

# The Effect of High-Speed Internet on Working from Home

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## Abstract

We estimate the effects of the deployment of high-speed internet on working from home in France from 2006 to 2022. We find that the investment at the city level of fiber optic technology (hereafter FTTH for Fiber To The Home) has significant, positive, and strong effects on the likelihood of remote work, increasing the share of telecommuters to 10 percentage points after several years of deployment. We observe no significant spillover effects in the general case: cities without high-speed Internet are not affected, even when they are in the close proximity of other cities that have invested in this infrastructure. However, in some specialized cities in the information and communication sector, we find negative spillovers, namely a significant decrease in the share of teleworkers in cities that do not install FTTH when their neighborhood does.

## 1 Introduction

Although the Internet has been praised as “the greatest invention of our time”, doubts remain about its impact on productivity and growth (Gordon, 2017), about its substitutability with real face-to-face interactions (Gaspar and Glaeser, 1998) or about its effects on the future of cities (Glaeser, 1998; Glaeser, 2020). Technological

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advances in information and communication technologies periodically revive this debate. The replacement of traditional telephone cables with optical fibers and, most recently, advancements in artificial intelligence have all underscored the critical role of internet access. Here, we examine whether very High-Speed Internet (HSI) serves as an effective substitute for real face-to-face interaction and analyze its impact on the growing trend of Working From Home (WFH) in France.

In the media, the main determinant of remote work has been the 2020 pandemic shock, with Forbes considering WFH as "the legacy of COVID-19", or the Financial Times arguing that the coronavirus will create "long-lasting workplace change".<sup>1</sup> What is often overlooked is that the pandemic comes after a period of intense investment in fiber infrastructure<sup>2</sup>, which may have been a critical enabler of the teleworking revolution. The causal effect of high-speed internet on teleworking is important to analyze in order to better understand future changes in the workplace. If teleworking is only due to the pandemic, with the hysteresis effect leading people who worked from home during the crisis to maintain their habit, then we can expect a decline in this type of work in the coming years. If, on the other hand, the reason for WFH is technological rather than cultural, we can expect it to increase in all places in the world where FTTH is being installed.

We used a unique database in France, surveying people who work remotely from 2006 to 2022, aggregating these data at city level and linking them to the deployment of high-speed networks in each location. We develop a staggered difference-in-difference for each city that acquires FTTH technology to analyze its causal impact on teleworking. Our contribution is threefold.

First, we find a significant increase in the share of teleworking in cities that have invested in the high-speed internet. This result is found for almost all types of cities, namely high-density cities and rural areas, with, however, no effect on teleworking in rural areas. Based on Butts (2021) and Butts (2023), these results are robust to a spatial contamination effect of the treatment on the untreated. We also find that FTTH attract mainly remote work from skilled workers with no difference between households with and without children.

Second, we examine the spatial externalities that investment in high-speed Internet in one city can generate in its neighborhood, and in particular spillovers in municipalities that have not invested in HSI. Theoretically, both positive and negative effects are possible. The growth of a treated city can cannibalize its untreated periphery through its technological advantage (technological spillovers) or through price competition or wage advantages (pecuniary externalities). In con-

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<sup>1</sup>Respectively available at Forbes and FT.

<sup>2</sup>To avoid repetition, we use terms such as Fiber to the Home (FTTH) and High Speed Internet (HSI) interchangeably.

trast, the growth of one city thanks to FFTH can spur on untreated surrounding cities, attracting businesses and jobs from further afield. We find none of these effects, neighborhood cities are unaffected by the treatment. The HSI investment may have been too small to generate these large spatial effects. There is, however, an exception to this general result in cities with a relatively high specialization in the information and communication (IC) sector, where we find negative spillovers: a decrease in the share of remote work for cities without high-speed Internet from cities with access to it.

Third, to better understand what is happening at the firm level, we examine how the high-speed Internet has affected establishment births. As for teleworkers, we observe a significant increase in firm creation and no spillover for the whole sample. We find only weak evidence of negative spillovers in the IC cities for firm creation.

With regard to the literature, the impact of HSI on firms has generated a large literature (Hjort and Poulsen, 2019; Duvivier et al., 2021; Duvivier and Bussiere, 2022; Deller et al., 2021; Cambini and Sabatino, 2023). Nevertheless, to our knowledge, no studies have been carried out on working from home.

The choice of location of telecommuters has also been investigated in many articles (Duranton and Handbury, 2023; Gokan et al., 2022; Delventhal et al., 2022; Ramani and Bloom, 2021; Brueckner et al., 2023 and Behrens et al., 2024, to name a few). However, the role of HSI has never been analyzed.

The remainder of the paper is structured as follows. Section 2 briefly reviews the background of ultra-fast broadband in France and present a quantified model to discuss the mechanism as well as the literature on HSI, firm location and remote jobs. Section 3 presents the data used and the empirical strategy adopted. Section 4 shows the main results on the impact of FTTH on telework. Section 5 performs some extensions by questioning the heterogeneous effect of FTTH depending on several factors (type of city, type of household). Section 6 examines the mechanisms related to the effect of FTTH on business creation. Finally, Section 7 concludes the paper.

## 2 Background

### 2.1 The Very High-Speed Broadband Plan

Historically, the introduction of the Internet in France began with the use of dial-up modems in the early 1990s, which allowed connection via traditional telephone lines. This period marked the initial phase of Internet democratization, characterized by slow and unstable connections.

By the late 1990s, France saw the introduction of DSL (Digital Subscriber Line), a technology that significantly improved Internet access by offering faster and more reliable connections. The early 2000s witnessed a gradual increase in DSL speeds, enabling more bandwidth-intensive applications such as video streaming and online gaming. Fiber optic technology (FTTH - Fiber to the Home) started to be deployed in 2003 in some avant-garde cities, such as the small peripheral city of Pau with the objective of attracting IT firms.<sup>3</sup>

But the main transition to FTTH began in 2013 with the launch of the *Very High-Speed Broadband Plan* (in French "Plan France Très Haut Débit"), a national initiative aimed at providing ultrafast broadband (>100 Mbps) to at least 80% of the population by 2025 for a budget of 13.3 billion euros over the period.<sup>4</sup>

Under this program, the French government has separated the country into territories called "private initiative zones" and "public initiative zones". In private initiative zones, which encompass densely populated urban areas, the deployment of fiber networks has been driven by competition between private infrastructure providers. Due to their density, these zones are profitable for operators. In contrast, public initiative zones cover rural and sparsely populated areas where private companies do not see sufficient financial return to justify the deployment of fiber networks. In these zones, local authorities can leverage financial support from both the French government and the European Union to develop the necessary infrastructure. The French government has, for instance, financed the *Reseaux d'Initiative Publique* (RIP), which enable local governments to form partnerships with private operators to build and operate fiber networks.

All this background explains why France has a vast network enabling FTTH, including in rural areas (Duvivier et al., 2024; Duvivier and Bussiere, 2022).

By 2023, the number of fiber optic subscribers in France surpassed 21 million, and the number of equipped homes should reach 43 million in 2025-26.

According to the OECD Broadband Database,<sup>5</sup> the growth rate of investment in fiber optic implementation in France has been one of the strongest in the OECD countries (40% between 2009 and 2018 while Germany was at 26%). Only the United States has a similar growth rate of 41% in the period. However, if the adoption rate for households has been strong, the upgrading for French firms has been slower, only a third of them were connected to ultra-fast broadband in 2020 (Benghozi, 2023).

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<sup>3</sup>See the Wall Street Journal.

<sup>4</sup>See European Commission.

<sup>5</sup>See also Dozias, 2023

## 2.2 Empirical findings on the effect of HSI on firms

Considering french cities where HSI has not been (or not yet) deployed as a control, Bourreau et al. (2022) find that the rollout of fiber optic networks had a positive effect on firm creation in large municipalities, increasing the number of firms by 7.3% relative to the average. Still on French data, Duvivier et al., 2021 finds that an increase of 1% of broadband coverage increases the rate of firm births by 1.03. Duvivier and Bussiere (2022) presents positive broadband effects on the creation of firms in rural areas, which are, however, limited to municipalities with local economic dynamics and natural amenities.

These works echo several other researches around the world. Taking advantage of the gradual arrival of submarine internet cables on the African coast, Hjort and Poulsen (2019) shows large positive effects on employment rates without job displacement across space. This indicates the absence of negative externalities in Africa. Analyzing non-metropolitan US counties, Deller et al. (2021) show that download speeds of up to 50 Mbps contribute to increasing rural start-up activity in a variety of industries. Working on the dynamics of entry and exit of Italian firms, Cambini and Sabatino (2023) finds that HSI increases the exit of small firms but fosters the entry of new firms, mainly in digitally intensive sectors and in developed geographical areas.

## 2.3 Mecanism 1: Impact of HSI on the location of firms

To illustrate the most simple mechanism explaining the impact of FTTH on remote jobs, we use the standard quantitative model of the new economic geography (see Redding and Sturm, 2008; Redding, 2016; Redding and Rossi-Hansberg, 2017). Since this model is described in various publications and because we do not introduce any substantial extensions, we do not present here the equations and only briefly present its main assumptions.

Consumers have a utility function linking goods and housing consumption with a Cobb-Douglas form. Goods are horizontally differentiated, and consumers have a constant elasticity of substitution over these varieties that are all consumed. Since our aim is to present a framework in which HSI by affecting the productivity of firms can shape the economy geography of remote jobs, we do not introduce other forms of heterogeneity across space, and then we consider that the utility of consumers is not a function of urban amenities (our utility function is thus equivalent to Redding, 2016 with  $b_n(\omega) = 1$ ). Expenditure on land in each location is redistributed in a lump sum to the workers residing in that location.

The different varieties of goods are produced under monopolistic competition and increasing returns to scale. Labor is the only factor of production, and a firm

incurs a fixed cost of  $F$  units of labor and a variable cost that depends on the productivity of the location  $A_i$ . Productivity is drawn independently across locations from a logarithmic normal distribution with  $A_i$  as the scale parameter of this distribution. The amount of labor in  $i$  for a firm  $j$ ,  $l_i(j)$ , that produced  $x_i(j)$  is given by:

$$l_i(j) = F + \frac{x_i(j)}{A_i}. \quad (1)$$

Workers live and work in the same city and do not have any benefits or costs to work at home. WFH does not imply lower productivity for firms (in our framework, this would lead to simply reducing the effect of HSI on firms' productivity). We simply assume that an exogenous share  $\theta$  of the labor force in each city works at home. Thus, only the endogenous location of firms and workers defines the number of telecommuters in each city. We then discuss how the literature that has relaxed these assumptions finds new results. Trade is balanced at each location. Mobility implies an equalization of the indirect utility in space. Trade costs are symmetric and identical between each pair of cities. Finally, we impose the parameter condition that guarantees a unique equilibrium (depending on the share of land expenditure  $\alpha$  and the substitution elasticity  $\sigma$ , such as  $\sigma * (1 - \alpha) > 1$ ).

## 2.4 Illustrative results

We consider an economy on a 30×30 latitude and longitude grid as in Redding and Rossi-Hansberg (2017). However, contrary to these authors, we do not divide this grid in two countries/regions. Each cell represents a city, and hence we work with a spatial economy of 900 cities. Labor is perfectly mobile in all locations. As in Donaldson (2016), the effective distance of the lowest-cost route is calculated, minimizing the cumulative cost of traveling between each origin and destination (Donaldson, 2018). Under these assumptions and by setting values to parameters that are identical to those chosen in the literature (see the next footnote for details), we resolve the system of market clearing equations. Figure 1 shows the initial distribution of productivity.

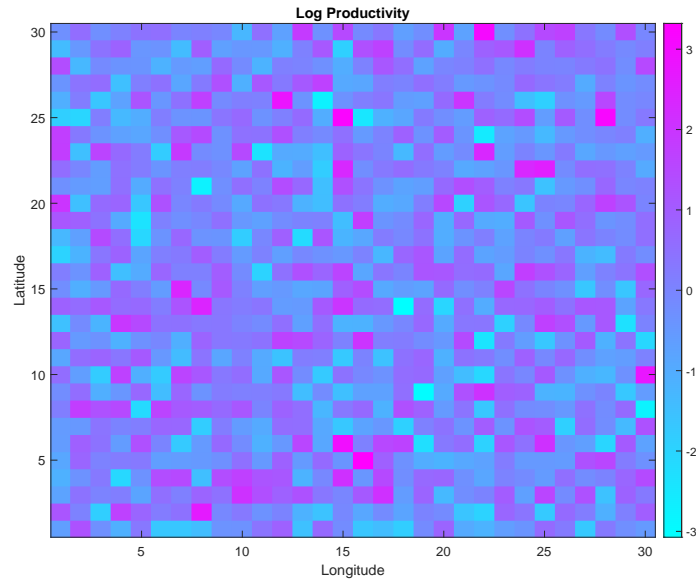


Figure 1: Initial Productivity

Under these conditions, as reported in Figure 2, we observed two conurbations and several sub-centers that agglomerate more labor due to the higher productivity of firms in these locations. As a consequence, these cities also host more telecommuters.

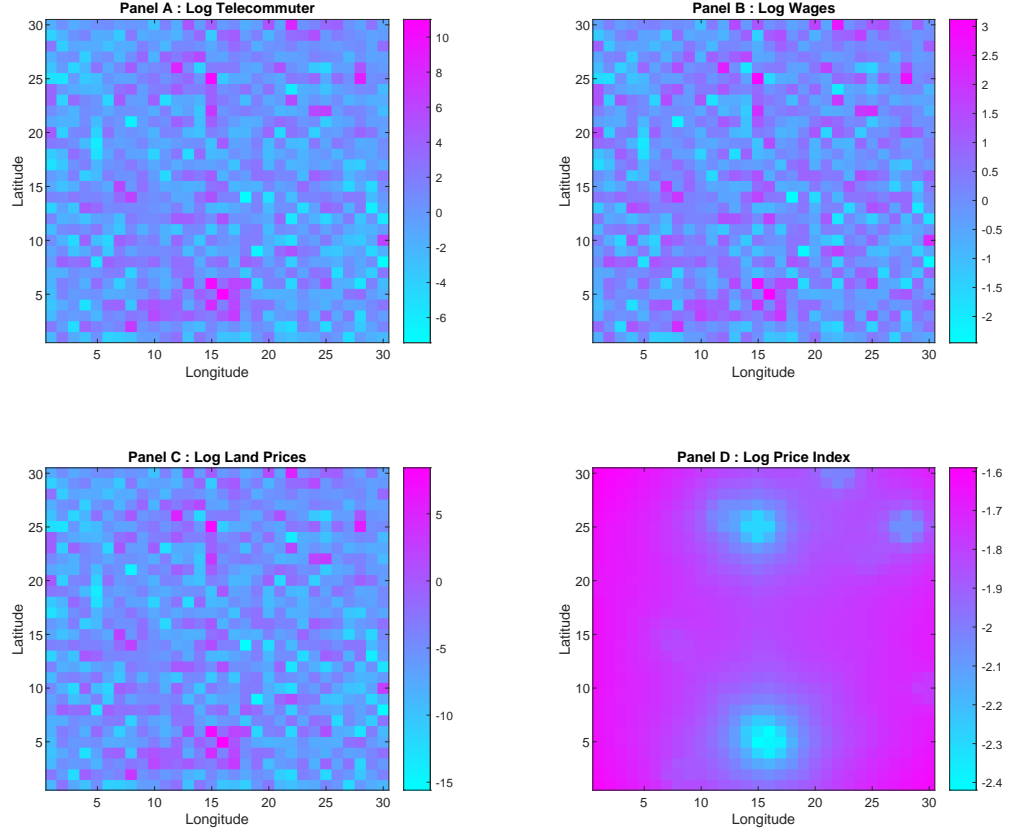


Figure 2: Initial Equilibrium

These locations are also characterized by higher wages and higher land prices. In contrast, price index are smaller there because more goods are produced in these locations and then the burden of trade costs in the consumption basket is smaller. What happens now if the HSI internet is only installed in some cities? We model this in a very simple form, we assume that HSI improves the productivity parameter  $A_i$  of workers in the city  $i$  where it is installed. One may think that several tasks are done faster thanks to fast connection (downloading data, working on the cloud, coordinating the supply chain, improving skills via online training, etc.). This assumption that a good internet connection fosters the productivity of firms is confirmed by a large literature across very different economic geography. Such as **Bartel2007** for the U.S., Czernich et al. (2011) for OECD countries, **Aboal2017**



for Uruguay, **Zhang2021** for China, and **Gbandi2024** for Togo.

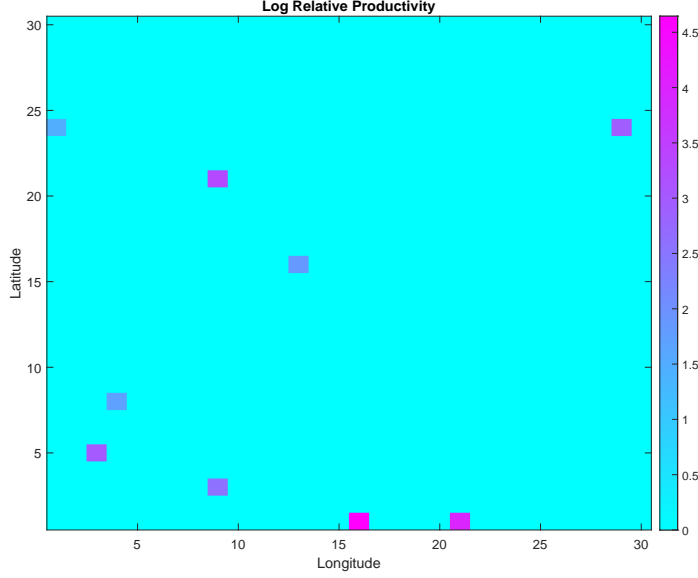


Figure 3: High Speed Internet Productivity Shock

Although in reality HSI may have been installed in an endogenous way, here we can implement an exogenous treatment. We use our model as a laboratory and set an improvement of productivity  $\lambda$  in a random way on our spatial economy (a number  $z$  of cells/cities randomly receive an additional productivity such as firms there benefits of  $A_i + \lambda$  while other cells remain with their initial draw). Figure 3 shows the locations that receive this additional increase in productivity by presenting the ratio  $\lambda / A_i$  (to get a clear picture, we set a low value for  $z$ : only 1% of the cities receive HSI).<sup>6</sup> Relative change due to this implementation is reported in Figure 4.

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<sup>6</sup>More precisely parameters used are:  $F = 1$ ,  $\alpha = 0.75$ ,  $z = 0.01$ ,  $\theta = 0.1$ . The effect of HSI on productivity is set to  $\lambda = 20$ , which represents a strong productivity shock. With a smaller impact of HSI on productivity (e.g  $\lambda = 0.5$ ), results are less strong and less visible in maps; in particular there are no spillovers effects around treated units. For the total population, we use  $L = 153889$  which is the number taken by Redding (2016) (US labor force in 2010). Finally the housing supply in each city is set to  $H = 100$ .

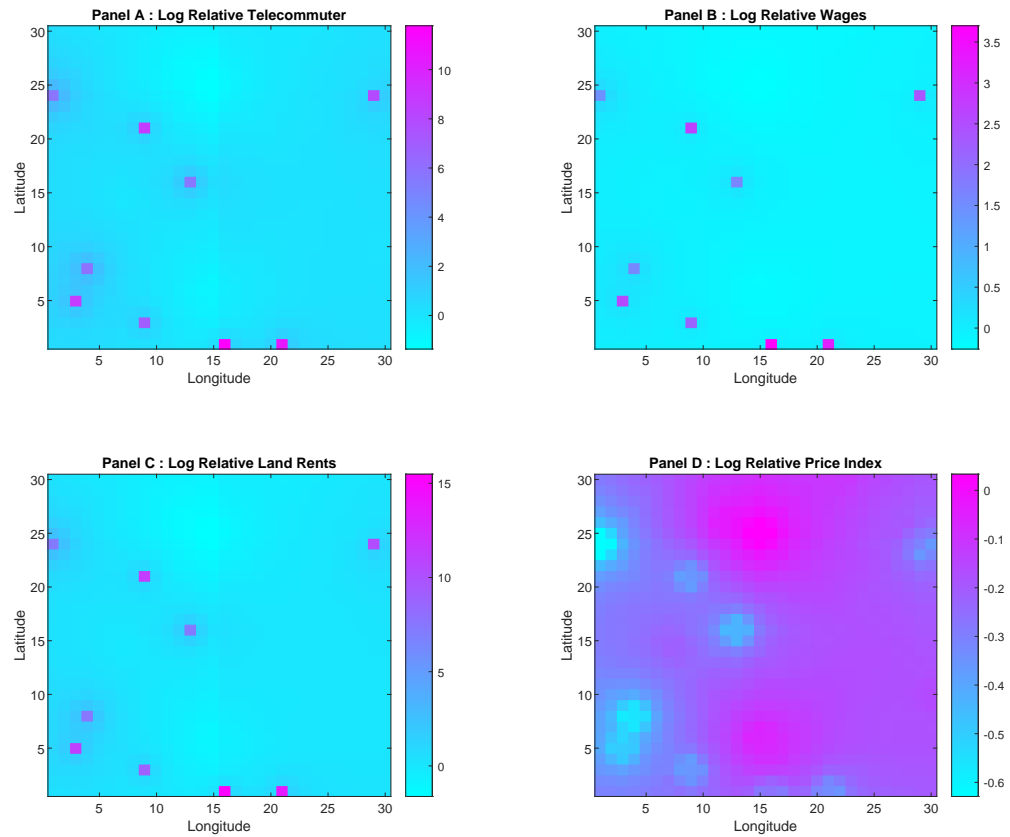


Figure 4: Spatial Change due to High Speed Internet

We observe three results that are testable:

1. Cities with HSI gain telecommuters
2. Untreated and large agglomeration are negatively affected and lose telecommuters.
3. Distance to the treatment matter: untreated cities near the treated one gain firms and then telecommuters.

Several additional assumptions can amplify or reduce the results presented here.

Upward linkages (firms purchasing inputs from suppliers) and downward linkages (firms selling outputs to customers), create a self-reinforcing cycle of cost reduction and productivity gains that can affect the control group (Krugman and Venables, 1995).

Going in the opposite direction, the agglomeration of firms in the treated group can create an "urban shadow" due to tougher competition that reduces opportunities in the control group (Behrens and Robert-Nicoud, 2014). Increasing competition for resources (e.g., labor) can also generate this urban attrition around attractive cities (Cuberes et al., 2021). Bjerke et al. (2024) find a result that supports this mechanism and assert that "shadow effects are magnified by the work-from-home revolution".

Finally, if telecommuters are less productive at home than at the office, the productivity shock of HSI may be mitigated if the share of remote jobs is too high (Behrens et al., 2024).

## 2.5 Mechanism 2: the telecommuting choice

In the previous model, several assumptions attach the results of firms/workers location to those of remote jobs. The objective was to isolate the effect due to firm creation and relocation from the choice to work at home or at the office. This serves as a useful starting point to introduce the literature that has traditionally relaxed the spatial dependence among firms, workers, and teleworkers.

By considering that telecommuters use a part of their home for office without an increase in utility (an implicit "home office tax"), Duranton and Handbury (2023) depict a spatial sorting of individual based on skills and incomes. Remote skilled workers chose to live in the outer suburbs to satisfy their higher demand of housing at a lower price, while unskilled (and in-person skilled workers) remain close to the center. Gokan et al. (2022) show that teleworking also leads to a reallocation of jobs for unskilled workers that fuels wage inequality. Using a similar quantitative model to that presented previously, but with telecommuting choice, Delventhal et al. (2022) report a decline in real estate prices in the core locations of the Los Angeles metropolitan area, coupled with an increase in the peripheral areas. This flattening of the bid-rent curve due to the suburbanization of telecommuters has been referred to as the "donut effect" (Ramani and Bloom, 2021).

Brueckner et al. (2023) also highlight the growing separation between work and residential locations. They observed that while population and housing prices may decline, employment can increase in cities with a productivity advantage; however, these cities export remote jobs possibly toward cities with high amenities. Although they do not find support for this last point in their data, they observe that prices and rent decrease in high-productivity cities after the pandemic.

Still working on the COVID-19 period (from February 2020 to January 2021), Ramani and Bloom (2021) find that the most densely populated zip codes experienced a population loss of approximately 15%, while the least dense areas gained approximately 2%.

Our analysis differs on many respect from these studies, first the literature has focused on the COVID, while we take here the opportunity to study WFH on a longer period. Second, because we work on French data and then with a different urban geography and individual mobility. Third, because the impact of HSI on teleworking has never been studied.

## 3 Data

### 3.1 Ultra-fast broadband

We analyze the impact of the deployment of FTTH in France at the level of units that are connected or eligible for fiber optic. The period studied is between 2006 and 2022 and the data is aggregated at the level of the municipality.<sup>7</sup> We analyze the impact of the arrival of HSI in each municipality on the date when the completion deadline for fiber connection begins. This is the date when telecommunication operators commit to install the optical fiber network in a location.<sup>8</sup>

### 3.2 Data on teleworkers

Data on the proportion of teleworkers in each municipality come from the Continuous Employment Survey (INSEE). This quarterly survey tracks employment, unemployment, and inactivity in France and corresponds to the French part of the European Labor Force Survey. Each individual is interviewed for six consecutive quarters. The data are aggregated at the municipal level and are representative of the French population. Data on teleworking are given in proportion due to weighted values. Not all communes are available for all years, due to the fact that the survey is representative of the French population for each of the 13 regions but alternates communes within each region. The communes taken into account are drawn randomly each year, which reduces the bias that could result from missing

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<sup>7</sup>These data comes from the Regulatory Authority for Electronic Communications, Postal Services, and Press Distribution, known under the acronym ARCEP in French.

<sup>8</sup>For convenience we are going to speak of implementation, but a better term may be the "eligibility" of FTTH in a city. Moreover, the fact that FTTH starts to be installed in one district of the city does not mean that the whole city will be equipped soon; it takes time to generalize the urban network.

data. Telecommuters are defined as those who reported working from home during the reference week indicated at the beginning of the survey. Before 2013, the question about working from home was asked in each initial interview. From 2013 onward, this question is more specific and is asked in the first and last interviews. The question is no longer general but focuses on whether or not the individual worked from home in the four weeks preceding the reference week.

### 3.3 Firm creation

For business startup, we use the number of firms and establishments created (INSEE, Sirene), on a year basis, and disaggregated by industry (NAF rev.2 in 88 divisions). We use establishment births, because as argued by the literature (McCoy et al., 2018; Duvivier et al., 2021) the bias of reverse causality is less severe with this variable than for other ones (e.g. the growth of already established firms which may lobby to get the FTTH).

Part of the current paper discusses the results at the disaggregated level for a) information and communication, b) scientific and technical activities, and c) catering activities. The first two categories (Information-communication and scientific and technical activities) are particularly likely to have a significant need for optical fiber because they rely heavily on high-speed data transmission for their operations. In these sectors, reliable and fast Internet connectivity is essential for exchanging services, conducting research, collaborating across distances, and producing goods efficiently. For example, information-communication businesses might require optical fiber to support activities such as data processing, cloud computing, and maintaining digital communications, while scientific and technical fields could use it for data analysis, research development, and accessing large databases remotely. The catering sector, in contrast, is likely to benefit from ultrafast broadband more indirectly through pecuniary externalities. For example, as the growth of other sectors accelerates due to enhanced internet infrastructure, it will offer advantages through economic spillover effects by attracting more workers to the area, ultimately increasing the number of potential customers for catering establishments.

### 3.4 Other variables

Other data on industry sectors and the socio-professional category of workers (share of workers in executives and higher intellectual professions, share of workers in the information communication sector) also come from the French Statistic Institute (INSEE) regarding the survey called *Enquête Emploi en Continu*. The pro-

portion of active workers employed outside their city of residence and the population data come from the INSEE population census.

We also lead our analysis by distinguishing cities according to their size measure in terms of density as defined by INSEE. Because French cities vary greatly on a geographical scale, some may appear to be sparsely populated or, on the contrary, densely populated, even though their populations are of comparable size. In order to take into account the population of the municipality and its distribution in space, a density grid is used based on the distribution of the population within the municipality by dividing the territory into 1 kilometer squares. After identifying built-up areas, it is the size of these built-up areas within a municipality that is used to characterize density (and not the usual municipal density). From this work four types of cities are considered: a) dense cities, b) intermediate dense cities, c) sparsely populated municipalities, and d) very sparsely populated municipalities. These categorizations are built from population data derived from demographic files (database Fideli).

We cluster the last two categories under the name "rural areas", the two others are respectively called "dense urban" and "intermediate dense".

## 4 Empirical Strategy

### 4.1 Dynamic difference-in-differences

The main challenge with spatial spillovers is to determine where they no longer exist and where we can begin to consider an area as completely untreated and then chosen as a valid control. In the following analysis, we ignore this problem and make the strong assumption that there are no spatial spillovers. This analysis thus represents a first approach using standard DiD estimators, that we improve in the next subsection.

Let's denote  $t$  the different periods considered here ( $t = 1, \dots, T$ ) and  $i$  the municipality that can be treated (deployment of the infrastructure) or not, at any time. Spatial units are categorized into different cohorts based on their initial treatment. The binary treatment is denoted  $D_{it}$ , the earliest period of treatment is given by  $E_i = \min \{t : D_{it} = 1\}$ . The time defined relative to the timing treatment is  $\ell = t - E_i$ . With these notations at hand, we estimate the following dynamic Two-Way Fixed Effects (TWFE):

$$N_{i,t} = \sum_{\ell} \beta_{\ell} 1 \{t - E_i = \ell\} + Z_{i,t} + f_i + f_t + \varepsilon_{it}, \quad (2)$$

with  $N_{i,t}$  the dependent variable representing either the creation of firms, or the

share of remote workers in the municipality  $i$  at time  $t$ .  $Z_{i,t}$  is a vector of control variables including the number of inhabitants, the number of businesses, public facilities, and the proportion of executives. Time and individual fixed effects are introduced *via*  $f_i$  and  $f_t$ .  $\beta_\ell$  are the coefficients associated with indicators for being  $\ell$  periods relative to the treatment.  $\epsilon_{i,t}$  is the error term.

This dynamic TWFE is estimated by using the "not-yet-treated" as a control group because "never treated" units may have very particular characteristics, in particular geographical characteristics (mountain areas) that render them inadequate as controls. We also use different treatment effect estimators robust to heterogeneous and dynamic treatment effect presented in Callaway and Sant'Anna (2021), Borusyak et al. (2024), Butts and Gardner (2021) and Sun and Abraham (2021). In the text, we present the results with the methods of Borusyak et al. (2024); other estimators are presented in Appendix A.

The estimator Borusyak et al. (2024) is relevant for our analysis, which can suffer from the possibility of heterogeneous dynamic treatment effects between cities in the implementation of FTTH. Indeed, it is likely that the average treatment effect in the first year after adoption will be different for cities that adopted the HSI at the beginning of the period than for those that adopted it several years later, for technological reasons or because the internet content has changed significantly (e.g., widespread use of streaming video by the end of the period). Cultural changes may also trigger heterogeneous dynamic treatment effects since, for early adopters, the initial impact could be limited by factors such as lower initial awareness or lack of remote work culture at that time.

Finally, according to Chaisemartin and D'Haultfœuille (2022), the Borusyak et al. (2024) estimator offers precision gains compared to other estimators.

#### 4.1.1 Taking into account spillovers

The previous analysis aims to estimate the average treatment effect on the treated, assuming no contamination effects on the control group. However, as already discussed, it is entirely possible that the impact of the treatment extends beyond the treated municipalities.

To take into account these spillover effects, we follow the two-step analysis of Butts (2021) and Butts (2023) as described below.

In the first step, the fixed effects of the municipality and time are estimated to explain the dependent variable only for the untreated or not yet treated municipalities. This first step helps limit bias that could be generated by spillover effects on neighboring municipalities and also reduces differences in characteristics between municipalities. The predictions of the dependent variable are then extended to the entire dataset (untreated, not yet treated, and treated). In the second step, the

dependent variable represents the residuals of the first-step estimation, with the treatment and spillovers as explanatory variables. Using this two-step structure, the method clearly separates the group-specific and time-specific effects, allowing for a more precise estimate of the treatment effects by isolating other potentially confounding factors. This two-step method helps isolate the effect of treatment by adjusting for the baseline differences between the treated and untreated groups, eliminating biases that could result from these disparities.

More precisely, we estimate exactly the same Equation (2) as previously but with a new term  $\Gamma_{it}$ , such as:

$$N_{it} = \sum_{\ell} \beta_{\ell} 1 \{t - E_i = \ell\} + Z_{it} + \Gamma_{it} + f_i + f_t + \varepsilon_{it}, \quad (3)$$

with  $\Gamma_{it}$  given by:

$$\Gamma_{it} = \beta^c S_{it} (1 - \sum_{\ell} 1 \{t - E_i = \ell\}) + \beta^t S_{it} 1 \{t - E_i = \ell\},$$

where  $S_{it}$  is a dummy capturing spatial spillovers. Since these spillover are local,  $S_{it}$  is defined by a distance  $\bar{d}$  from the treated, on which these externalities play a significant effect on the control group. Hence, within a  $\bar{d}$  radius, control units are influenced by spillovers and  $S_{it}$  takes one, while taking zero beyond that distance. The selection of  $\bar{d}$  is data-driven, and consists in an estimation that nonparametrically identifies the treatment effect curve using partitioning based least squares estimation (Butts, 2023). This procedure provides a  $\bar{d}$  of 15 km, but we also lead analysis by using ad-hoc distance of 25 km and we find similar results.

As mentioned above, the estimation is done in two stages. The first stage consists of estimating  $f_i$  and  $f_t$ , hereafter denoted with a “hat”, using observations that are not yet treated/affected by spillovers ( $D_{it} = 0$ ,  $S_{it} = 0$ ). Then subtract off  $\hat{f}_i$  and  $\hat{f}_t$  to get  $\tilde{N}_{it}$  such as  $\tilde{N}_{it} = N_{it} - \hat{f}_i - \hat{f}_t$  which finally regressed on  $\sum_{\ell} \beta_{\ell} 1 \{t - E_i = \ell\} + \Gamma_{it}$ .

## 5 FTTH a New Factor of Attractiveness?

### 5.1 Main Result: the Rise of Telework

In Figure (5) we present the effect of the treatment at different points in time relative to the policy intervention, namely the dynamic estimation of DID from Equation (2), using Borusyak et al. (2024) estimator.

First, one can observe that there is no significant difference between the treated and control groups prior to treatment. This is a necessary condition (certainly not



sufficient) to ensure that results are due to the treatment itself and not influenced by other pre-existing differences. Second, there is a strong increase in the coefficient  $\beta$  over time representing the increase in the share of remote workers in cities where HSI has been installed. We find similar results regardless of the estimators used in Appendix A, namely the standard dynamic TWFE, and estimators developed by Callaway and Sant’Anna (2021) and Butts and Gardner (2021). However, there are some discrepancies; in particular, it is unclear from this analysis when investment in FTTH finally has an impact on working from home. While our preferred estimator (presented below in Figure 5), shows a significant effect in the year after the FTTH eligibility; other estimators, such as the Sun and Abraham (2021), present a significant impact only 5 years later. The results using the Callaway and Sant’Anna (2021) method (see Appendix A) even show an insignificant effect for almost all periods.

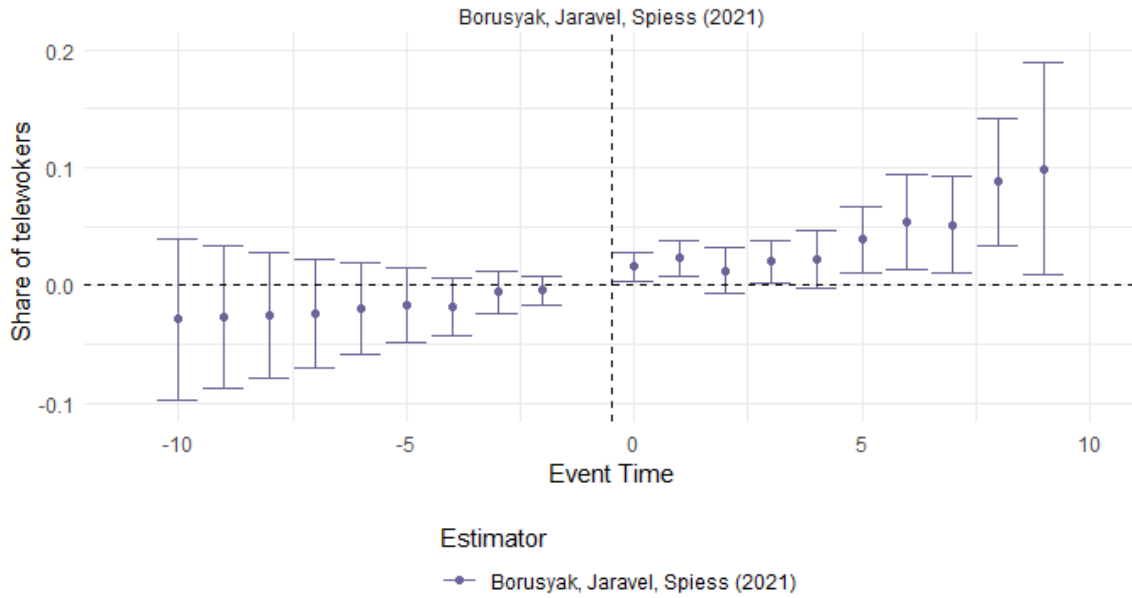


Figure 5: High Speed Internet and Working from Home

However, as noted above, an unresolved issue with these estimates is the potential spillover effects that HSI may have on teleworking in the control group.

Figure (6) shows how accounting for these externalities affects the significance of the timing of the treatment. Indeed, such a two-step analysis shows that FTTH

has a rapid impact on telecommuters, starting just one year after telecom operators commit to installing high-speed internet fiber in the city. This clear increase in the number of remote workers in cities with FTTH lasts for nine years.

In this analysis, we take into account spillover effects on cities that are not treated but are less than 15 km from these cities where fiber optic technology has been installed. See Appendix B for a distance of 25 km given by the nonparametric method that identifies the treatment effect curve using partitioning-based least squares estimation. We find similar results.

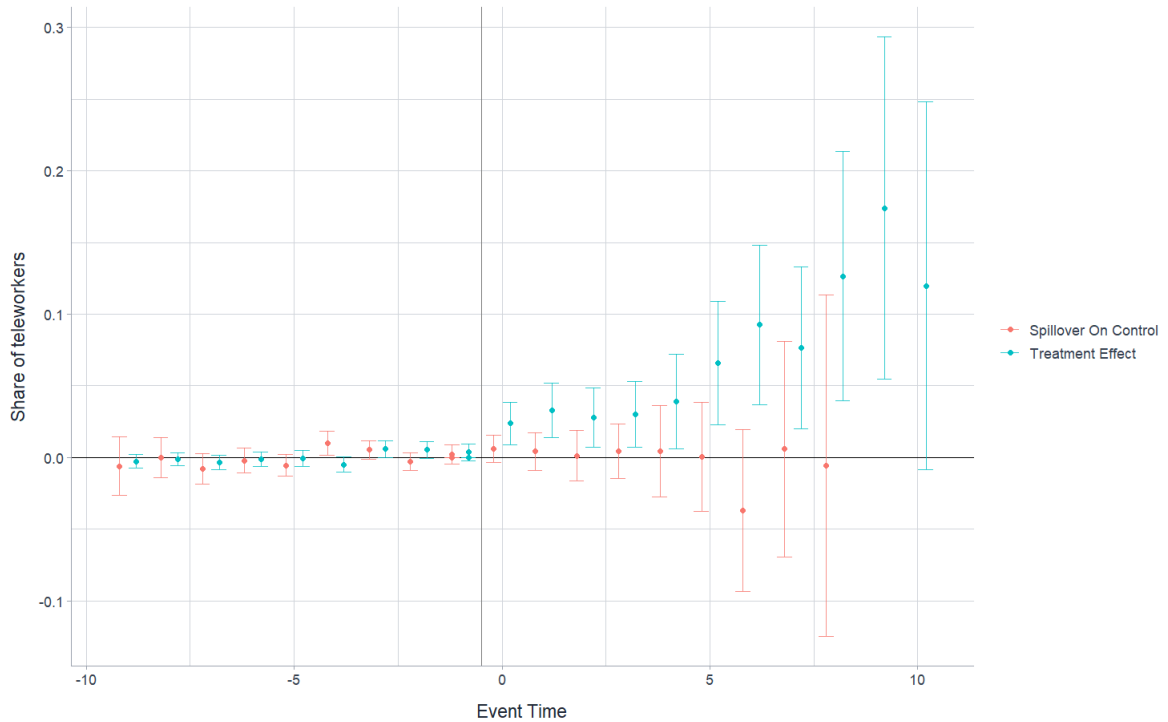


Figure 6: High-Speed Internet, Working From Home and Spillovers

This finding on the absence of spillover effects for remote work is robust in different sectors. To confirm this, we replicated our estimates by disaggregating the data by sector (including, for example, hotels and restaurants and scientific activities). The results remained consistent, showing no significant spillover effects in most sectors. We do not report the results here, but it was an unexpected result not to observe externalities in scientific and technical activities. This implies that if spillovers exist, they are internalized within the boundaries of the cities considered. However, there is one notable exception for cities that host a significant share of firms in the information and communication sector.

## 5.2 Telework in the Information and Communication Sectors

To analyze the specific sector of the information and communication which is obviously more concerned by a good access to the Internet, we specifically examined cities that are particularly specialized in this sector, which we refer to as the “IC cities”.

These cities, defined as municipalities whose establishments in this sector represent more than 5% of the total number of firms, demonstrated a unique pattern of negative spillovers.

We find in Figure 7, that the proportion of teleworkers decreases in untreated municipalities located within a 15 km radius of IC cities, which, on the other hand, become even more attractive for teleworking as time goes by.

One should notice that these effects may not be due to the IC sector itself but to other firms that rely on teleworking and that are also overrepresented in these IC cities.

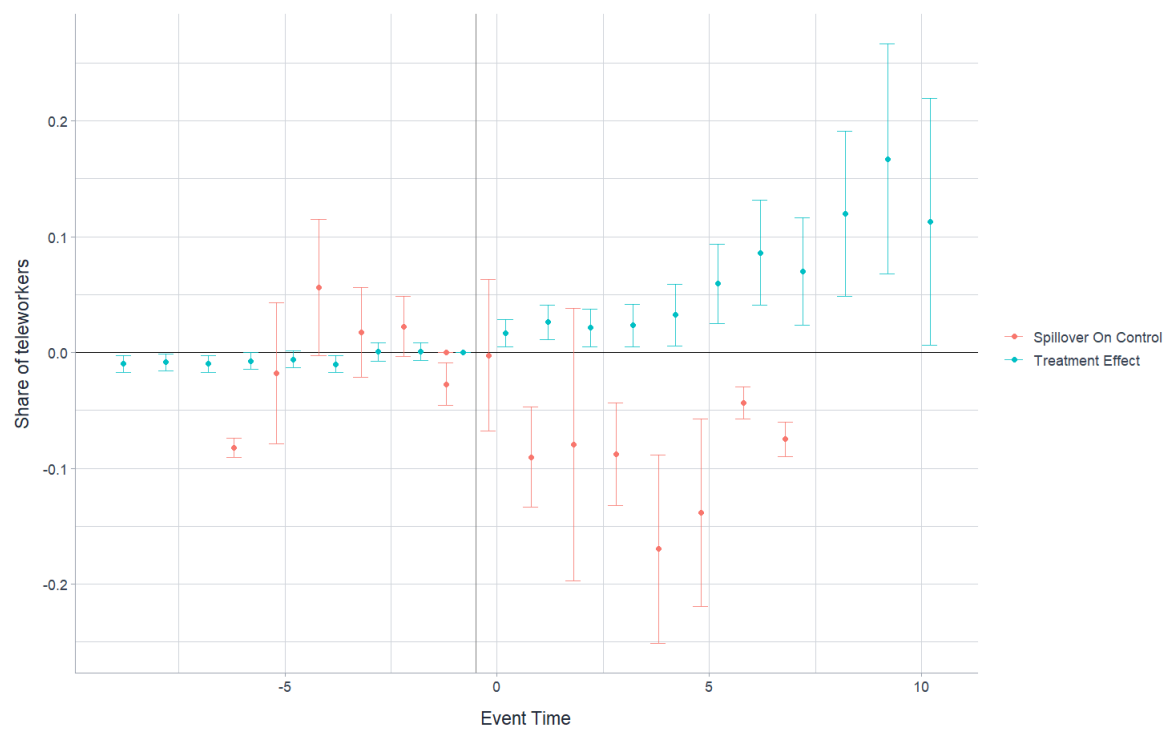


Figure 7: Cities with IC sector (5% IC firms)

## 6 Extensions

### 6.1 Type of City

In this section, we are going to successively revisit our result by analyzing what happens when we consider a) different types of *treated* cities b) different types of *untreated* cities that are closed to the treated one. As defined in the data section, cities are differentiated according to their density and geographic type. We consider dense and intermediate dense cities, as well as rural areas. We are interested in testing whether the Average Treatment on the Treated (ATT) found in the previous section is affected by the heterogeneity of cities, or more precisely how the different choice of workers to work remotely, which certainly depend on the type of cities, may have changed over time. We are agnostic about the sign of this heterogeneous time-varying treatment bias within the treated groups over time, that can be negative or positive.

On the one hand, it is possible that skilled workers (who are often the ones most concerned about remote work) have been more and more attracted to live in dense cities to benefit from social and cultural amenities. This is even more likely that other shocks may have facilitated the mobility of these workers, for instance, high-speed train have connected some dense urban areas during our time span.

On the other hand, the COVID crisis has also shown a new preference for workers to work in less dense cities and sometimes rural areas to benefit of environmental amenities. Regarding point b) our main result is that there is no spillover effect (at the exception of some particular IC cities), but this aggregated effect may hide positive and negative effects depending on the types of cities.

In Table 1 where the ATT in different cities is tested (we aggregate municipalities classified as dispersed rural and dense rural into a single category, rural areas, due to the limited number of observations in the dispersed rural category), we verify the significant treatment effect for urban areas. In contrast, rural areas are not more attractive once FTTH is implemented. High speed internet does not seem to be a magic bullet to attract teleworkers in these areas. Not reported in this table, spillover effects are never significant (as presented in the general case depicted in Figure, 6).

Dep var: share of teleworkers	Dense urban	Interm dense	Rural areas
Treatment (by density)	0.031 *** (0.003)	0.022 ** (0.01)	0.012 (0.016)
$R^2$	0.379	0.375	0.379
Observations	23,232	23,232	23,232

**Notes:** Standard errors are clustered at the municipality level in parentheses, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Results are obtained from a spillover regression using the OLS estimator. Individual fixed effects and time effects are included in all estimations. The dependent variable is the share of teleworkers. Our control variables are: the number of firms per 1,000 inhabitants, the share of workers in the information and telecommunications sector, and the share of workers in highly intellectual professions; they are all significant, not reported to save space. Columns present results for municipalities types according to INSEE.

Table 1: Heterogeneous treatment effect (15 km radius)

In Table (2), we consider the different types of city near the treated one that may have benefited or suffered from spillover effects; we also verify the previous results: no spillover effect is detected for the vast majority of cities. However, we detect negative spillovers in cities with an intermediate level of density. These towns with negative spillovers could be weakened by the arrival of fiber in neighboring towns, which would prevent workers in sectors using the Internet for their work from being able to work from home, preferring to move to the nearest town with HSI. Not reported here, the ATT is always significant (a coefficient of 0.045 significant at 1%) as already found in Figure (6).

Dep var : share of teleworkers	Dense urban	Interm dense	Rural area
Spillover (by density)	-0.01 (0.006)	-0.019 ** (0.0087)	0.009 (0.006)
R <sup>2</sup>	0.378	0.378	0.378
Observations	24,746	24,746	24,746

Notes: Standard errors are clustered at the municipality level in parentheses, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Results are obtained from a spillover regression using the OLS estimator. Individual fixed effects and time effects are introduced in all estimations. The dependent variable is the share of teleworkers. Our control variables are: the number of firms per 1,000 inhabitants, the share of workers in the information and telecommunications sector, and the share of workers in highly intellectual professions; they are all significant, not reported to save space. Columns present results for municipalities types according to INSEE.

Table 2: Heterogenous spillovers according to density (15 km radius)

## 6.2 Type of household

We have led several other investigations based on the characteristics of the household. More precisely we investigate who are the telecommuters attracted by the deployment of FTTH. As expected, we find in Appendix C that teleworkers affected by the policy are skilled workers belonging to the social category "executives and higher intellectual professions". We also test whether having a child affects the choice to work from home after the deployment of ultra-fast broadband. We do not find noticeable results, both kinds of household positively react to HSI, with or without children.

## 6.3 Type of Speed

What about the initial condition of the Internet? Internet may be a good substitute for face-to-face interaction only when the speed to exchange bits is high enough. In this regard, FTTH represents a substantial improvement. However, depending on the investment of cities in past technologies such as DSL, it is possible that FTTH has represented only a small improvement in some places. Or, to put this in a different way, the effect of the treatment may vary depending on the quality of the initial access to Internet. In Appendix D, we study this question and find that, in most cases, FTTH stimulates an increase in teleworking indiscriminately.

## 7 Testing the Simplest Mechanism: the effect of HSI on firms

The impact of FTTH on teleworking can be categorized into two main effects: its direct influence on teleworkers' choice of location and an indirect effect related to the creation of new firms. This dual impact introduces some ambiguity to predicting its overall spatial impact, as discussed in the literature section. The model outlined in Section 2, despite unrealistic assumptions (like teleworkers always residing in the same city where they work) helps clarify these dynamics. According to this model, the rise in teleworkers following HSI deployment is primarily driven by an increase in the number of firms.

More precisely, the predictions of this model are a) teleworking in treated areas is possible only if there are an increase in the number of firms in the treated areas, b) the absence of spillovers in remote work is explained by the lack of spillovers for firms (we obtain this result with a small shock of HSI on productivity,  $\lambda = 0.5$ ), and c) the presence of negative spillovers for teleworking in the IC cities is explained by the negative spillovers on firms in these cities.

### 7.1 General case

We reproduce here our analysis to study how the implementation of HSI has affected the number of new firms. We test here the predictions a) and b).

Figure (8) shows that the eligibility of the fiber in cities has a significant positive impact on the creation of firms that increase over time. We find very similar results to what has been obtained for teleworkers. There are no significant pre-trend before the deployment and a positive effect since the first event-time. This confirms what has been shown in the literature (Bourreau et al. (2022), Duvivier et al. (2021)) with the two-step analysis of Butts (2023) and thus with the additional result that there is no spillover in firm creations.

This symmetrical result between the impact of the HSI on the growth of telework and business creation are worth discussing. One plausible explanation is that the entry of new firms has created employment opportunities that facilitate teleworking inside the same city where the FTTH has been installed. This explanation, already presented, is obviously speculative since we have no data on the companies that employ teleworkers. The explanation may in fact be the opposite: the moving of teleworkers may have expanded the market, offering new outlets that encourage the creation of new businesses.

Finally, there is perhaps no causal link between these two relationships; it may be a common unobserved factor that simultaneously increases business start-up

and teleworking. However, even this simple correlation between the increase in teleworking and firm creations is an interesting result, in particular because this correlation is observed at the city level without spillover. This shows that these two positive effects of HSI are internalized within the city.

This result may be explained by the short distance covered by French commuters. To give a number, the median distance between work and home for workers in France is approximately 12.5 km (in 2019<sup>9</sup>) and then teleworking can often occur close to its place of work.

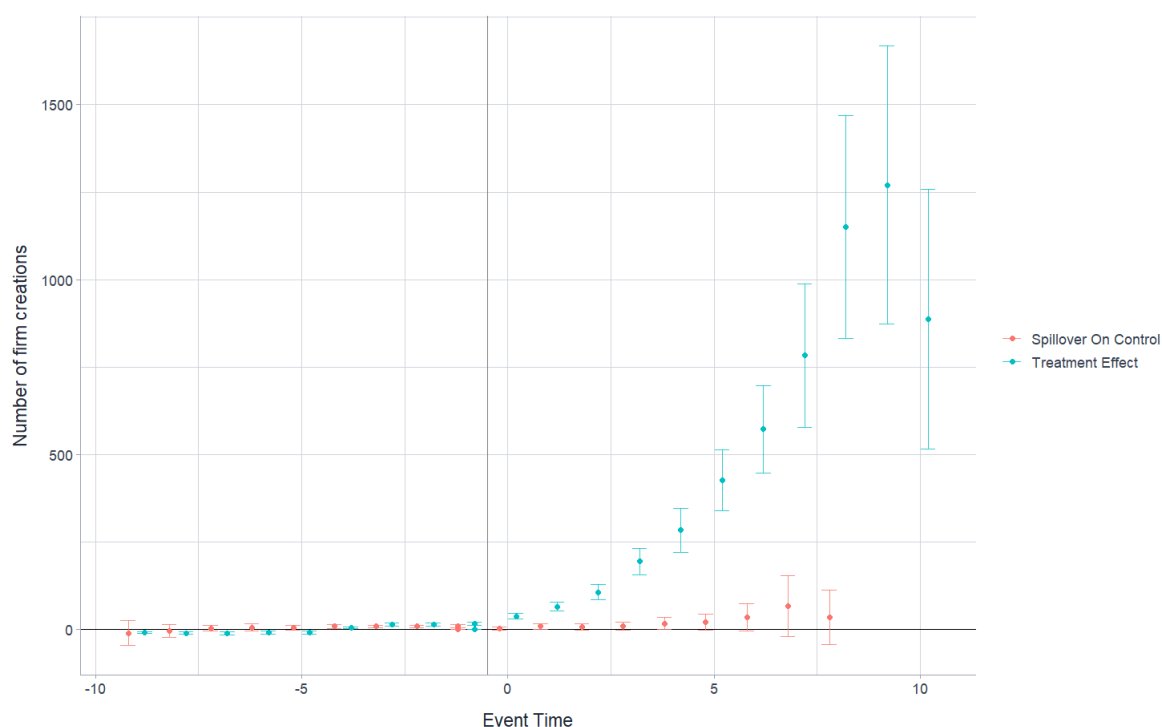


Figure 8: High Speed Internet, Firm births and Spillovers

## 7.2 IC cities

Let us start by focusing our analysis on information and communication (IC) cities as previously done for teleworkers. Here we aim to test the predictions a) and c).

In Figure (9), we observe results similar to those obtained until now. Positive effects over a four-year period are significant, indicating a higher creation of firms in locations with HSI in IC cities. With regard to spillovers, a particular type of

<sup>9</sup><https://www.insee.fr/fr/statistiques/7622203>



cannibalization may be at work, with fewer firms being created in neighboring areas. However, such an effect is hard to capture, and even if we observe a decrease in the coefficient of business start-up, this result is only significant five years after the treatment, which makes the conclusion hard to reach in that particular case. In other terms, the mechanism explaining the negative spillovers of FTTH on teleworking in IC cities does not appear to come from a reduction in firm creation (falsification of prediction c).

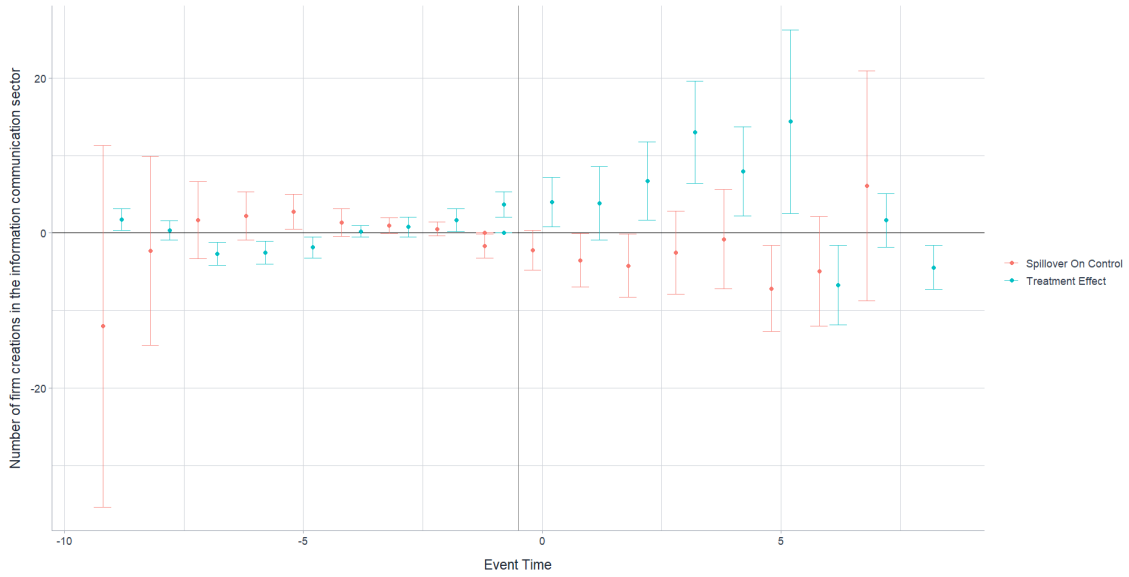


Figure 9: High Speed Internet, Firm births and Spillovers in IC cities

## 8 Conclusion

High speed Internet enables, in the words of Baldwin (2006), to a 'great unbundling' process by which production and services are increasingly separated into distinct segments that can be managed and delivered independently. In this study, we find that ultra-broadband internet connections also cause a spatial unbundling of labor with a significant increase in working from home. We also find that, in general, there are no significant spillover effects, indicating that the benefit to a city of investing in this technology is internalized within the city fabric, at least at the time of HSI deployment. This result could be important for policy makers elsewhere in the world who wish to invest in this infrastructure, obviously to attract businesses,

but also to attract a new population that will live, consume and pay taxes in the city and not in its neighborhood.

In this study, we just pick the low hanging fruits of the analysis linking HSI and teleworking. The benefit of HSI may be magnified in the coming years with increasing access to innovative solutions and services located on the cloud. We thus just analyze here a short run relationship that will deserve to be revisited in the future. This is even more necessary because WFH is a recent phenomenon that represents a small share of the workplace for a significant part of our period. In particular, the spillovers may be significant in the coming years with the emergence of a class of long-distance teleworkers.

Finally, to go beyond our analysis, which deals separately with teleworking and firms' location choice, it would be necessary that statistical offices provide data on teleworkers *at the firm level* for the whole French territory.

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## Appendix A: Many Estimators with Diverging Views

We present here estimation of Equation (2) with the different methods, namely the dynamic TWFE using the ‘not yet treated’ as a control group (to avoid forbidden comparisons, see Goodman-Bacon, 2021) as well as the methods of Callaway and Sant’Anna (2021), and Butts and Gardner (2021). We also add the results with the estimators of Sun and Abraham (2021) and Borusyak et al. (2024) already presented in the text to ease comparison. Figure (10) presents results with the share of telecommuters on the right hand side of the estimation, while in Figure (11) it is the number of firm creation. As already discussed in the text, overall these indicators seem to show a significant positive effect of the HSI on teleworking and establishment births, but it is difficult to be fully convinced as some estimators cast doubt on the pre-trend, while others show a significant effect only for a few and late periods. The fact that some towns in the control group may be affected by the treatment seems to obscure the result of these estimates, which are obviously based on the assumption of no contamination.

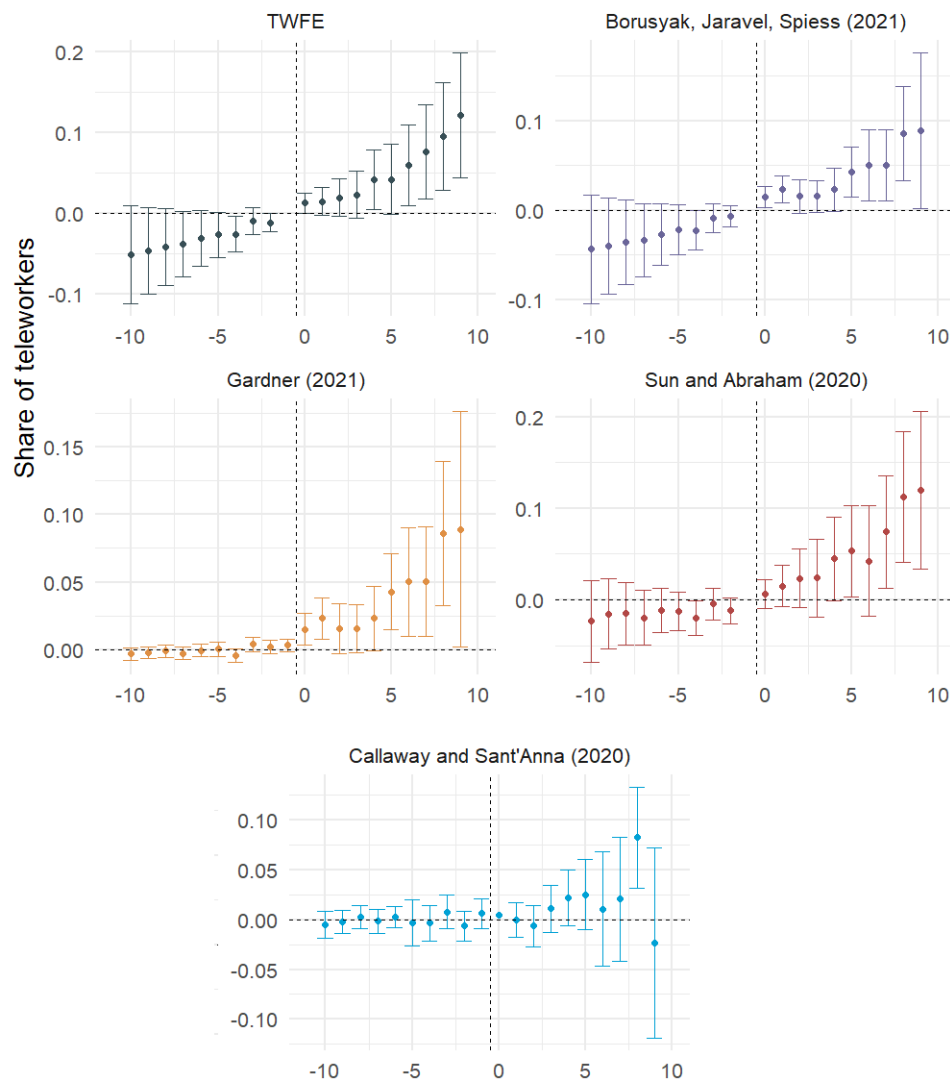


Figure 10: High Speed Internet and Working from Home

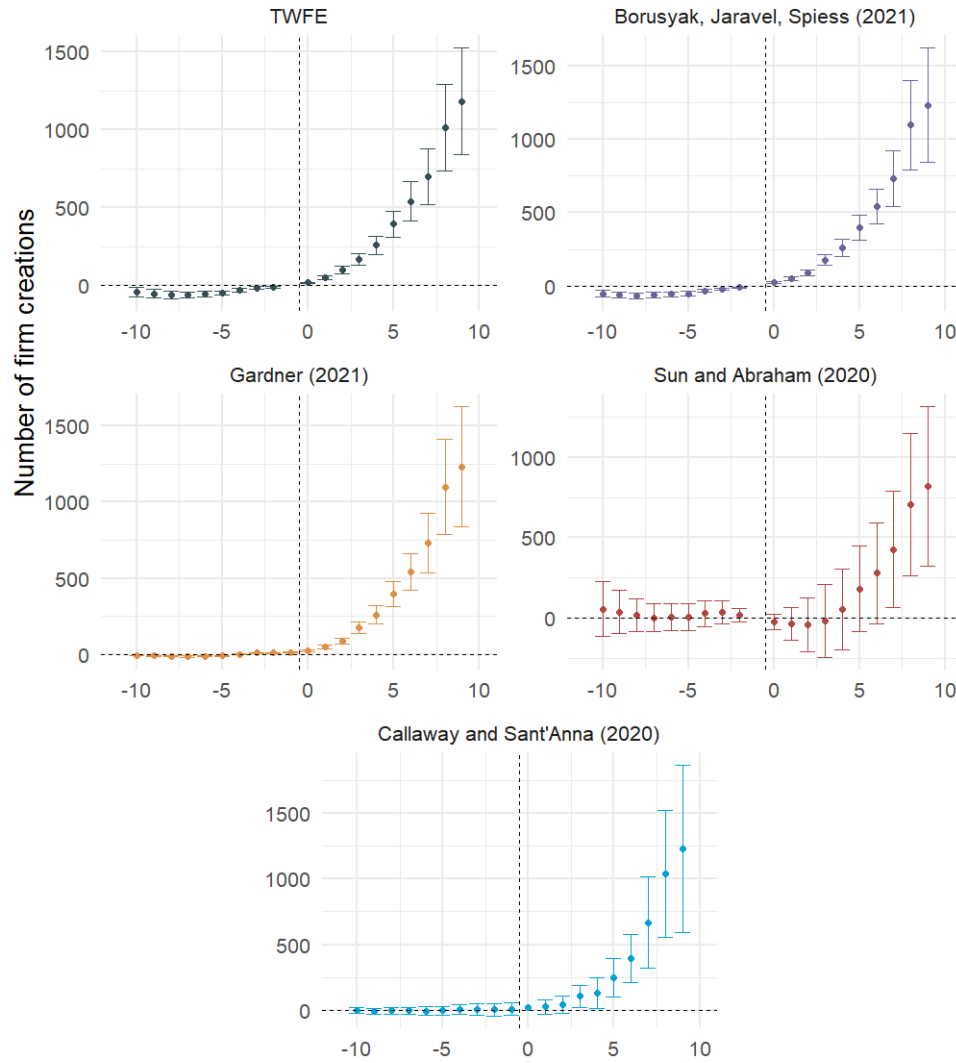


Figure 11: High Speed Internet and Working from Home

## Appendix B: Spillovers at 25 km

Throughout the text, we use a distance of 15 km from the treated area to account for spillover effects. Here, we test the robustness of our result by using a threshold of 25 km. We find similar results.

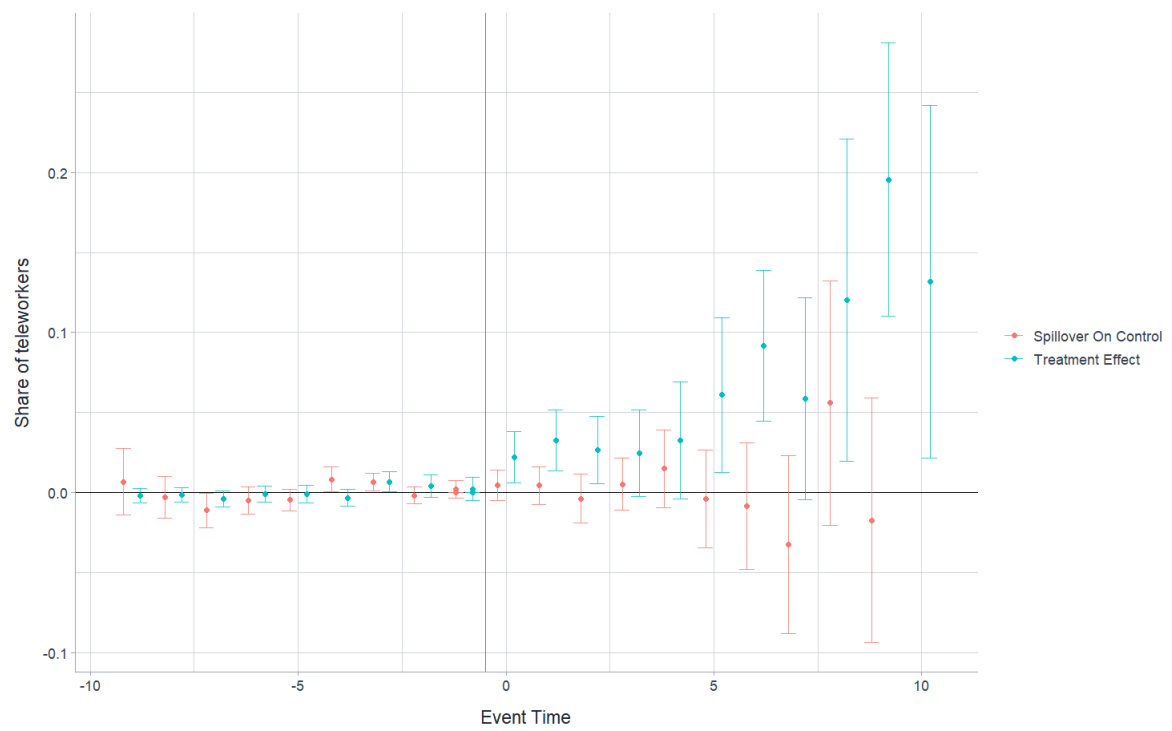


Figure 12: No spillover at 25 km for telecommuters



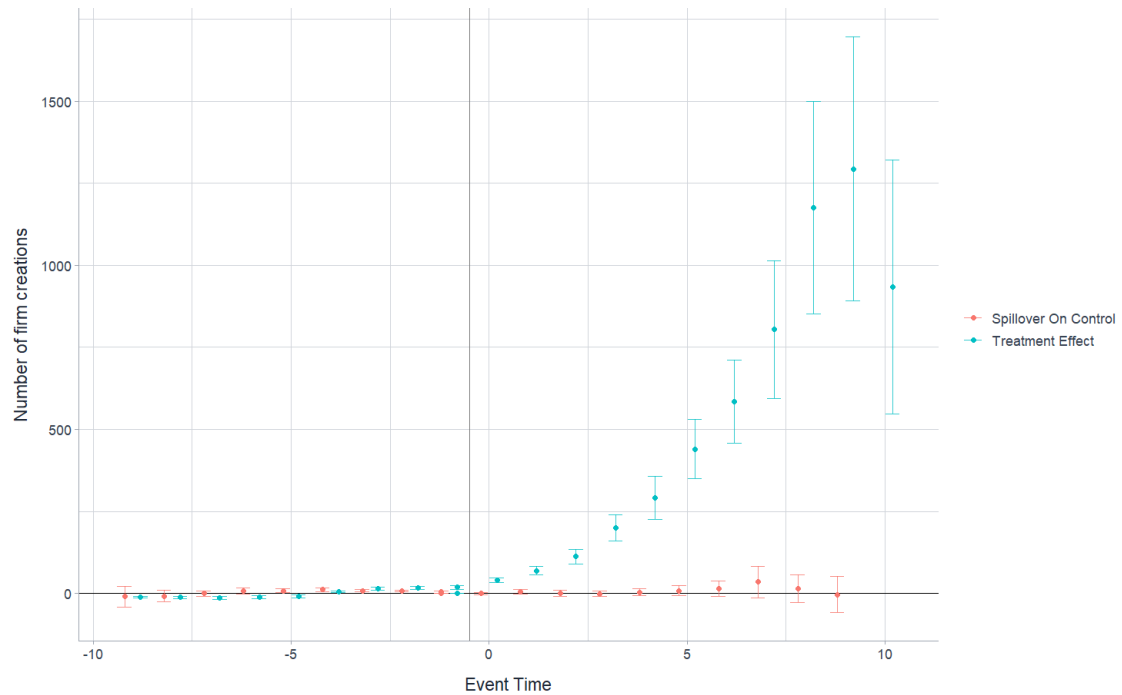


Figure 13: No spillover at 25 km for firms

## Appendix C: Skilled Telecommuters

As discussed in many papers, remote work concern mainly high-skilled workers and the results obtained in the text are driven by this category. In Figure (14) we report our results for teleworkers in executives and higher intellectual professions, and clearly see a similar pattern of the one presented in the text.

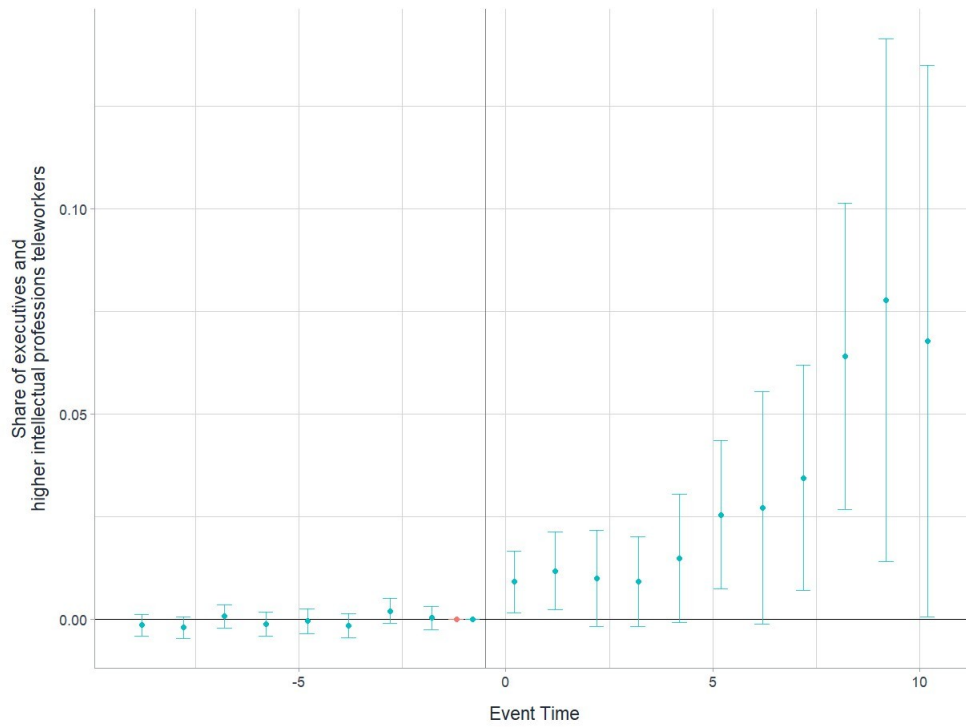


Figure 14: Impact of the arrival of fiber optics on the proportion of teleworkers in executives and higher intellectual professions

We wonder whether the fact of having a child influences the decision to work at home or, in contrast, acts as a brake. In fact, we find similar results for professionals with or without children. Figure (15) shows the result for teleworkers with children.

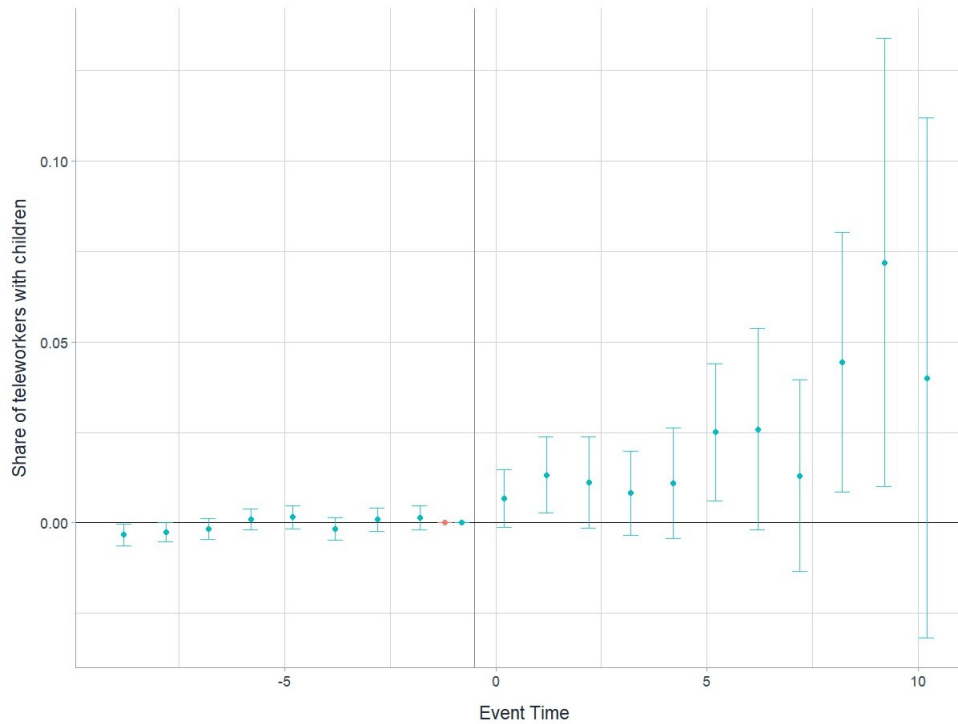


Figure 15: Impact of the arrival of fiber optics on the proportion of teleworkers with children

## Appendix D: Internet Speed

In this section, we analyze the impact of FTTH on both the share of teleworkers and the number of firm creations considering the pre-existing quality of Internet access in different municipalities in 2015. More precisely, we have data on the share of housing in each municipality that had access to Internet speeds of at least 100 Mbps and at least 30 Mbps in both 2015 and 2020.

We reproduce our estimations in this section by distinguishing municipalities by the share of housing which have access at least to 30 Mbps in 2015. Technically, we create a set of dummy variables based on the share of housing units with access to at least 30 Mbps in 2015. These dummy variables are then interacted with the treatment variable (FTTH) to capture potential heterogeneous effects across municipalities with different initial levels of Internet accessibility. For instance, for the first category, if a municipality had between 0% and 25% of households eligible for at least 30 Mbps in 2015, the variable C1 (Category 1) takes the value 1, and 0 otherwise. We follow the same approach for the other categories (C2, C3 and C4).

The equations that we have estimated are the following ones :

For C1 :

$$N_{it} = \sum_{\ell} \beta_{\ell} C1 * 1 \{t - E_i = \ell\} + Z_{it} + \Gamma_{it} + f_i + f_t + \varepsilon_{it}, \quad (4)$$

For C2 :

$$N_{it} = \sum_{\ell} \beta_{\ell} C2 * 1 \{t - E_i = \ell\} + Z_{it} + \Gamma_{it} + f_i + f_t + \varepsilon_{it}, \quad (5)$$

For C3 :

$$N_{it} = \sum_{\ell} \beta_{\ell} C3 * 1 \{t - E_i = \ell\} + Z_{it} + \Gamma_{it} + f_i + f_t + \varepsilon_{it}, \quad (6)$$

And for C4 :

$$N_{it} = \sum_{\ell} \beta_{\ell} C4 * 1 \{t - E_i = \ell\} + Z_{it} + \Gamma_{it} + f_i + f_t + \varepsilon_{it}, \quad (7)$$

We find the following results presented in Table 3. In general, the impact of FTTH is positive on the share of teleworkers and firm creations. We also observed that the higher the share of housing units with access to at least 30 Mbps in 2015, the greater the impact of FTTH on both the share of teleworkers and the creation of firms.

Dep Var	Share of teleworkers				Firm creation			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SHE >30 MB	[0;25[	[25;50[	[50;75[	[75;100]	[0;25[	[25;50[	[50;75[	[75;100]
Treatment	0.022 ** (0.01)	0.023 ** (0.011)	0.017 (0.013)	0.027 *** (0.01)	52.04 *** (14.17)	79.13 *** (19.63)	110.1 *** (31.15)	515.2 *** (61.7)
R <sup>2</sup>	0.378	0.378	0.378	0.379	0.894	0.893	0.893	0.899
Observations	23,217	23,217	23,217	23,217	23,217	23,217	23,217	23,217

Notes: Standard errors are clustered at the municipality level (in parentheses), \*\*\* p< 0.01, \*\* p< 0.05, \* p< 0.1. Results are obtained from a spillover regression using the OLS estimator. Individual fixed effects and time effects are included in all estimations. Our control variables for the share of teleworkers are: the number of firms per 1,000 inhabitants, the share of workers in the information and telecommunications sector, and the share of workers in highly intellectual professions. These variables are all significant, not reported to save space. Furthermore, for firm creation, we do not control by the number of firms per 1,000 inhabitants. Columns represent percentage points in the proportion of homes eligible for 30 megabits or more of Internet access in 2015. SHE : Share of homes eligible for 30 megabits or more in 2015.

Table 3: Impact of fiber on the share of teleworkers and firm creation on treated according to the share of homes eligible for 30 megabits or more in 2015

Table 4 we use the share of home which have access to at least 100 megabits in 2015 to categorize municipalities and analyze the FTTH effect on treated and untreated municipalities according their category. As before, we find positive and significant effect on firm creation for all our categories. For the share of teleworkers, we find positive and significant effect except for the municipalities which have between 25% and 75% home eligible to 100Mbps in 2015.

Dep var	Share of teleworkers				Firm creation			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SHE >100 MB	[0;25[	[25;50[	[50;75[	[75;100]	[0;25[	[25;50[	[50;75[	[75;100]
Treatment	0.022 ** (0.011)	0.011 (0.011)	0.011 (0.016)	0.036 ** (0.01)	58.84 *** (12.14)	206.78 *** (43.51)	694.82 *** (256.81)	529.47 *** (89.98)
R <sup>2</sup>	0.378	0.378	0.378	0.379	0.896	0.893	0.896	0.897
Observations	23,217	23,217	23,217	23,217	23,217	23,217	23,217	23,217

Notes: Standard errors are clustered at the municipality level in parentheses, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Results are obtained from a spillover regression using the OLS estimator. Individual fixed effects and time effects are introduced in all estimations. Our control variables for the share of teleworkers are: the number of firms per 1,000 inhabitants, the share of workers in the information and telecommunications sector, and the share of workers in highly intellectual professions. These variables are all significant, not reported to save space. Furthermore, for firm creation, we do not control by the number of firms per 1,000 inhabitants. Columns represent percentage points in the proportion of homes eligible for 100 megabits or more of Internet access in 2015. SHE : Share of homes eligible for 100 megabits or more in 2015.

Table 4: Impact of fiber on the share of teleworkers and firm creation on treated according to the share of homes eligible for 100 megabits or more in 2015

## Appendix E : Descriptive Statistics

### 9.1 Evolution of the treatment

Year	Untreated units	Treated units
2006	1615	1
2007	1609	1
2008	1605	3
2009	1906	5
2010	2292	8
2011	2280	25
2012	1792	54
2013	1072	146
2014	1016	213
2015	932	267
2016	814	424
2017	694	550
2018	506	709
2019	403	867
2020	226	819
2021	105	963
2022	41	1042

Table 5: Number of Treated and Untreated Units per Year

## 9.2 Summary of Descriptive Statistics

Characteristic	Mean	SD	Median	Min	Max
Share of telew	0.2	0.0	0.2	0.2	1.0
Share telew intelect	0.1	0.0	0.1	0.0	1.0
Share telew IC	0.0	0.0	0.1	0.0	1.0
Firm creation	254.2	0.0	770.5	56.0	21 276.0
Firm creation in Infocom	10.3	0.0	37.2	1.0	884.0
Total of firm (per 1000 inhab)	0.4	0.0	1.0	0.1	17.3
Teleworkers	12 929.2	0.0	18 732.3	7666.7	387 546.3
Telew household child	7167.9	10 954.7	3710.1	0.0	179 346.0
Telew intelect	6948.1	12 482.0	3339.4	0.0	327 100.6
Telew Infocom	1555.4	0.0	3612.1	0.0	73 699.4
Population	13 847.0	29 789.3	4142.5	17.0	498 003.0
Nbr household	5955.1	14 269.3	1552.0	3.8	229 697.2
Employed	60 870.7	62 041.1	45 294.2	238.8	1 273 376.1
Commercial Act	5488.1	11 925.4	1666.0	4.8	220 655.7

Table 6: Descriptive Statistics (N = 25,005)

### 9.3 Trend Parallel Verification

## Appendix F : Estimation with number of teleworkers

### 9.4 Without Spillovers

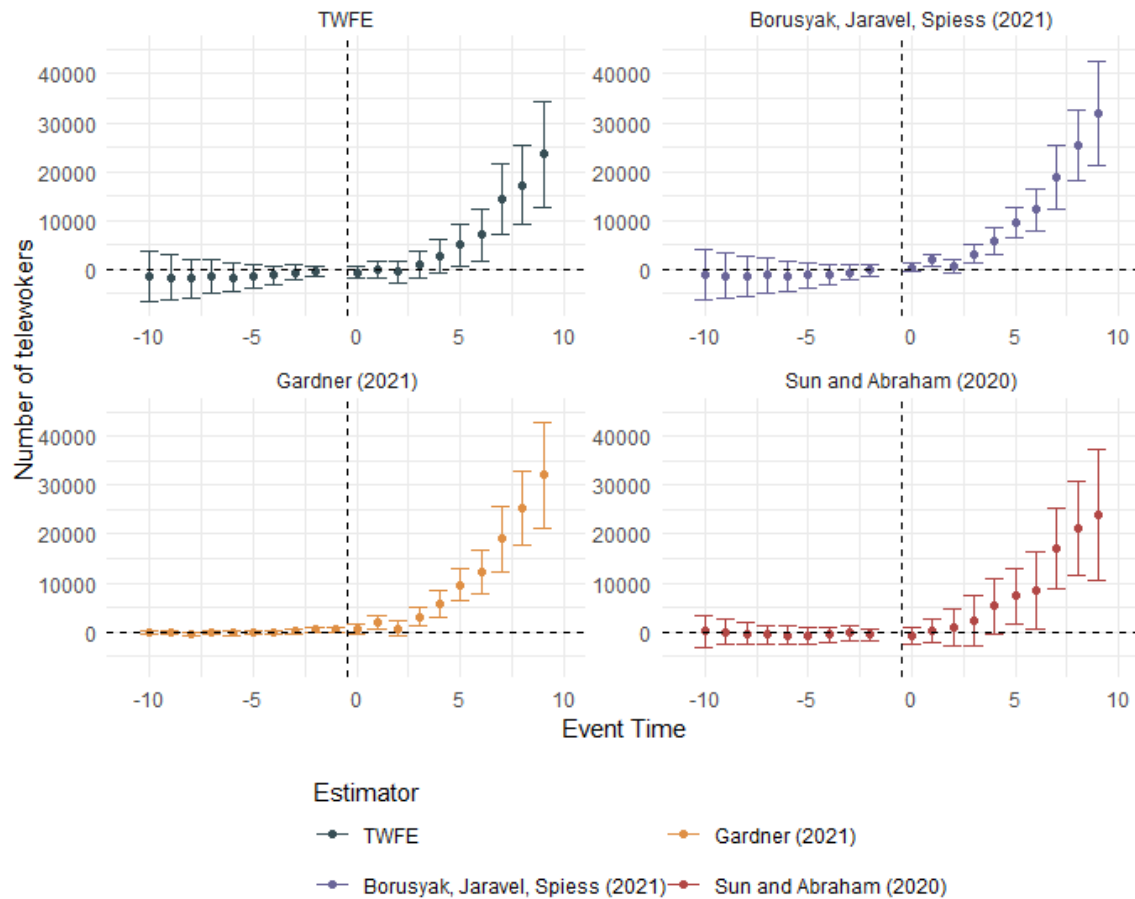


Figure 16: Estimation with number of teleworkers



## 9.5 With Spillovers

### 9.5.1 All sample

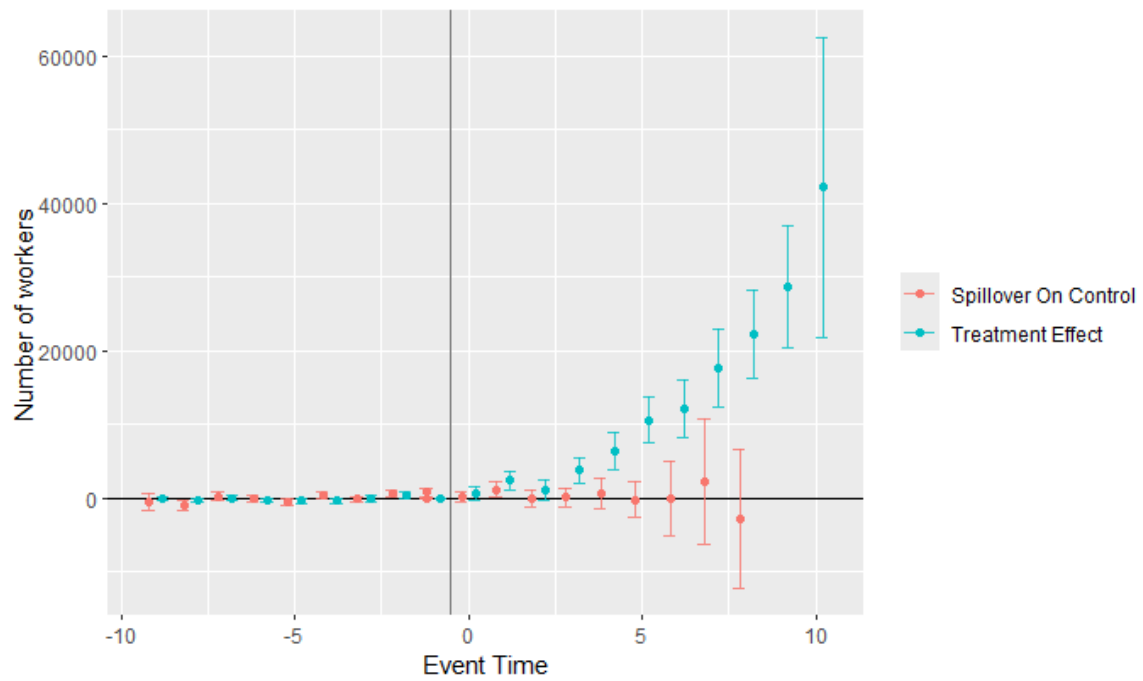


Figure 17: Estimation with number of teleworkers

### 9.5.2 IC sector

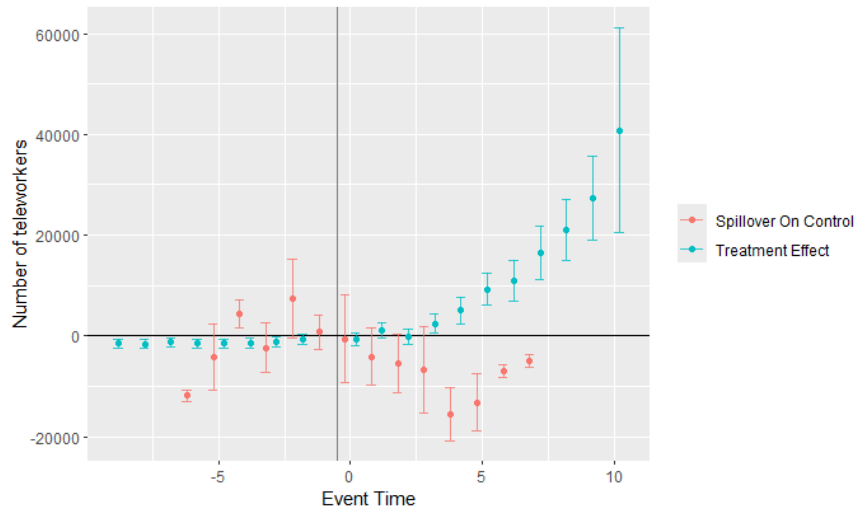


Figure 18: Estimation with number of teleworkers

### 9.5.3 Type of cities

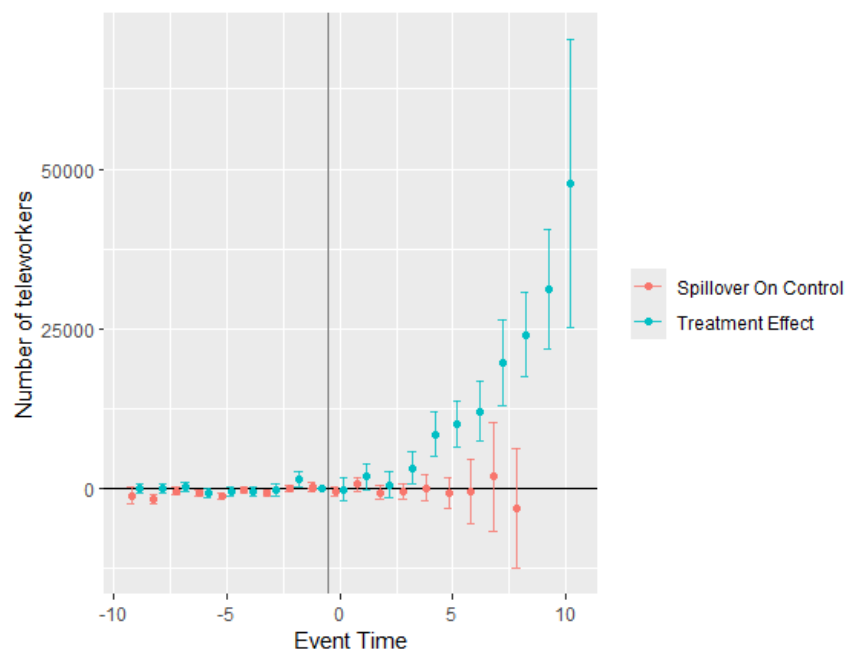


Figure 19: Estimation with number of teleworkers : Urban Dense Cities

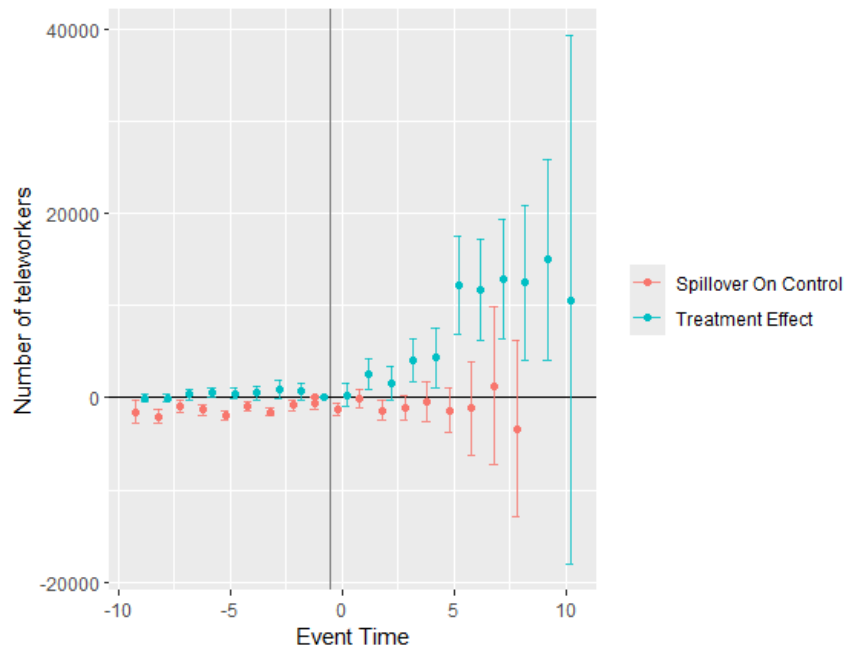


Figure 20: Estimation with number of teleworkers : Inter Dense Cities

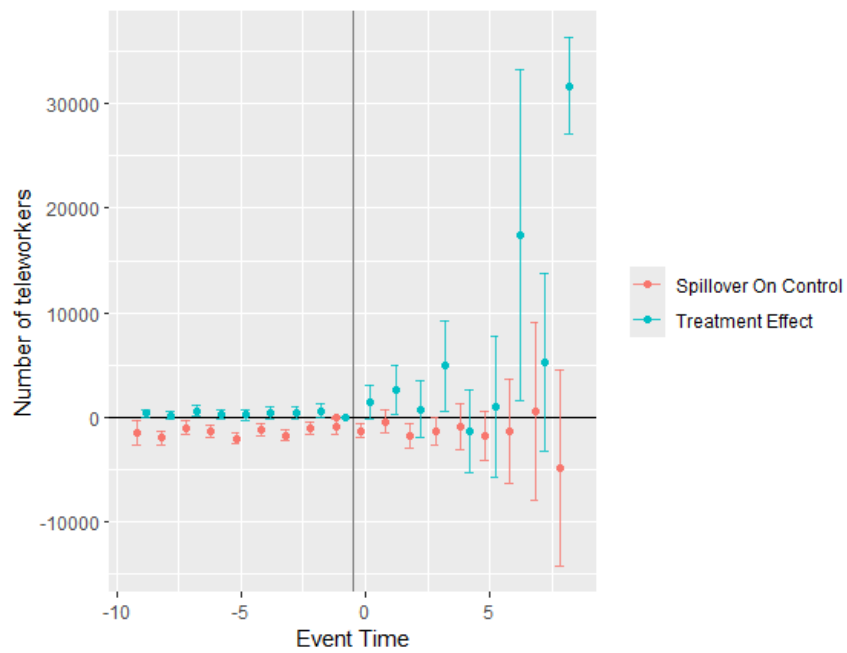


Figure 21: Estimation with number of teleworkers : Rural Cities