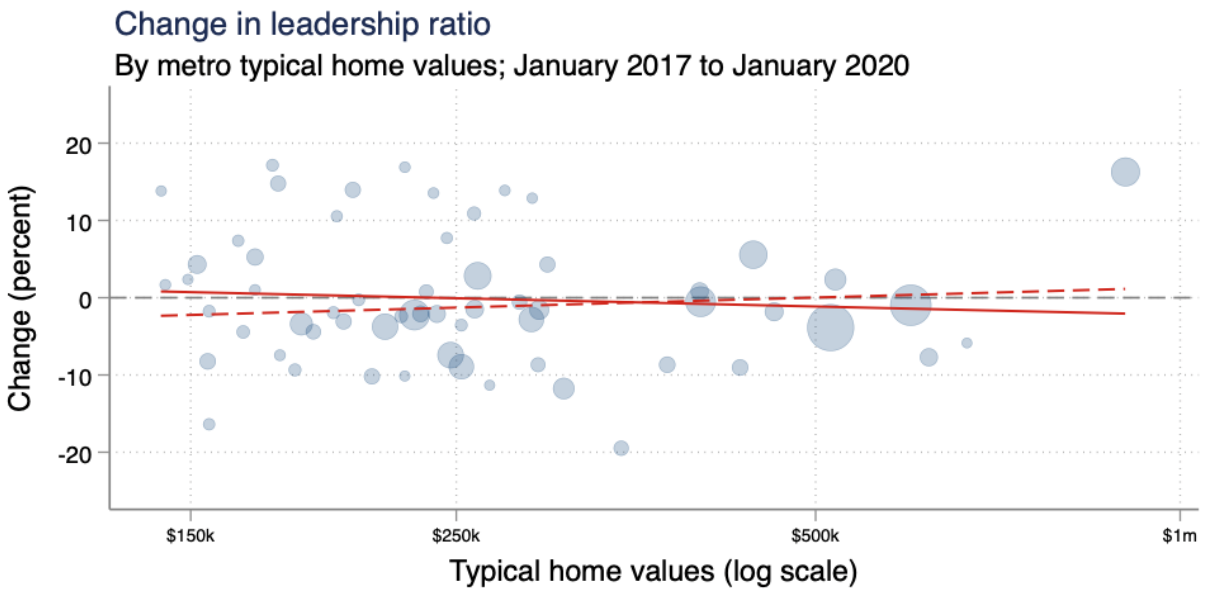
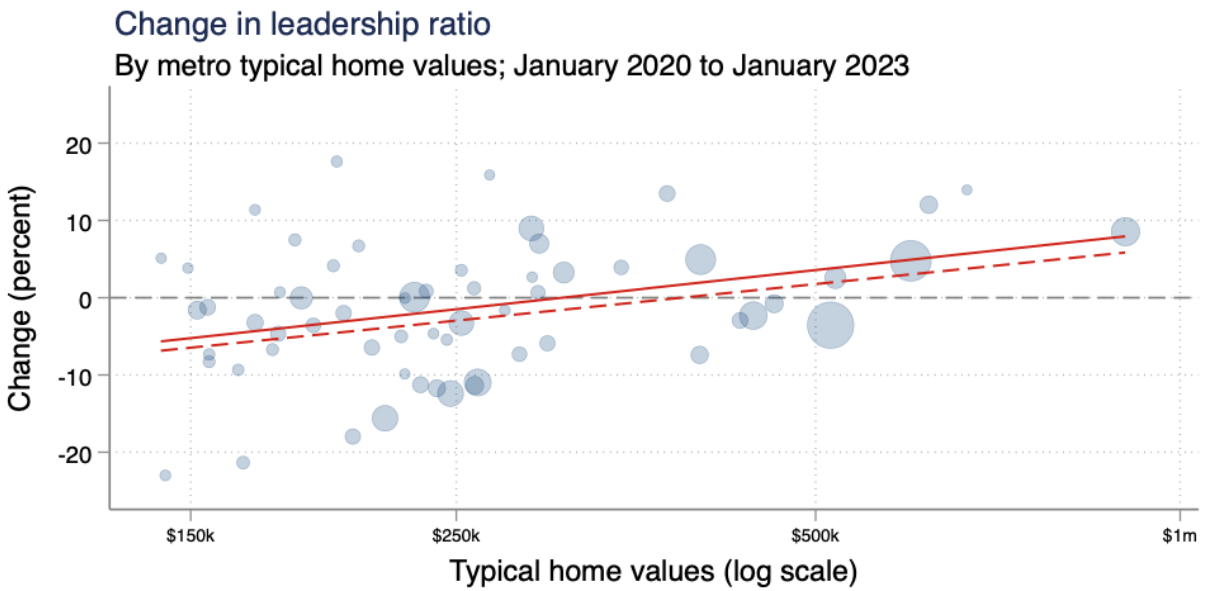
Domestic Offshoring



Source: ADP payroll and HR data; Zillow

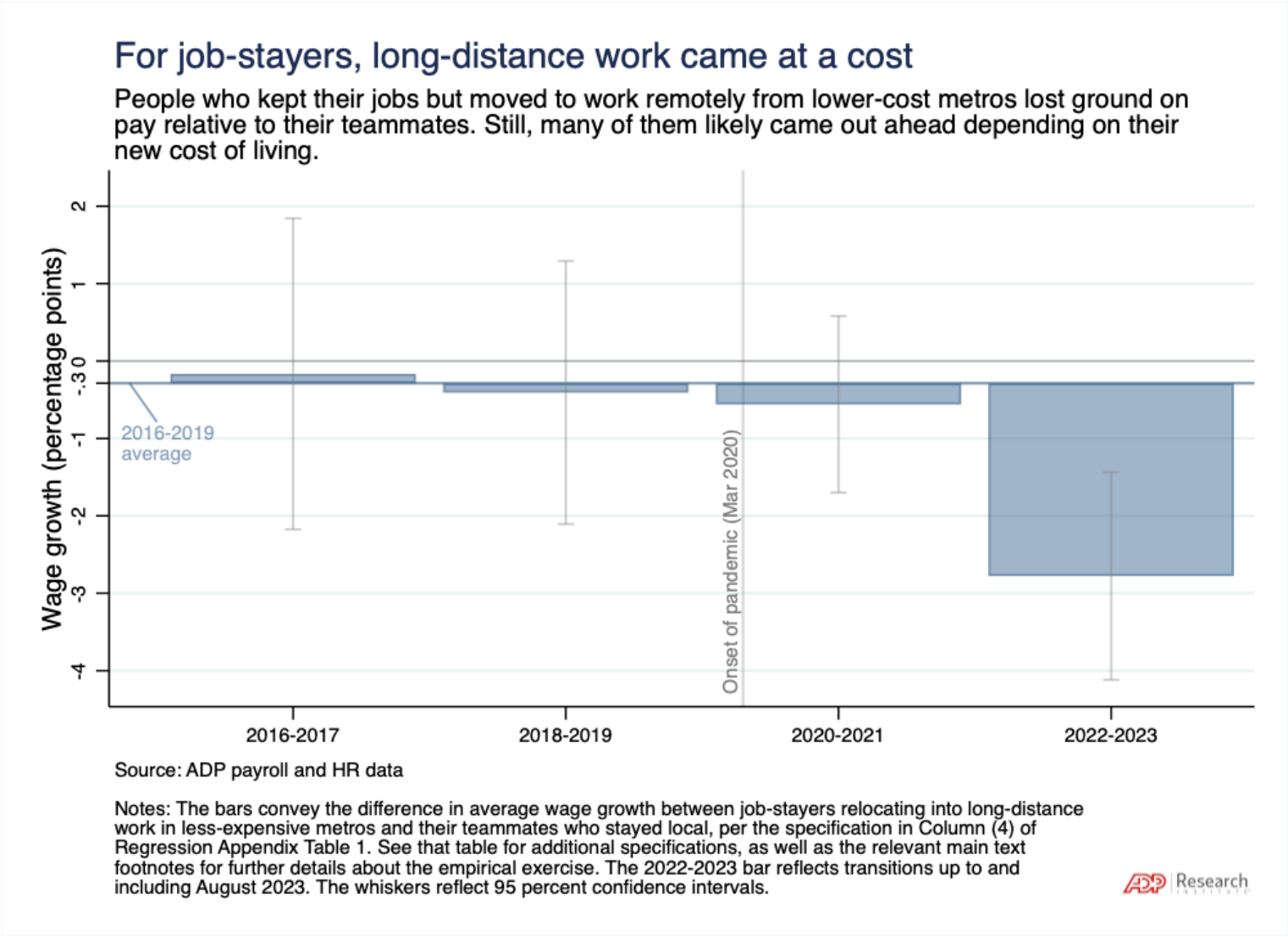
Notes: Circles represents all U.S. metros with over 1 million residents, and are sized in proportion to population. The underlying sample of firms is limited to workers at firms with at least 1,000 employees and with an observed reporting structure. Home values fixed at January 2020 levels. The solid fitted line corresponds to the linear regression estimate below (robust standard errors in parentheses): $\hat{y}$ = 19.2 (37.41) + -1.55x (3.01). The dashed fitted line corresponds to the same regression weighted by population.



Source: ADP payroll and HR data; Zillow

Notes: Circles represents all U.S. metros with over 1 million residents, and are sized in proportion to population. The underlying sample of firms is limited to workers at firms with at least 1,000 employees and with an observed reporting structure. Home values fixed at January 2020 levels. The solid fitted line corresponds to the linear regression estimate below (robust standard errors in parentheses): $\hat{y}$ = -92.78 (28.34) + 7.34x (2.25). The dashed fitted line corresponds to the same regression weighted by population.

Long Distance Work => Geographic Cost Savings



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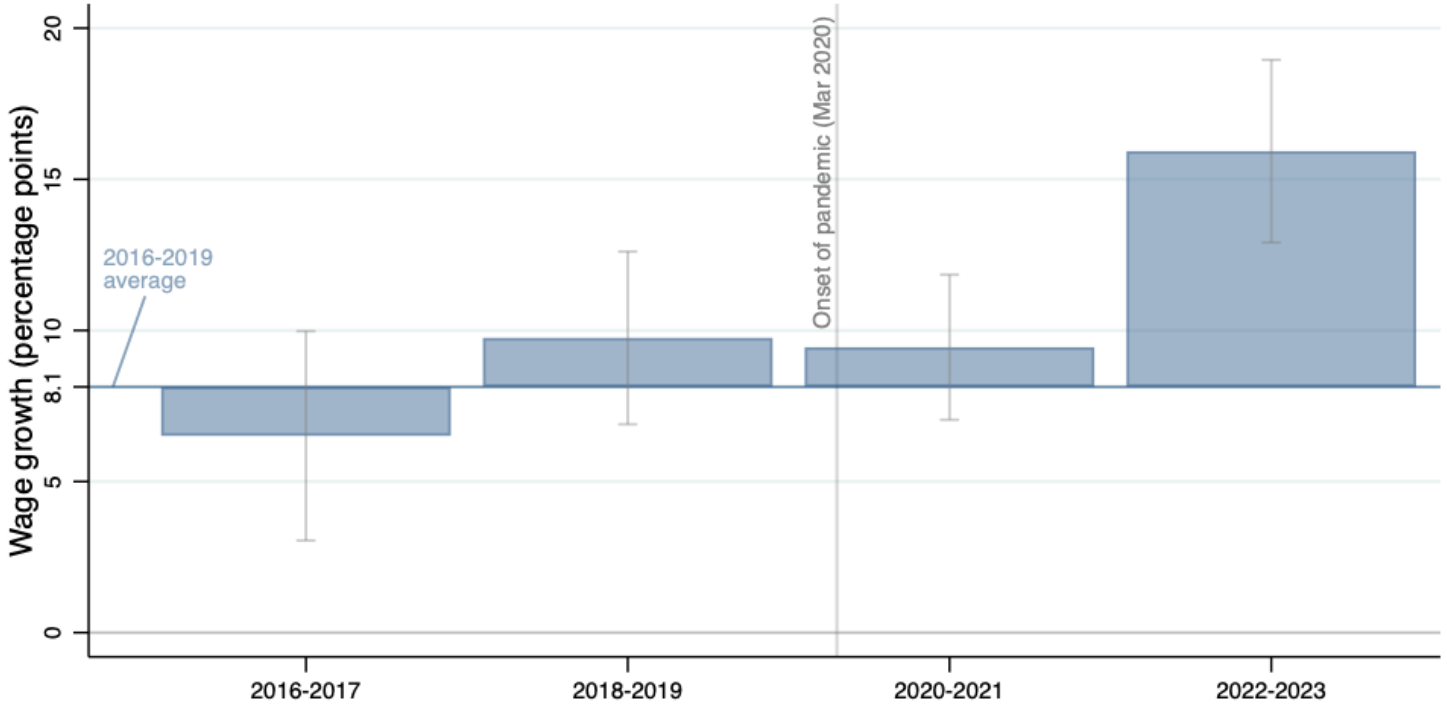
Long Distance Work => Better Job-Worker Matching

New hires who work long distance came out ahead

Job-switchers into long distance work had bigger pay gains than job-switchers who started new positions locally, suggesting a premium for better job-matching.



Source: ADP payroll and HR data

Notes: The bars convey the difference in average wage growth between job-switchers into long-distance work and similar job-switchers into local work for the same employers, per the specification in Column (4) of Regression Appendix Table 2. See that table for additional specifications, as well as the relevant main text footnotes for further details about the empirical exercise. The 2022-2023 bar reflects transitions up to and including August 2023. The whiskers reflect 95 percent confidence intervals.

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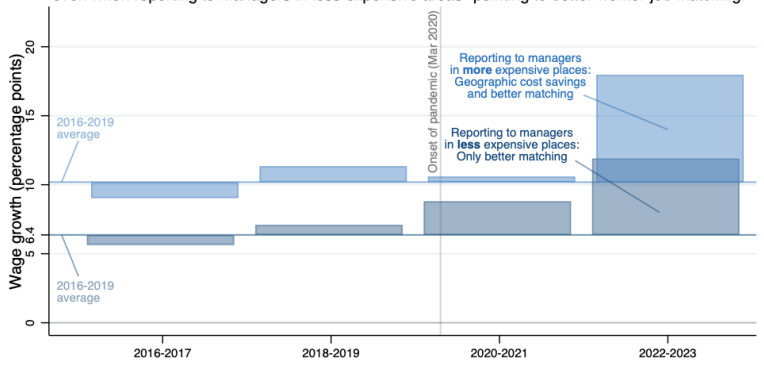
Long-distance work improves worker-job matching

Job-switchers who took on long-distance work had bigger pay gains than those taking local jobs, even when reporting to managers in less-expensive areas--pointing to better worker-job matching.



Source: ADP payroll and HR data

Notes: The bars convey the difference in average wage growth between job-switchers into long-distance work and similar job-switchers into local work for the same employers, while distinguishing whether the manager lives in a metro area that is more or less expensive than the long-distance worker's. The estimates are per the specifications in Columns (5) and (6) of Regression Appendix Table 2. See that table for additional specifications, as well as the relevant main text footnotes for further details about the empirical exercise. The 2022-2023 bar reflects transitions up to and including August 2023.

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Summary

Prevalence:
Long-distance work has grown far more prevalent, owing to the pandemic and remote work

Sorting:
It has strengthened a (pre-existing) trend of **domestic offshoring**, whereby footloose low-paying work is shifted to more affordable areas, and value-intensive roles concentrate in expensive ones

Compensation:
- Long-distance work has created **geographic cost savings** that are split between workers and employers, but mostly to the former
- The market for long distance work has thickened, creating **better matching** between workers and jobs

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Links

The growing prevalence of long-distance work:
https://metrosight.com/articles/the-growing-prevalence-of-cross-metropolitan-work

Long-distance work and domestic offshoring:
https://metrosight.com/articles/long-distance-work-and-domestic-offshoring

Long-distance work and compensation:
https://metrosight.com/articles/long-distance-work-and-compensation

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