

Chapter 1 – Working from home and income inequality: risks of a ‘new normal’ with COVID-19

Abstract

In the current context of the COVID-19 pandemic, working from home (WFH) became of great importance for a large share of employees since it represents the only option to both continue working and minimise the risk of virus exposure. Uncertainty about the duration of the pandemic and future contagion waves even led companies to view WFH as a ‘new normal’ way of working. Based on influence function regression methods, this paper explores the potential consequences in the labour income distribution related to a long-lasting increase in WFH feasibility among Italian employees. Results show that a positive shift in WFH feasibility would be associated with an increase in average labour income, but this potential benefit would not be equally distributed among employees. Specifically, an increase in the opportunity to WFH would favour male, older, high-educated, and high-paid employees. However, this ‘forced innovation’ would benefit more employees living in provinces have been more affected by the novel coronavirus. WFH thus risks exacerbating pre-existing inequalities in the labour market, especially if it will not be adequately regulated. As a consequence, this study suggests that policies aimed at alleviating inequality, like income support measures (in the short run) and human capital interventions (in the long run), should play a more important compensating role in the future.