

# HUMAN CAPITAL RISK FROM RISE OF REMOTE WORK

TIM GUBLER, DAVID KRYSCYNSKI, SHAD MORRIS, JAMES OLDROYD

## EXECUTIVE SUMMARY

In April 2021 we conducted a human capital survey investigating key talent issues in Utah. One issue we examined was the likelihood that employees would change jobs if they had to move within Utah or outside of Utah. Utah employees reported a high willingness to change jobs if they do NOT have to relocate, but a much lower willingness to change jobs if they do have to relocate. The upside of this finding is that employees seem tied to their local communities and generally will not consider jobs that require relocating. The downside of this finding is that remote work is allowing labor market competitors to enter the Utah labor market without building physical office space while also not requiring Utah employees to relocate. Given the high quality human capital in Utah and the relatively lower overall living expenses in Utah compared to other states (especially those with vibrant tech communities) we might see an increase in out-of-state companies competing for local Utah talent without building physical infrastructure in Utah. The concerning part of our finding is that Utah employees see very willing to change jobs for higher salary when they do not have to relocate. Accordingly, we see an important human capital risk to Utah companies – employees may leave for higher paying “local” jobs with out-of-state employers. This may make an already tight Utah labor market even tighter.

- **KEY INSIGHT 1:** *If out-of-state employers start offering higher wages to Utah employees along with remote work options, we may see a significant human capital risk for Utah companies.*
- **KEY INSIGHT 2:** *The human capital risk to Utah companies from out-of-state competitors with remote work options may be higher for women employees.*
- **KEY INSIGHT 3:** *The human capital risk to Utah companies from out-of-state competitors with remote work options may be higher for younger and lower paid employees.*

## SURVEY OVERVIEW

In April 2021 we distributed a survey to more than 40,000 individuals who have previously participated in one of the Silicon Slopes events over the last 3-5 years. The purpose of the survey was to develop insights related to human capital development and management in Utah. After data cleaning we had a total of 1779 usable responses for an approximate response rate of ~4%, which is a standard response rate for this type of electronic survey. For detailed information on the demographics of the people who completed the survey please see the demographics summary report [HERE](#).

## UNDERSTANDING LOCATION SENSITIVITY OF UTAH EMPLOYEES

To understand the extent to which the Utah work force is sensitive to the location of their work we asked a series of questions related to their willingness to change jobs if doing so required relocating. We asked employees:

*How likely would you be to change companies if another employer could provide a higher salary with similar benefits (e.g. health insurance and vacation time) than your current employer for the same job and:*

- *You DO NOT have to relocate to take the job*
- *You DO have to relocated (but in Utah)*
- *You DO have to relocate (but leave Utah)*

We asked this question using a 5 point likert type scale where 5 = Extremely Likely, 4 = Somewhat Likely, 3 = Neither likely nor unlikely, 2 = Somewhat Unlikely and 1 = Extremely Unlikely. Thus, higher numbers mean that employees are more likely to change jobs.

The overall results are shown in the table below:

Question	Mean	Approximate Interpretation
You do NOT have to relocate	3.88	Somewhat likely to change jobs
You DO have to relocate (but within Utah)	2.73	Neither likely nor unlikely to change jobs
You DO have to relocate (but leave Utah)	2.25	Somewhat unlikely to change jobs

One important distinction is the 1.15 point difference between the average for changing jobs without moving and changing jobs in a way that requires relocating within Utah. One way to interpret this difference is an indication of employee loyalty to where they live as opposed to where they work. Employees do not seem particularly loyal to their employers when they can make a bit more money but stay in their current homes and communities.

This loyalty to the community may have been beneficial for Utah companies in the past, but may present an important challenge moving forward. In particular, we see an increase in remote work arrangements due to the COVID-19 pandemic. Accordingly, more companies are seeking employees from all over the US without requiring regular presence in a specific physically office location. Remote work options are especially attractive for companies in tight labor markets with high cost of living. These companies can

recruit from other geographies where cost of living is lower and human capital quality is just as high (if not higher) than in their local markets.

Utah is high on this list due to its high quality human capital and relatively low overall cost of living, combined with the incredible outdoor amenities and opportunities.

The key challenge for Utah companies, then, is that out-of-state companies can enter the local labor market with remote work options, avoid making physical infrastructure investments, and use the associated cost savings to offer higher salaries to Utah employees. The results of our survey suggest that Utah employees, on average, are at least somewhat likely to change jobs if the salary is higher and they do not have to move.

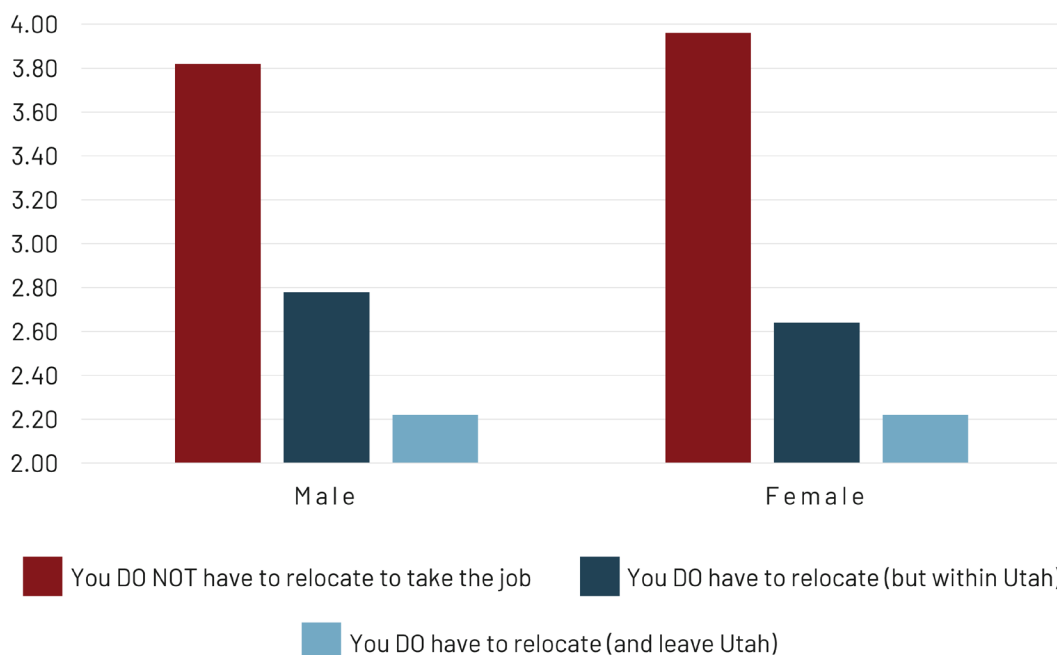
**KEY INSIGHT 1:**

**IF OUT-OF-STATE EMPLOYERS START OFFERING HIGHER WAGES TO UTAH EMPLOYEES ALONG WITH REMOTE WORK OPTIONS, WE MAY SEE A SIGNIFICANT HUMAN CAPITAL RISK FOR UTAH COMPANIES**

**Women may be more likely to change jobs if they do not need to relocate**

It appears that gender differences may also be important. Women are more likely to change jobs than men if they do NOT have to relocate, but they are less likely to change jobs than men if they DO have to relocate (see graphic below). This implies that women may be at a higher risk of leaving when local companies or out-of-state companies with remote work options bring higher salary offers.

Likelihood of Changing Jobs  
by Whether Employees must Relocate



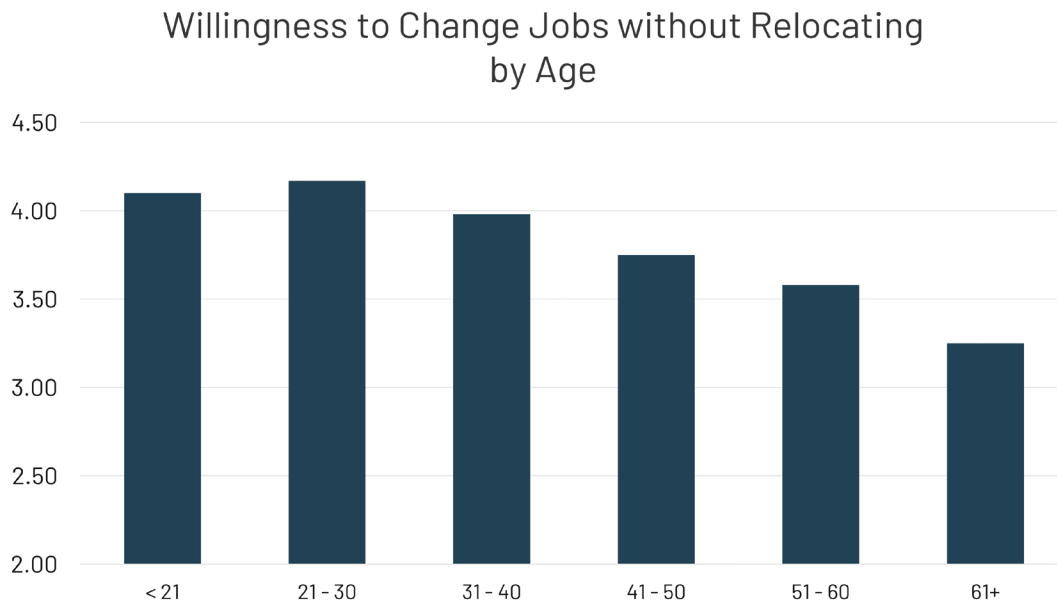
The higher risk of losing women may also be exacerbated by another finding from this survey indicating that women report a larger productivity increase when working remotely than men. Accordingly, women may find remote work options more attractive due at least in part to their higher average productivity.

**KEY INSIGHT 2:**

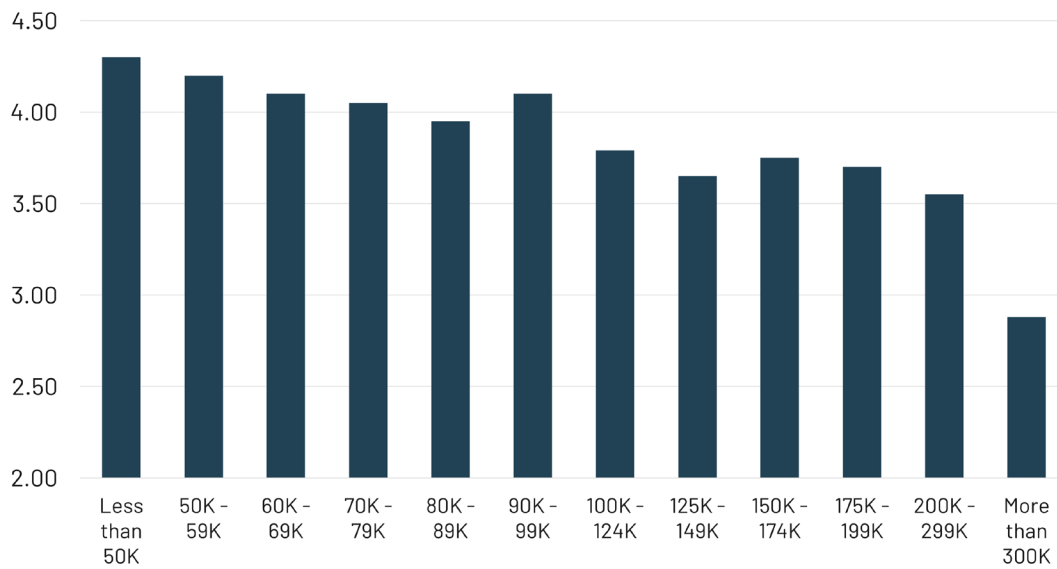
**THE HUMAN CAPITAL RISK TO UTAH COMPANIES FROM OUT-OF-STATE COMPETITORS WITH REMOTE WORK OPTIONS MAY BE HIGHER FOR WOMEN EMPLOYEES**

**Younger and lower paid employees may be more likely to change jobs if they do not need to relocate**

It also appears that younger employees and lower paid employees are more likely to change jobs if they do not need to relocate:



## Willingness to Change Jobs without Relocating by Salary



This implies that the human capital risk from remote work may be greater for Utah's younger and lower paid employees.

### **KEY INSIGHT 3:**

**THE HUMAN CAPITAL RISK TO UTAH COMPANIES FROM OUT-OF-STATE COMPETITORS WITH REMOTE WORK OPTIONS MAY BE HIGHER FOR YOUNGER AND LOWER PAID EMPLOYEES**