Scott Rechler: Welcome to Recalibrate Reality. After two years of working from home and multiple stops and starts with returning to the office, we finally reached the point where companies are starting to bring their employees back. We know that the office experience won't be the same as it was pre-pandemic, but there's still many unanswered questions when it comes to the future of work.

Our guest today has been thinking about this topic long before anyone else. Nick Bloom is a professor at Stanford University and he has been researching work from home for almost 20 years. In this episode, Nick and I discuss what his research says about the future of work and how CEOs and policy makers can prepare for work in the new normal. And so now, let's Recalibrate Reality with Nick Bloom.

Nick, welcome to Recalibrate Reality. I appreciate you joining us.

Nick Bloom: Yeah, thanks for having me on, Scott.

Scott Rechler: So, it feels like we're finally reaching the precipice where people are truly thinking about returning to work. And companies are bringing their teens back. Even the federal government now is talking about bringing people back to the workplace. And at RXR, last week we actually saw our largest occupancy in our building since the pandemic began. So I think this is not a false start, it's going to happen. And many people have a lot of views as to what remote work's going to be like, what hybrid work's going to be like, what the future of the workplace is going to be like. Myself, a lot of our guests, but you've been studying this for years even before the pandemic, and so it'd be interesting to see what's your research, what's the data tell you about how this ultimately shakes out.

Nick Bloom: Sure, absolutely. So, yes, weirdly enough, I've been studying this for almost 20 years, so it was a very boring topic until March, 2020, and then it just exploded. So I'm going to tell you, based on really two sources of data. First source is surveys, so I've been serving around 5,000 Americans a month around a thousand firms. And the other is just talking to hundreds, we talked earlier about hundreds and hundreds of Zacks and firms, not just companies.

So what we're seeing is, in the US, roughly half of all employees can't work from home. So these are frontline retail, burger flippers, people that have security jobs, et cetera. Of the other half, though folks that are probably most people listening professionals, managers, people that are basically university graduates, are typically going to be on hybrid jobs. And that's about 35% of the labor market. So the typical thing now will be in the office three days a week, take what Apple's announced, you come in Monday, Tuesday, Thursday. You have three days of really compressed, vibrant meetings and events, leaving [inaudible 00:02:46] trainings, lunches, meeting with clients and customers, re social. And then two days a week, you work from home.

And then there's a final group, there are about 15% that are likely to remain fully remote, but these are much more folks like IT support, payroll, some payments processing people that mostly are not managing teams. So, any professional listening, the odds are you're going to be hybrid, typically three, two post-pandemic.

Scott Rechler: It's interesting. I have this similar view and actually we had Sandy [Vithronny 00:03:15] on from WeWork and he views, it's going to revert to the mean of three to four days a week in the workplace. But you know, there's this incredible war for talent out there right now. And there's this tension between management and the rank and file when it comes to returning to the office.

Every CEO I speak to, every head of HR, they want their people back. They realize the importance of bringing people back to work as a team. The social capital, it builds the culture, it builds the chance to give people the opportunity to be mentored and grow. But employees feel like they've gotten new habits. They're comfortable working from home, they have found the place to work around that when they work out, walk their dogs, spend time with their families, and it's hard to change that moment. Then they have anxiety, obviously.

So how do you think in this tight labor market, you deal with this tug of rope that's going on between management and the frontline people?

Nick Bloom: Well, again, it is worth knowing the data. So just to give you another set of rough figures. So we surveyed like 50,000 Americans by now, so it's very robust. In fact, similar data I just got in across Europe, around a quarter of people never want to work from home again. They want to come in five days a week, they're lonely and isolated. They loathe it. There's then another quarter at the other extreme that love working from home and never want to go into the office ever again. And then the remaining half is spread roughly equally between coming in one, two, three or four days a week.

So the first thing is you've got this kind of dumbbell shape distribution. So it's really hard, and if you're a manager, any organization, you have people at either extremes. But the average is about two to three days a week. So if you, as a firm or an organization, are picking one rule for everyone, for all their professional managers, two, three days a week, just like in the center, I get it that a lot of people it's not going to be perfect, but it's kind of moderation.

So much as you pick working hours and times, there are lots of things in an office you have to pick like, let's go with the mean and what, you know, it's typically people want, that will be that. Now, the other thing is it gets mis-portrayed in a horrible way that people say, look, no one wants to return, or this year wants everyone to return. Generally, when I talk to execs, they mean return like two, three days a week, which I'm totally on board with. And in fact, that's what most employees want. The only real outliers I'm aware of are, for example, Goldman Sachs went out early on and said, people have got to come in five days a week.

That view, and JP Morgan did, they were really the only two I know of big firms. That's kind of died. So neither of them have succeeded in getting their folks back five days a week, and I'm not sure they ever will. And all other big farms, I mean, Merrill Lynch, Morgan Stanley, City Bank, et cetera, said three days a week. And I think that is driven your right by the labor market. We have data, we survey people, and 60% of people say, look, if my employer asked me to come back five days a week, I would. But the other 40% said, they'd actively look for another job or quit. And if you're a firm you can't really afford to lose 40% of your staff.

So, the reality of 2022 onwards, is hybrid is here to stay, but it's definitely not fully remote for most companies, but is also not fully in [inaudible 00:06:35] Now, my best analogy is drinking wine. It's like, we all like to drink wine, but you know, zero wine is probably not ideal, but 10 bottles is not ideal either. You just want something in the middle. And working from a home and working the office are very similar. We probably want two, three days a week in the office, two, three days a week at home. And if it's well organized, works well.

Scott Rechler: Yep. And I think also just from watching our team members and talking to a lot of our clients, it's something that it's going to evolve over time. When people start coming back to the workplace, they see what's going to work, I guess, for different cohorts, different parts of the organization, and then they'll develop different protocols. Maybe as you said, there's specific days of the week, or certain departments do it where they'll have a flex day, depending on what someone's doing, where they can get the best of remote work and the flexibility that they would want. And also the best of being in the office.

But I'm curious. You made the point about the averages, which I always get when you listen to statistics, that's where you get caught up, in the averages, and they also of come together. Are there any specific cohorts in terms of maybe age, or professions that are either side of that barbell? Is the Gen-Z are the ones that saying, you know what, I like this remote, this flexibility is what I want. Or an industry in particular, or a sector in particular?

Nick Bloom: Quite amazingly, actually, it's very flat. So if you looked at it by age, young folks, so 20 to 30, and those from 50 to 64 have a slightly higher preference to come into the office. Folks in the more middle aged, slightly lower, but that gap isn't that big, and it's primarily explained by having young kids. So, 20 to 30s and 50 plus don't tend to have their own children. And once you control for that, it flattens. By gender, it's actually very flat. Women have a slightly hard preference and again, not much to work from home.

There's some variation by race. People that self-identify as black, Asian, or Hispanic in our surveys, report slightly high preferences. Again, not a big difference. The only thing we see huge variations by is education, and that's really by the ability to work from home, not the preference to. So if you look at people that have a university degree or above, they have about five times the rate of being able to work from home. They tell us their employers have offered them, versus if you left school at 16 or less. So, basically when you talk about work from home, we're really talking about professionals, managers, et cetera.

On your comment earlier, there's a couple of things I should say that come up regularly. One is you're right, this is hugely experimental. So, we're in a weird world, because during the pandemic we wanted people to socially distance, stay at home. When they came into work, they didn't overlap. Before the pandemic, no one was really running large scale hybrids. So we're about to, post-pandemic, go into a brave new world. And I generally advise boring vanilla three, two hybrid is the best bet to do in the shore. It's not that's going to be the final plan, but if it were my firm and I had a big company, that's kind of a safe bet. So look, you're going to come in, I don't know, Tuesday, Wednesday, Thursday, you're going to work from home Monday, Friday. We'll see how that goes for the next three months, and then we'll update. And that seems a kind of safe bet to do.

Another big issue is, a huge kind of mind for it right now, is choice versus coordination. So Scott, if you and I worked in the same firm, but I just see your a number, I just saw it this morning, actually in our most recent poll. We pulled 5,000 people in February 2022, 75% of them said they want to choose which days they work from home. 75%, as in most people with answering yes to both, said when they come in, they want their colleagues to be in on the same day with them. And you're like, but they're totally inconsistent. You can't choose and then coordinate.

So another big battleground is going to be, do managers or the whole firm say, here are the days you are coming in, so that you are in together, or do you let people choose? And my view on that is I'm pretty strongly in favor of coordination. And the reason when you ask people why they want to be in work, they want to be in work to be around their colleagues and have face-to-face meetings, and meet clients, and go to lunches, and

And, you think back to 2019, we basically, as society, coordinated on coming to work 09:00 AM to 5:00 PM, roughly Monday to Friday. If you said, Nick, I'm going to come into work actually from like 6:00 PM to 09:00 AM, we're like, are you joking? No one else is in the firm there, I'm going to work on weekends. That is another big issue, but I think we're going to end up probably coordinating in some kind of hybrid version. And it's either going to be at the team level or at the whole company level.

Scott Rechler: I think that's an important point to me because you really need to be intentional about when people come to work, what they do when they're at work so that you really are getting that sense of engagement, that collaboration. You don't need them to come to work and sit in their office or at their cubicle doing video conferencing. And at the same token, I think, which is interesting that we've seen, is you need to also be intentional setting some guidelines when people are working remotely.

One thing that we saw as people began to work remotely, and we watched our data, was that it wasn't people were working at home, they were living at work. There was no boundaries between when they turned on their computer, when they turned it off, when people would make phone calls, weekday or weekends. And I think that paradigm also needs to shift to really make this effective as we go forward.

Nick Bloom: Yeah. There's another issue that's coming up a bit. I just jump on something you mentioned earlier, which is on equity or policy. So another tricky thing. I've had this at two or three organizations where they said, we have multiple divisions and there's a lot of mobility within the company across divisions. And they said, we really want to set a common policy at the company level. Because you don't want people moving from saying the EMEA region to the north America region, because the EMEA region only offers one day work from home, and North America offers three. And it's kind of a race to the bottom.

So, one is I think coordination on days of the week, the other is I think CEOs or CHRs really need to decide what's the policy. And for most companies there's probably going to be three groups. There's going to be come in five days a week, they kind of tend to be lower paid frontline staff. There's folks that are fully remote, IT support a bunch of HR payroll. Many of these people are actually often outsourced. So it's not clear you want to be in that area actually. And then the third is all the professionals and managers. And for those guys, I think companies probably want a common policy. Because imagine saying you're going to be paid more, or a different healthcare plan for this division. It'll be like hugely upsetting. So I think equity is another area along with coordination that's going to jump up actually.

Scott Rechler: Yeah. And I think, to your point in equity, that's been one of the areas that I've been very focused and concerned about, is this widening divergence of inequity. Even during the pandemic, and one of the reasons we came back as quickly as we had, is our frontline workers, our essential workers, they had no choice but to be supporting our buildings, managing our buildings, handling our security. They were there every day. Same with our public health people, and firefighters, and police. And so I kind of feel like there's a level of balance here that almost, from a societal perspective, we all need to say we're doing our part.

And then even when you think about, and I think people forget about this is, the offices aren't about just being in the buildings themselves, it's the ecosystem that support the communities. So people in the offices that go to the restaurants, that support the small businesses, the shops, the florist, the dry cleaners. And if that stops working, the whole ecosystem breaks down. And then that inequality you're speaking about becomes something even that's more pronounced than before. Which is another reason I think we need to, as a whole, decide that we're going to come back and support our communities.

Nick Bloom: Yeah, absolutely. I mean, that raises an issue for, you know, I live near San Francisco around at New York. For big cities, so another very kind of related topic, but separate in some ways, is the evidence of what we find called the doughnut effect. So we've been scraping US postal service change of address data, so there's roughly 200 million households in the US, and you get the monthly files on the address. And what we can see is in large US cities, so New York, San Francisco, Washington, LA, Atlanta, Dallas, et cetera, they've lost about 10% of residents in the very core city center out to the suburbs. And the reason is hybrid.

So, you know, people can see that in future they're only going to have to commute say two, three days a week. And they're thinking I can put up with a longer commute, but I do want a home office. And so they're moving out and that's a phenomena that's basically happened. You can see it, and the city centers have dropped the level of population.

The thing that is less clear is what happens to commercial real estate. What I'm generally seeing is companies are sticking with headquarters in the city center, because the view is if you're operating hybrid, you still want, when people come in, it's easy, it's a nice office, it's a good location to come to. You want them to come in and be happy and come into work for three days a week. But again, it's slightly hard to predict where that's going, but so far individuals are moving out a bit, but city centers are still doing fine. There's a bit reduced footfall because there's less people coming in every day, but there's still quite a lot of commercial activity.

And so, city centres are dropping maybe 10 years worth of growth. We're going back, San Francisco, maybe back where it was 10, 15 years ago, but it is definitely not apocalyptic by any means.

Scott Rechler: Yeah. Well, it's interesting. When you look at New York, what we've seen is there's been a big influx of talent that have come. If you look at, for example, the apartment market. The apartment market's back up to 98% occupied. It May not be the same people, because we also have seen some of that flow out to the suburbs that you described before, where people are willing to live a little bit further away, knowing they don't have to commute as often. But to your point, the big companies continue to expand here, whether it's the Googles, the JP Morgans, the Facebooks, the Amazons. And they're actually, there's this flight to quality, where they're trying to get the highest quality office space. Because I think what they believe, is they got to make it magnetic to attract people back.It's got to be energizing for people to come back to the workplace.

But, I do think to your point, there's going to be some systemic structural issues with our cities. And I'm curious to see if you think about if people aren't using, for example, our commuter rail system as frequently, these are structurally going to find themselves imbalanced. And so I think there's got to be some re-imagining of the city in terms of ways to 24/7 live, war, play phenomenon. Is this something that you've thought about or heard about as you go through your research?

Nick Bloom: Definitely. So there are two challenges. Mostly I feel very positive about the future of cities. So exactly as you say, look, some of the higher earning, you know, I think of San Francisco, a lot of the techies have moved out because they moved out the suburbs. But that probably is still very valuable, the rental rates relatively fallen a bit, but that tends to move other people in. I mean, this is the beauty of free markets. You know, the property is not remaining empty. Relatively the suburbs become more expensive than the city centers, but that's attracted other folks in that previously wanted to live in the center but it became too expensive.

So the two things I see a challenge is, one is public sector spending. So if you look at big cities like New York and San Francisco, they get money from property taxes, they get money from retail taxes. They also get money from business and also high-end hotel occupancy. All four of them, particularly hotels are very problematic. So business travels down probably permanently 30%, because people can do more stuff remotely. And then that was already struggling because of the assault of Airbnb, retail is down a bit because there are less football into the city centers.

Properties, maybe, I mean it's not too bad in business, not too bad, but they're probably looking at reductions of maybe 10, 20% of tax take. Now, that's not terrible, but the big government tends to have a poor track record of being able to adjust downwards. And you saw New York in the 70s, basically almost went bankrupt and there have been a number of bankruptcies of like Stockton, for example, smaller. And I think Chicago, I can't remember, it's a formally bankrupts on the edge of large cities.

So that's one issue, it's fixable with politicians we've resolved. We're just going to say we have 10% less people and 15% less workers in the city center on any given day, we just don't need quite as much supply of services. So if you cut services in line with footfall, you're fine, but that just need to happen. So I think that's hard of it, I think we'll get there. The trickier thing as you mentioned, is public transport. And the reason that's hard, is you look at the numbers from BART. And I was talking to London Underground and I seen in the New York subway similar, the BART predicts 30% permanent drop in commuting. And the reason is, office workers were the folks using BART, and they were only going in three, rather than five days a week, they going to drop a demand.

Now, that might be okay, except the fact that they're on a very high fixed cost model. So they can't make much savings, because most of the cost of running BART is the infrastructure and the trains. And if you use them more or less times a day, you can't dramatically reduce the cost, but the revenues have gone down dramatically because that's proportional to ridership. So, then you could say, well, I don't know where to go. I mean, I think it's going to need some public subsidy because of course, if BART and this New York subway goes bankrupt or slashes lines to focus on the few popular ones, then people flood onto the roads and then you get much worse congestion.

So, the alternative is to say, we've been subsidizing roads for a long time because gas tax does not cover the full cost of roads. So implicitly we're paying for roads, so we should treat roads and rail as the same, basically. We should tax roads to cover the cost of them in the same way that rail operators have to cover the train tracks. But whatever it is, you're right. In some ways for me, that's one of the thorniest public policy issues, is how to deal with actually public transport, which is going to see lower demand. And maybe 20 years from now, driverless cars will make that all redundant, I don't know. But between now and 10, 20 years, there is going to be an issue and I don't want to see BART or the subway go bankrupt, or slash lines because that's going to throw people onto the streets and cause gridlock on roads.

Scott Rechler: To your point, we need public policy that recognizes that what was true yesterday is not true tomorrow in a post-pandemic world, and we need some bold policies that help deal with some of these things. In New York, one of the things that we're going to be rolling out like I did in London, is congestion pricing. So there'll be pricing of the amount of cars in the city center, which will help subsidize that and hopefully push people back into the subway. But also even from a zoning standpoint, if we can convert older office buildings, or older hotels, into housing, we could address the affordability of housing challenges while at the same time bringing people back to the city center on non-work hours to support restaurants, to support transit, to support local businesses. So we got to be intentional.

The other thing on policy, and you made the point about the economic free markets, I think one of the things I've seen with cities in New York and other cities around the country, is that to be sustainable, eventually they got to deal with their affordability challenges. There's so much demand of the talent. Housing gets so expensive, capacity becomes challenged, the quality of life becomes strained, school for their kids becomes challenges. And so, really for having these superstar cities, you need to have a superstar region. And so, this dough nut effect that you refer to, is probably a good thing long-term for these cities that truly are magnets for talent, because it will give them greater capacity to grow.

Nick Bloom: Totally agree. So, it's amazing that often I talk to journalists, I'm totally alone, made this point. I know 20, 30 times that one word that you don't hear nearly as much in 2021 and 2022 as you did pre-pandemic out in the Bay area in New York, is the affordability crisis. And the reason is, the pandemic, again, on a different data set, we've been looking at Zillow. So there's two different data sets, and Zillow we've been using, is a monthly rent index and a monthly purchase value index. And they're similar [inaudible 00:23:21] rents move more around, because they're more short run. But on values you see that house prices and city center or apartment prices, are up less by about 20% versus the suburbs. So there's been a big gap that's opened up where if you reverse it, the center is very expensive and it's fallen by about 20%.

And that has definitely pushed back on the affordability crisis. It's not as visible, because all property prices in the US have gone up. Because of the slash and interest rates, every asset class, you know, stocks are up, bonds are up, Bitcoin is up. Whatever you invest in, and that includes wine, everything is up, but property is unfortunately up as well. The pandemic has meant city center property has gone up a little bit, suburbs and further out, has gone up a lot. So relatively it's done as best as we could.

Another interesting thing on the long run, is that for a number of companies, their short run adjustment is been limited by tax and compliance. So just to explain what I mean, there's a lot of companies that I talked to have said, we've discovered during the pandemic, this division, or this group, has worked really well fully remote, and we're thinking we maybe don't need them ever to come back in person. Not many, but 10% of the workforce is kind of in this bucket. And they're saying in the short run, because of tax reasons, like in California, you don't want to have them all go to Nevada and Oregon, because you now have to start to file Nevada and Oregon tax compliance and legal things. We want you to fully remain in the state.

And for California, it's not that restrictive maybe, but certain smaller states, it is. Over time, of course, this stuff is going to get worked through. So it makes no sense for Californian companies to restrict people in California, it's going to access the whole national labor market and potentially international if more relaxed. So I think in the next three to five years, these regulatory and tax impediments are going to be worked through. Possibly through outsourcing. So, if I set up, I mean I'm not, but if I was to say, I don't know, blew outsourcing, I could say, look, we'll hire these people for you globally, deal with all the taxing compliance, and we'll subcontract them to you.

So, another thing I think we're going to see is a big increase of mobility of people across the whole country, pushing out to areas, take Alaska or Mississippi, or places that maybe didn't get such an inflood that has been limited in the short run by these compliance reasons. A lot of companies say, they're telling their employees to stay within the state because they don't want to deal with taxings. But that's not going to be the case three to five years from now, it makes no sense for that to be the case. So, the mobility we're seeing is the beginning of an ongoing process.

Scott Rechler: Well, it's going to be interesting to see as the labor market falls more into balance and we get more accustomed to people being back in the workplace, where things set all out on this hybrid work analysis. Because at some point there is the fear of missing out, the FOMO situation of people wanting to be here, the interactions, the productivity, that people feel that's being lost. And even when we talked about inequality, there is also in inequality that when people are working remotely, and people are in the office, for them to really participate and have the same advancement potential that the people in the office might have. So there's some of that that needs to be worked itself through as we let this thing transition to whatever that new normal is.

Nick Bloom: So I feel very strongly in the evidence, I think backs this up pretty strongly, that hybrid is here to stay. So one view is, hybrid is only here because labor markets are strong and if there's another recession, for whatever reason, it will disappear. So in fact, I've just been running a randomized control trial and collecting a lot of server data, and you see hybrid not only is loved by employees. So, versus fully in person people report that they value hybrid about the same as an 8% pay increase, which is a lot. So we ask them and there's a lot of evidence, and people like hybrid, because it saves in two days commute.

For employers, productivity effects look positive. And the reason is world design hybrid, take the Apple plan. You come in Monday, Tuesday, Thursday, you roughly get all the face-to-face time you probably would've had pre- pandemic, but it's now pushed into three days. So, you're never in the office, sat quietly in your cube in your office. You're basically there, and meeting, meeting, meeting, coffee, lunch. You schedule those three days pretty fully.

The big up-side for employers is on those two at-home days, you get two things. One is, it's quieter at home. It will be post-pandemic when kids are gone. And there's loads of evidence that people are better on quiet work if it's done at quiet environment. So think of reading, writing, preparing reports, doing analysis, that's definitely done better at home. And I have some research showing people are 4% more efficient at home of these kind of quiet tasks.

And then the second is, the average American saves a bit over an hour a day from less commute and preparation time if they work from home. And in the data we see of time saved, roughly half of it goes into working for your employer. So if you as an employer, save your employee two hours a week by letting them work from home for two days a week, they of course get about an extra hour of leisure, so they love it. But you also get about an extra hour of work from them. And so, collectively, this is why hybrids become the win-win. Employees are much happier. They see it as a pretty valuable perk, because according to that, it's 8% increase.

The employers are also happier too, because productivity goes up. So, I don't think that's going anywhere. There are some things now that may end. So this one month work from anywhere, that's quite popular. You know, AmEx, MasterCard, Amazon, Lazard, a number of companies have offered it, It's possible that thing disappears if there's a tough recession, because that's really driven by firms saying, it's so hard to get these 20 somethings that are well educated with IT skills. So we can give them a month work from anywhere.

And then the other thing that is less obvious to me, but Monday, Friday work from home, that's become a bit of a norm now, Tuesday, Wednesday, Thursday in the office. The reason is employees like that. They like that because it gives them flexibility and they can travel. They do seem to be working properly on the Monday and Fridays. I don't know whether that will survive, but certainly the one month work from anywhere, that's not a win-win. I see hybrid as a win-win. Both sides gain, and so it's very robust, very stable. Some of them, more extreme versions. When the employer feels like I'm just not seeing you enough, your productivity's declining. If there's a recession, they're going to say, okay.

Scott Rechler: It should be that way. Because what you're seeing is hybrid also increases that quality of life, two point increases productivity, but it's got to be well designed. And the other thing that I've seen is, that as a manager, it's more incumbent upon you to manage, to determine the productivity of the output of your employee, not necessarily the productivity or the fact that they're in the office. So it requires you to be much more engaged and having a clear understanding of what they're trying to achieve, and following that through, which is a process.

So, just two final questions for you that are somewhat related. So, the first is, if you had to give a CEO one piece of advice on how to now transition to figuring out the future work in the new normal, what would it be?

Nick Bloom: Well, I would slip it into two, but they're related. So I would say, in the short run, go to vanilla hybrid. So three days in the office, two days at home for professionals, for your managers. I'd probably pick three safe days. I might pick basically Tuesday, Wednesday, Thursday, or Monday, Tuesday, Thursday. I mean, those are two common plans. And I'd say, leave that probably operating for six months. In the summer, late fall, or early fall, survey your employees and get a sense of how that's going and what you might want to change and update, based on that.

The reason I mentioned the survey thing, is preferences to work from home are correlated to some extent with demographics, and CEOs are not typical. I mean they're older, they tend not to have young kids at home. There's certain demographics they're not representative of. So I would survey to find out what the entire company wants and act on that. You don't have to go with everyone's preferences, but at least you want to know what people want, and what's the average. It also helps defend decisions, because a lot of companies say, I do this and you know, some employees want that, some employees want that. The basic thing, it's much easier to say we're going for three, two, because that's what the average employee wants, then it's what I want. And so I would go for three, two vanilla hybrid, let it rock for like four to six months, collect data, and then use that to update a long run plan.

Scott Rechler: Yeah, that's good. And to your point on collecting data, one of the things we're seeing some of our clients and companies start to use, is actually monitoring when people are in the office on anonymized basis, how much collaboration time's taking place, how many amenities and programs being utilized versus people just being in their office. So they also do have the transparency of the data as well as the survey results.

So the second question, similar though, is now you get a call from a mayor from one of those big cities that you rattled off earlier in our conversation. What would your advice be to the mayor in terms of now having to transition to this new hybrid work paradigm, and how to position their city to flourish in this new normal?

Nick Bloom: I think the first thing would be try and accurately and realistically forecast tax revenues and balance budgets. And it's very hard to lay people off, so it may just be reduced hiring in a lot of areas of public service, because you don't want to run big deficit. I mean, that makes life worse. So, one thing is going to have to be managing down expenditures, because I think tax revenues, they're growing, but there's a shift down because of the pandemic.

The second will be, also think about subsidizing public transport in a way that maybe you didn't need to before, particularly rail systems, because if they go bankrupt, you've got a much bigger problem. And if they can't cover cost, because riderships down 30%, there's only two things, you subsidize them or they go bankrupt. Then if they go bankrupt, it's not only the short run disruption, and loss of job, et cetera, and what are you going to do with all these old railway stations, subway stations? But that's going to throw people onto the roads and that's going to cause gridlock. So, I mean, you mentioned it earlier, I think it's a material problem that needs to be budgeted for, and I think it's the city rather than the federal government policy.

Scott Rechler: Yeah. No I agree and I would even say similarly the same thing with obsolete office buildings and hotels, which will become more of a burden than an asset to those communities, both from a tax standpoint and quality of life as we go forward.

Nick, this has been a great conversation. I appreciate your insights. 20 years worth of research coming to prime time at the right moment, as we're all looking for clarity as to what the future of the new normal is, and particularly over these next number of months as people return to the workplace. So, thank you and look forward to staying in touch, and we'll continue to share information with you, and vice-versa.

Nick Bloom: Likewise. Thanks so much, Scott. Great to catch up.

Scott Rechler: Thanks.

As you just heard, the genie is out of the bottle. Hybrid work is here to stay. But this new style work is so much more than the occasional Zoom meeting. It will have profound impacts to our cities and surrounding communities. CEOs will need to create a hybrid work environment that keeps their company competitive while also giving their team the work-life balance that it needs. And policy makers will need to plan for the reality of their future, and will not rely on dated rules of the past.

Thank you again to Nick Bloom for joining me today, and thank you to the 92nd Street Y, and to the team for making this episode possible.

I'm Scott Rechler from 75 Rockefeller Plaza in New York. See you in a few weeks.