



## Covid-19 Committee

### Corrected oral evidence: The long-term impact of the pandemic on towns and cities

Tuesday 29 June 2021

9.45 am

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Members present: Baroness Lane-Fox of Soho (The Chair); Lord Alderdice; Baroness Benjamin; Baroness Fraser of Craigmaddie; Lord Hain; Lord Harris of Haringey; Baroness Jay of Paddington; Baroness Morgan of Cotes; Lord Pickles; Baroness Young of Hornsey.

Evidence Session No. 2

Virtual Proceeding

Questions 18 - 37

### Witnesses

I: Nye Cominetti, Senior Economist, Resolution Foundation; Kate Cox, Chief Marketing Officer, Money Penny; Joe Fitzsimons, Senior Policy Advisor, Institute of Directors; Mark Gregory, Director, Centre for Towns; Rooney Anand, Chair, WorldSkills UK.

## Examination of Witnesses

Nye Cominetti, Kate Cox, Joe Fitzsimons, Mark Gregory and Rooney Anand.

**Q18 The Chair:** Good morning and welcome to the House of Lords Select Committee looking at the long-term implications of Covid-19. Welcome to all our witnesses. Thank you very much for giving up your time this morning. This is our second evidence session in our inquiry into smaller cities and larger towns, and we are really interested in what you have to say about the changing nature of work and patterns of work in relation to towns and cities.

A couple of points of housekeeping: as you will be aware, this is being broadcast and recorded. It is incredibly helpful if you can stay on mute when you are not speaking. I am sorry if there is an echo where I am, but I will go on to mute when I am not speaking. If you would like to make a point, please wave at me or use another way of attracting my attention. My colleagues have a selection of questions that you have seen and that we will go through, but if you want to chip in at any point, please, do so.

To frame our inquiry a little bit for you, we have been in operation for nearly a year. I was just looking back at my diary and we had our first meeting in early July. We have been asked to look at the long-term implications of the pandemic on the social and economic well-being of the UK. As you will no doubt be well aware, it has been hard to unpick the current situation and to think two to five years ahead, but that is really what we are trying to do. We would very much appreciate you trying to think as far into the future as you feel able, rather than give a précis of where we are at now and what has happened over the last year. That would be immensely helpful. We have done some work on our hybrid world and on parents and families, and we are now doing some work on towns and cities.

Perhaps before we start with our questions it would be really helpful to put some names to faces, so I will ask you to introduce yourselves. We have seen your evidence, so just say your name and where you come from.

**Rooney Anand:** Good morning. Thank you very much for inviting me. I am here in my capacity as chairman of WorldSkills UK, a skills-based charitable foundation, and as the senior independent director at Morrisons, representing retail and hospitality this morning.

**Joe Fitzsimons:** Good morning and thank you for inviting me along. I am a senior policy adviser at the Institute of Directors, representing over 20,000 directors across the UK.

**Nye Cominetti:** Good morning and thank you very much for inviting me. I am a senior economist at the Resolution Foundation. We are a think tank that researches living standards questions, so that is what I do.

**Mark Gregory:** Good morning, everyone. I am here in my role as chair of the advisory board of the Centre for Towns. I am also chief economist

of Ernst & Young and was a member of the Government's Covid recovery task force on investment.

**Kate Cox:** I am here representing Moneypenny. We are based in Wrexham, Wales, and the USA. We do outsourced communications. We work with about 21,000 small and large businesses across the UK and I am representing the voice of business.

Q19 **The Chair:** You all bring incredibly valuable experience, so we look forward to hearing what you have to say. I will start with a wide question that covers a huge number of potential areas, but I am keen to get some macro thoughts from you about the impact of the last year on employment, particularly on the location of people's employment—perhaps how it has changed both personally and for the organisations that they are working for—and what new skills that might mean people need. So we are looking at working patterns, location of work and any new skills, and I am sure you will all have views on this.

**Kate Cox:** Moneypenny was a completely office-based business back in January 2020. We operated out of two sites: one in the US, in Atlanta, and one in Wrexham in Wales. We had invested about 18 months in our technology project to move from on-premise telephony to the cloud. We were fortunate that that finished around February 2020. When the pandemic hit, we moved everyone, 1,000 people, to home-working in two weeks. As it was done in such a rushed fashion—we ran around buying 700 laptops, because everyone was desk-based—we are now taking the time to really think about the impact. The things we think about our customers and how we are serving them, how our employees think about home-working, and the business and how we can best serve our customers.

We have spent the last year and a half testing the best and efficient model, and then there was a pandemic lockdown again so we had to pull everyone back to home, but now we have a mixed, hybrid model at the moment, with some people working at home and some in the office. We recruited 350 people in the pandemic, because we are growing so quickly. Now is the time when we are testing different technology set-ups, different home-working patterns and different shift work between our home and work-based receptionists.

**Mark Gregory:** At the very macro level, we have been trying to understand the impact of Covid alongside the impact of Brexit and longer-term trends that were already prevalent in the economy and which in many ways Covid has exacerbated, so it is hard sometimes to identify exactly what effect has caused what.

On the location of employment, at the Centre for Towns we looked, at the start of the pandemic, at the 6,000 places that we look at, and the big message that we will probably come back to over the morning is that the sector composition of local economies has been a big factor in how they have been hit. In a professional services economy, like a city centre, where a lot of the employment would tend to shift out of the city to other

places, that has continued. The hardest-hit places in that initial period, like Newquay and Skegness, were those that had large hospitality and leisure sectors, which were shut down, effectively. Under the first lockdown, 56% of all jobs in Newquay were closed down, so those effects have been significant. Around locations like Gatwick, places like Crawley get hit. The impact has been very local and specific.

We have seen a shift to people working at home, which has changed working patterns. Our experience in EY or with clients has been that people have been working a longer day, but often with gaps at times in that day. The work week has extended over the weekend<sup>1</sup>, particularly when people have been home-schooling and trying to look after their children. Particularly for younger staff, their days have completely extended. They often do not have the childcare excuse but end up covering for everyone else. I might dip out for three hours, but the team will carry on working. I will then come back and probably expect them to continue working. We have seen that.

We have seen more economic activity in towns and smaller places, just because there have been more people in them during the day. There has been a reverse commuter effect, in some ways. There is also a set of behavioural changes—we will probably touch on these in some of the future-looking questions—to do with people's view of their family relationships, their community, their diet and their health.

If you had asked EY or a lot of our clients in June, in October and now how things were, they would say that they are very different. Particularly in EY, a lot of our junior teams are coming back. The most popular days are Thursday and Friday, which probably means that they like to come into the office because they are thinking about what they will do socially after that.

There is a really mixed picture of demand for people—how they work with the office and how they are starting to come back. Probably the real challenge for you and all of us is that we will not really know how the landscape looks for another six to 12 months, as we adjust to this—and I hate the term—new normal.

As a last example, one of our clients is a breakfast food manufacturer. Demand for their product went up about 30% during lockdown, because we were all eating breakfast at home. What they do not know is whether, when we all go back to work, we will ever want to eat a breakfast cereal again or whether we like it so much that demand will stay as it is. It is a bit of a trite example, but that is true across the whole economy. We will have to understand what has changed there before we really know, but we are probably seeing a return to what we used to see, to some extent.

**The Chair:** Thank you very much. I did not think that we were going to cover breakfast cereal this morning. I will be interested to see if we have

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<sup>1</sup> This refers to the department in which Mark Gregory was working at the time, not EY generally.

other views on breakfast cereal.

**Joe Fitzsimons:** We have been doing quite a lot of research into this with our members, looking towards the longer term and what we expect to happen in the future. We surveyed about 600 of our members in March this year, and about two-thirds indicated that they plan to adopt the hybrid working model that we have heard so much about, even after restrictions ease, in the future. About one in 10 are planning to work from home entirely, which is a really big shift from what we might have seen before the pandemic.

Interestingly, we are seeing a split as to whether our members feel that it is more or less productive. About 40% say that it is more productive, and about 37% that it is less productive, so there is a real mix of opinions there. That might point to why we expect this hybrid approach to working—not fully remote, but also not fully face to face—longer term.

There are all the benefits of remote working that we are aware of: the flexibility, helping individuals with their work/life balance, helping those with caring responsibilities, and helping working parents. It has also boosted the productivity piece in some cases. It has been very helpful for inclusion and diversity when it comes to hiring people from different backgrounds and different parts of the country, those who do not live in metropolitan areas and those with caring responsibilities.

Some of the key challenges that we have identified are the challenges for those at the early stages of their career and younger people, who need to be able to build their network and often benefit from the informal and on-the-job learning that they pick up when in a workplace. The hybrid approaches to working will not always be possible.

It is difficult to say, as Mark says, what will happen to the location of employment longer term, and we are still working to see what happens as things settle down, but we expect to see more people working in a hybrid way from home. We expect that to put a greater emphasis on local high streets and areas. Sandwich shops and restaurants will perhaps cater to fewer people on a day-to-day basis in the city, but we may see high streets in local areas outside the larger cities growing in this area and a greater level of economic activity there, which can be very helpful for the smaller town centres. There are benefits to less travel and the positive impact on the environment, but there is a need to look at how the vacant spaces in larger cities might be repurposed and used in the future.

We expect that key skills will be in better management skills, which we have been advocating for a long time, particularly in managing remote teams, which will be even more important than in the past, as well as digital transformation and digital leadership skills. Digital forms a big part of all our members' landscape as a direct result of the pandemic, and we expect that to grow and move up further as we move into the future. Those are some of the key findings that we have at this stage.

**Rooney Anand:** The biggest thing for me and, I am sure, a topic that will come up regularly on this call this morning is the whole WFH—working from home. I used to see it on my team’s movement schedule. It was always on a Friday and I would raise my eyebrows quizzically. If Covid has done anything, it has made me change my entire attitude to the fact that people really do work when they work from home.

For me, it is a huge opportunity long term to take out the amount of dead time that people spend commuting to work. That time can be reinvested in their personal development and helping their social mobility, in their physical well-being in terms of sports and fitness, or in spending more time with family and having a better social life, which must be better for mental health. Working from home is a really big prize, if we can grab it and think about how to use it intelligently, as well as helping to relocate people away from urban centres that are overpopulated and where the logistics and infrastructure are under pressure, and to broaden where people live in the UK longer term.

In terms of my experience over the last 12 months, I am talking principally about WorldSkills, which is a global charitable foundation helping young people to enhance their employability and social mobility. WorldSkills UK is the government-funded arm of that charity. We hold a skills show every November. It is held at the NEC and is one of the largest in the UK, with 70,000 youngsters between the ages of 14 and 18, which in itself is a fairly scary prospect, competing to take part in the global Olympics of skills shows. We could not hold that last year, so we had to pivot to carrying out activities on a digital outreach basis to try to help our young target market, but also to ensure that we kept our funding from government and corporate sponsors. It has been a very stressful and difficult year, as it has for everybody, but it has brought change. Some of that change might be strategically very important for the WorldSkills organisation and the people we are there to serve.

At the other end of the spectrum, on the Morrisons board we took the mantra of feeding the nation very seriously and very much to heart, hiring 68,000 extra colleagues during the year and seeing a huge change in the amount of online business. Our online packages went up from 250 million in a year to 630 million, which is quite extraordinary<sup>2</sup>. Let us see how that changes when things get back to normal. We had to change shift patterns to help people who were operating at times under quite a lot of stress. We rightly saluted the NHS and all the amazing work that the front-line workers in the NHS have done, but we should not forget front-line workers in a lot of retail and other fields who have helped everybody to stay fed and sane. It is important that we think about how important their contribution is.

I was a chairman of a restaurant business that faced an existential threat and nearly went pop. We managed, very luckily, to sell the business and protect the livelihoods of two-thirds of our staff and half the sites.

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<sup>2</sup> Rooney Anand has clarified that these figures are not accurate.

Obviously people have not gone to restaurants very often in the last 12 months, and you can sell only a certain amount of food through delivery, so some very interesting and potentially structural and systematic changes will come about as a result of Covid in the restaurant and HoReCa space. Those are probably the main points.

My biggest point really is about working from home. It is a huge opportunity, but it also flags up some massive inequalities, because not everybody lives in a nice home with their own room and access to a printer and noise-free environment. For many people, working from home was hugely stressful, and they preferred to get to the office, to get away from home and to have the camaraderie and mentorship of older colleagues, which they will have lost during the last 12 months.

**Q20 Lord Pickles:** Joe depressed me a little bit with his answer, so I thought I would give him a chance to cheer me up. You said, Joe, that restaurants and sandwich shops in city centres were likely to see fewer customers, but that it was good news because the restaurants and sandwich shops in towns and small communities would take up the slack. It is a bit of a depressing thought that all we can offer in terms of economic change is a mini-me from the city centre. Are there any trends that you can see where we might see something a little better or different, rather than just a repeat of a pattern that was looking a bit jaded before the pandemic?

**Joe Fitzsimons:** At this stage, we are trying to get to grips with what this might look like, and there are still a lot of unknowns. On the positive front, it is great that local town centres might have that increased economic activity, particularly during the day or during the week, but we are excited about what the innovation in larger city centres might look like. We expect to see the use of space changing. One thing that has been highlighted is that city and town centres and high streets are so much more than just shopping locations or places to eat. They can be the heart of the community. There is potential for more cultural and commercial use of the spaces.

We have also done some research on the types of practices that we expect to see more of. We are seeing an increased appetite for co-working and collaborative spaces, and things like that. We expect to see some spaces repurposed and new types of economic activity pop up, even in those city centre locations. It is still very difficult to say exactly what form that will take, but we expect some change.

**Q21 Baroness Benjamin:** I was interested to hear you talk, Rooney, about the 14 to 18 year-olds who you were teaching various skills. You said that you could not do this last year, but what skills are being taken up? Are they skills that will help for the future or skills that we know of now?

**Rooney Anand:** There is a whole panoply, from candle-making and cabinet-making to digital. During Covid, WorldSkills UK commissioned a report and talked to employers, 50% of which said that the current skills for digital staff were below their requirements. An interesting factoid is that the number of young people choosing an IT-related GCSE has fallen

by 40% since 2015. We do not want to completely change the menu of skills that we focus on at WorldSkills, but we are now turning our attention to digital and things of a digital nature being much more front and centre of our strategy.

**Q22 Baroness Young of Hornsey:** Thank you to our witnesses. Some of you have touched on this question already, but I would like us to go a little deeper, particularly in relation to towns and cities, because that is our focus today, and think about the implications for the future. What are some of the differences that will emerge or have already emerged between different towns and cities, as well as within them? That is the overarching question. Could you think specifically about where businesses and jobs are located, people's working patterns and the balance between home-working and workplace-working, and the need to reskill or upskill existing staff?

Rooney, I was interested that you started to talk about structural and systemic issues. Perhaps you could elaborate on that point in conjunction with thinking about the specificities that I mentioned.

**Rooney Anand:** In addressing Baroness Lane-Fox's point that we should be thinking a little longer term and into the future, if it does not sound grandiose, I would say that, thinking back a few hundred years, there was a structural change from the field to the factory. From what is happening and the way this is all pervasive in our lives, particularly in the UK—we are one of the highest users and adopters of phone-based technology in the world—I can see a real opportunity to restructure work and make it more productive by taking out the amount of time people are in cars, trains and buses, so that they have a more flexible contract, literally and emotionally, with their employer.

We have just started a new enterprise back in pubs, where I was for many years, and we have negotiated individually. There is a section in the contract where it says "place of work". We have negotiated bespoke terms with each employee, because we just have to acknowledge that people have found a way of coping with their family life, their other life, as well as their work life. Frankly, if they get the job done, does it really matter that they are not in the office? That is a really important change that we should think about.

It is really important that people get the chance to work in a big city, if that is what they want to do, when they leave school or university. But many people do not want to and feel compelled to do so in order to pursue an economic goal. Being able to get a job a little further away from home but not having to relocate is a chance for them to have their cake and eat it: to be able to afford sensible housing and be closer to their community, their family, if they start a family, or their extended family. Structurally, this is a really important opportunity and we must not lose sight of it.

We must not lose sight of the inequality of working from home. Many folks I have been working with in the last 12 months have been

conducting their meetings from an ironing board, on the floor or on a shared kitchen table, shouting at each other because they are on a Zoom call. Not everybody is sitting in a nice home with a nice garden and a private room. When you are working from home, you need infrastructure. You have to have really good broadband, otherwise you lose out from not being involved in the call, as you know. Without wishing to be political, the UK having the best digital infrastructure in the world is frankly more important than HS2, and would probably cost the same amount of money.

**Baroness Young of Hornsey:** I absolutely take your point that working from home is not evenly distributed among different working situations and that there are huge inequalities between groups of people, which we will come on to later. I wanted to ask you quickly about the need to reskill and/or upskill existing staff. It just occurred to me that it is not only about the specific skills that are attached to the job, as it were, but about how people will adapt to working from home. There is a different kind of mentality. It is a different way of going about doing things, which is a little subtle. It is not as obvious as the kind of professional skills that we are talking about.

**Rooney Anand:** That is an excellent point. At the risk of sounding ever so slightly ageist, the younger generation are doing everything. In a digital world, you have to zip in and zip out. You are spinning a lot of plates concurrently, whereas traditional work is a little more focused on one thing at a time and going from one meeting to another. Digital skills are something that younger folk are desperately seeking. We have to think again about who is training the trainer, because the trainer has to be fit for the job of training a different cohort of people who are coming through, who will be the future leaders of the country and are frankly so much more digitally able than we are.

I do not have an answer for you yet, because we need to find ways to make our trainers more relevant to and capable of the job that we will be asking them to do.

**Baroness Young of Hornsey:** Turning to Joe now, could you address some of those points, particularly, as I said earlier, in reference to the differences within and between towns and cities? You also made an interesting point, in your previous remarks and in your summary of your work, about a level playing field for applicants, and increasing diversity and inclusion. If you could drop some of that into your response as well, that would be really helpful, although I can see I am really overloading you.

**Joe Fitzsimons:** No, it is a pleasure. The long-term piece is fascinating but equally challenging to get a full grip on at this time. It is difficult to tell. That said, in terms of skills needs, our members have long highlighted their digital leadership and management needs.

The other thing that has always been highlighted is STEM skills. A large proportion of our members are SMEs, and they struggle to find suitable

talent and courses to enable them to upskill their workforce. They can also find it quite challenging to navigate the skills landscape. There are so many different initiatives at this time—everything from new vocational routes like T-levels, apprenticeships and what we might consider the more traditional university routes, which have been clearly signposted for some time now. It can be very challenging for them to understand where they need to start to address those skills needs.

In terms of the specific differences, coastal towns have unfortunately been disproportionately affected by the closure of tourist activities and destinations. Ex-industrialised towns suffer from underinvestment, unemployment and social isolation anyway, so the past 18 months, through the coronavirus pandemic, have been extra bruising there. Small and medium-sized towns are often dominated by the hospitality, retail and leisure sectors. Many of those sectors are also facing a lot of challenges with recruitment at the moment, because individuals who may have been placed on furlough or, sadly, lost their jobs over the pandemic are rethinking their own career path and what they might do in the future.

It is really important to identify those individuals at the earliest stage possible, to support them with developing into their desired career paths, and to make sure that they have the support they need and the access to support where possible. If they are out of work for a longer period, the soft and transferable skills that they have unfortunately begin to dwindle over time. Indeed, they can lose confidence, even where they may not need to, because they have those skills and that fantastic transferable experience.

Just to touch on the point relating to diversity and inclusion, one of the positives of remote working that we have seen over the pandemic has been a levelling of the playing field. In some sectors, we have seen all employees engaging from remote locations. Some have challenges with infrastructure. Those who live in city centres may have very small living spaces and have had many challenges to overcome. Overwhelmingly, we have been very pleased to see the level of outreach that has been possible from employers. Individuals have been able to interview for roles at distance, where they might not have been able to before.

It is important that we recognise, from a D&I perspective, the differences between individuals who are perhaps somewhat into their career and those who are at the very early stages of their career. We need to make sure that everyone feels included and that people have an ability to progress within the workplace and build meaningful careers. That will be one of the big challenges as we move forward with this hybrid approach, because it is very difficult for individuals who do not have the same level of experience or the same network, and are still learning, and when you are doing it in your living room at home and on your laptop.

**Baroness Young of Hornsey:** Within that broad field of diversity and inclusion, and the extra opportunities that you identify as having been made, what about the impact on ethnically diverse, black and other

communities? A lot of the impact of Covid-19 has fallen on those communities in various very negative ways. Do you have any optimism in that area?

**Joe Fitzsimons:** Yes, absolutely. We recently worked with some of our members on a consultation about equity in the STEM workforce. One of the things we identified was role modelling. Our summary is that the challenge lies in individuals often not seeing themselves as represented in the organisations or education fields that they wish to become involved with. As so many people are now having to or are choosing to reconsider their career path, given the challenges that they have faced in the past 18 months, like having been laid off or furloughed, we expect to see a real development there.

We are working with our members on how they can be more inclusive in their own organisations. We have appointed a number of ambassadors around the UK who will be working with us to put on events, provide resources and better link up those underrepresented groups with employers in local branches and regions. There is a big hill to climb here and it will take time. We recognise that a lot of work needs to be done and we are very keen to be a part of that.

**Kate Cox:** I just wanted to put a voice of realism into the working from home debate. We have found that some young people really need to be in an office, for training and culture needs, if they are starting out in their career. The working from home debate should not be about knowledge workers and the self-employed. There are people out there who really need the office environment in order to thrive, and we need to coach and train them properly, which is very hard to do remotely. We bring all our new starters in to work from the office. When they pass various tests and feel confident, they can apply to work from home, but we need to be really careful that we are not just thinking about knowledge workers.

In terms of apprenticeships and diversity, we have a charity that we support that includes young people from really diverse social and economic backgrounds in our local area and across the north-west, called WeMindTheGap. We are actively involved in trying to get a more diverse workforce into the business, alongside supporting the Government's Kickstart scheme, but it can be challenging in some areas to get enough people through and to train them correctly.

**Q23** **Baroness Morgan of Cotes:** Kate has just touched on this, but we have tended to think in this debate so far about people who can pick up their jobs and move them to home. What about people working in town and city centres whose businesses had to shut—in many cases, as Rooney said, because of being in hospitality or retail, perhaps, but also those who would have expected people to come flooding back to offices who would therefore need those businesses to reopen, or people working in train station or airport locations, for whom there may well be a systematic change in commuting and travelling patterns now?

Rooney, I was struck by your comment that young people will want to

work in cities, but what happens if there is nothing there for them? Kate has rightly said that young people want to be in an office, but what happens if there is nothing around the offices? Mark, if there is nothing around your office, will EY have to provide every facility that people would otherwise have expected to have around their city centre office, such as food and leisure and gym facilities? I wonder if I could have some comments not about jobs being picked up and worked from home, but about what will happen to those whose job in the city or town centre does not come back.

**Mark Gregory:** The point about EY is interesting. EY has two offices in central London. Probably this time last year we would have been thinking that it might need only one in the future. The plan, and this is well known, is that EY will keep those offices but they will look very different. If there were seven floors of workspace and two floors of meeting space, there will now be six floors of collaboration space and three floors of workspace, so the assumption will be that people will come into the office to meet people, not to work in the way we did. That will mean that people do not come in as much, which, to your point, will reduce demand.

We have been doing surveys of the UK population more generally, and 46% of people in our May survey said that they expect to work differently in the future, 13% said completely differently and 33% said partly differently. Demand in the office will be at least 20% less, and it is a very similar figure for use of transport, as you identified with train stations.

We have to think about what opportunities there are for those people, and maybe we will get into this in a while, but future manufacturing is an important place that we should think about in terms of skills. We will have to think about the green economy. There is a chance to stop thinking about the economy physically all the time and to think about the virtual economy. I do a lot of work on foreign direct investment, which is all about getting projects in places, but can we attract jobs and opportunities for people in a virtual way—we work with universities outside London—so that some of the digital jobs that are concentrated in cities move elsewhere? We need to think about what that means.

You are exactly right that we should not necessarily just try to protect all our baristas, but we should think about the long-term needs of the economy. Covid is just one of a set of long-term changes that give us a chance to reset, so we need to think about that.

**Rooney Anand:** I hope I have not misled folks here. It is not binary that you are either in an office Monday to Friday, 8.30 am to 5.30 am, or you work from home. We should really consider hybrid working, as has been already said, as part of the future.

Kate makes a very good point. Young people lose out hugely in cultural assimilation. I am the product of someone taking the time to help me. I needed quite a bit of help from mentors and folks to show me the ropes. Spontaneous meetings can happen only physically. Creativity is really

important when you are around a table together. It is not an either/or. What I am hoping to articulate is a slightly more balanced approach to work. There may be set days or flexitime when you have to be in the office for important things. Twenty-five years ago, we did not have conference calls in the way we do now. You had to be physically in a meeting.

**Baroness Morgan of Cotes:** I understand that point, but, with your Morrisons hat on, Morrisons has small town and city centre shops, like Sainsbury's Local and Tesco Metro. If there is potentially 20% less demand, as Mark suggested, you will look at that Morrisons local and say, "It's not worth us having that any more because of staffing and rental costs and business rates". The people who travel into the office will have one less place to buy their sandwiches, which may not be a catastrophe but is if everything then withers on the vine around that shop going.

**Rooney Anand:** Absolutely, but at the moment we are painting an either/or picture. They will not be in that metropolis in the same density as they were, but they may be in that metropolis for 40% of the time, and for 60% of their time nearer where they live. The market towns and villages, and the shops, infrastructure and hospitality locations that are counting on people living there, which will have been quiet from Monday to Friday all through the day, with only old-age pensioners or the unemployed using them, will suddenly have people using them if workers have the infrastructure and the ability to work from home on a limited basis.

I do not know whether we will talk about it, but we should consider the idea of having working hubs so that people can go to the office for a couple of days a week and there is somewhere for them to go to if they cannot work from home. This is really important. If there was one idea that I would leave the panel with, it is that in a world of ESG there could be a lot of moribund retail space and property. It could be given to people with the infrastructure they need, like wi-fi and a printer, on a pro-bono or very low-cost basis, to give them the chance to work from home if they do not want to work in their dwelling.

Q24 **Lord Pickles:** I just want clarification. Rooney said that the costs of High Speed 2 would be roughly the same as putting in decent digital infrastructure. The top estimate of High Speed 2 is £107 billion, and the Government are currently putting in £5 billion for Project Gigabit. Is there really a £100 billion gap between what is needed and what is being delivered? What would we get for the extra £100 billion?

**Rooney Anand:** Sorry, I was not seeking to make a thoroughly researched economic point. My point was about investing in a piece of analysis to see what it would cost. If, structurally, in the next 20 to 30 years, more people were going to be in market towns, villages or small cities rather than in the major urban centres, what digital needs would that throw up? If suddenly the surge requirement was such, how expensive and costly would that be compared to some of the other, larger

infrastructure projects that have already received blessing and funding? That was my point.

**Lord Pickles:** So it is fair to say that you withdraw the point that it would be roughly the equivalent.

**Rooney Anand:** I would not withdraw it.

**Lord Pickles:** If you are not withdrawing it, what do we get for the £100 billion?

**Rooney Anand:** I would like to find out what it would cost to make the country cutting edge digitally. I do not know the answer to that question. I think it is a fair question.

Q25 **Lord Alderdice:** I have a very specific question. A number of you have made the point that people working from home over the long term, when presumably they will not for example have home education to do as well, will be using their own printer and technology. They will use more heat and light in the wintertime. Rooney mentioned small working hubs and suggested that those might be given at a low cost or pro bono.

Is there any evidence from any of your organisations that employers are realising that they are shifting some of their cost base on to their employees, who are paying for some of those things, or are they simply expecting employees to pony up for that themselves, whether it is hardware, electricity or whatever it happens to be? Is there any evidence of a recognition of this, particularly if it is not going to be a short-term matter?

**Mark Gregory:** In the organisations that I work for and with, often people have been allowed to get chairs and things for working from home. Employers have contributed to some of the physical costs, but less so on the operating costs, which is a really interesting question. With the heat thing, there is also a set of environmental questions, because homes do not tend to be particularly environmentally friendly relative to offices.

In the United States, the state of New Jersey is trying to claim more local income tax from Manhattan, because it is arguing that more of the economic value is currently being created in New Jersey than in the city. We could see, if we move to more local revenue raising at some point in the UK, or even with the rating system and council tax et cetera, questions about where economic value sits, how we might recover that and whether it might be reinvested in the home-working environment. There are some quite interesting fiscal issues, and issues to do with payment and who bears the cost, as you have already identified, which we have not got to grips with at all yet.

**Lord Alderdice:** Is there any indication that the IoD, for example, is looking at that? People are having to work from home, so some are purchasing little units to put in their garden or close to their house. That is a substantial cost, even beyond electricity and so on.

**Joe Fitzsimons:** Our members have approached us about this countless times. They have needed to consider so many things at pace in order to support people to continue with as little disruption to their working life as possible. Indeed, that has not always been possible; there has been a lot of disruption for everyone.

As Mark said, on the physical infrastructure point, employers have sometimes had to scramble to get access to lots of laptops overnight, because they were using desktops in the office, for example. It might have been desk chairs. They have done their best. A large number of our members are looking at the moment at the total benefits package for their employees. In the past, interest-free season-ticket loans, for example, were a small part of the total benefits package for employees, but many employees may not buy season tickets moving forward and may pay as they go if they are doing two or three days here and two or three days there in the office. That is a very good point. Services like broadband, keeping the lights on and heat all need to be considered in the round.

On the flexibility point, our members recognise that there are benefits to them in being more appealing as an employer and giving people the flexibility they need to perform as well as they can. Those with caring responsibilities can benefit. It is also about making sure that people feel supported and have everything they need to do their job effectively. That is in everyone's interests. We will continue to work with our members on this, but it is probably one of the outstanding things that they are still looking at, because there has just been so much to consider over the past year or so.

Q26 **Baroness Fraser of Craigmaddie:** I would like to talk more about inequalities and how employers can tackle them. We have covered quite a lot of this ground. Joe, you talked about levelling the playing field for employees and how the current hybrid working patterns have been beneficial for inclusion and diversity. You talked about geographical diversity and mentioned those with caring responsibilities. Rooney, you have already talked about access to broadband and bespoke contracts, which is a really interesting one. Mark, you talked about looking at virtual not physical economies.

Baroness Young mentioned ethnically diverse communities within towns and cities. Nobody has mentioned people with disabilities. We have talked a lot about employers' attitudes to their current employees, so I wonder whether you have any thoughts about what action employers might need to think about to tackle existing inequalities, but also to mitigate the risk of creating new inequalities as we move forward.

**Mark Gregory:** It is a really good question. Generally, towns are more challenging for people with disabilities. The level of provision is lower, with fewer resources, so that is an issue. The virtual world offers some solutions there, if we can make work go to people rather than people coming to work, so we should think about that. I am not sure yet that people have started to address that. There is not much at the micro-

strategic level at the moment. We are thinking very big picture in terms of hybrid solutions, but there is an opportunity there to move things around. It will require investment in technology.

A friend of mine who is blind is heavily involved in this space. He regularly finds things that work but lots of things that do not work. Large employers have scratched the surface on that, but what technological solutions would enable more virtual working for different types of people? How might we then make sure that those people remain engaged? This goes to the point about drop-in centres or satellite locations, which also help. If we step people up to work virtually, we do not then want to demand that they make it into the office on a regular basis, when there might be interim solutions. That is a possibility.

More generally on inequalities, the issue is how we create better-paid jobs in more places. The Centre for Towns is probably guilty of getting towns on to the agenda, and we welcome that, but probably the next step is to think about places, because places are different. In Middlesbrough, 40% of employment is in the public sector, education and health. In Stockton, which is pretty close, it is 25%, but Stockton has twice as much of the workforce in manufacturing. Places are really different when we talk about towns.

In thinking about how we address inequalities, we have to think about the world much more as bottom-up. Be it people with disabilities or places, we need to start there, to understand their capabilities and potential, and then aggregate that up. At the moment, over a long period, we have been top-down and agglomeration-driven, and guess what? You get winners and losers in that, because smaller places probably miss out

Professor Diane Coyle and Penny Mealy did a really interesting piece of work looking at how diverse every place's economy is in the UK. When you see that, you think, "We have to understand and think about skills development, education and provision locally, and then build that up". It is a real mindset change. The short but not simple answer to your question is that we have to start with what we want to fix, and build up from that, not just try to impose top-down solutions.

**Q27 Lord Hain:** I wanted to ask about gender inequalities here. We have covered other inequalities. Some of the stuff I have seen written suggests that, if the future of working is hybrid, it will predominantly be women who choose to stay at home, if they have all the caring responsibilities. Is that something that you have observed? If that is the case, what do you do about it?

**Kate Cox:** A large proportion of our workforce is female, and many of them have children at home. During the pandemic, that was difficult for them to manage. We are an equal opportunities employer, so anyone can ask to work from home. Some of our men worked from home as well in that situation. We are doing it on a case-by-case basis and making sure that, as has been mentioned, people have the right broadband speed in

their area. It was a massive problem in lockdown, because everyone was working from home and there were a lot of outages, that caused problems for telephony technology in the area.

We are focusing on happy people and happy customers, and making sure that we have a model in place that works for all those people. We do shift pattern matching for our employees. Wrexham is quite a factory-led economy, so we do four days on and four days off so that parents can match shift patterns and manage the children between them. We are pretty flexible. We are a 24/7 operation, so people can do nightshifts or weekend working, if that fits better. We have students who work for us in the evenings. We are testing employment patterns with our workforce, and then location—office or home-working.

**Q28** **Baroness Fraser of Cragmaddie:** Kate, you mentioned new employees needing to physically be mentored and to be in the office. I completely understand where you are coming from on that. If you have this very flexible working for all your employees, with nightshifts and weekend working, how do you create that sense of team and belonging, where everybody is working different patchwork hours?

**Kate Cox:** That is a very good question. I do not know whether you can see behind me the picture of our UK office. We invested in 15,000 square foot of office space, with a gym, a canteen and a pub on-site. We are investing in making the office the best office that it can be. We are regularly among the best companies to work for in the UK, so we are making the office environment really good.

We recruited 350 people over the last year, so we are pulling in classes of newbies and trainees all the time. We are trying to give them the sense of culture when they are in the office and, when they go home, we use technology platforms for everyone to keep in touch. We use a workplace communication system run by Facebook, and I believe we might be one of the most highly engaged employee workforce on that. Some 98% of our employees are on it every week, so it is highly effective in getting a dissemination of our culture. We do birthdays, long-service awards and business updates on there. People post what they want to buy and sell, what shift patterns they want to switch and what overtime they want to do.

It is a highly interactive workplace, with lots of workplace groups. We have diversity groups there. We did a big Pride initiative recently and, whatever our employees want to support, we try to do that. We have used a communications technology platform to manage the culture piece, but in truth we support hybrid. We believe in the future of the office. It will not be 100% remote working or 100% office-based, but office is important for culture and it is very hard to do it without.

**Q29** **Baroness Jay of Paddington:** I must say that, listening to Kate, it sounds like the best sort of Silicon Valley, and better than a home from home, if you have your pub and everything in your office. Maybe that will be the way. I hope this is not diverting too much from the equality

agenda, but I wanted to go back to what was Mark was saying about inequalities between different towns, and how different Middlesbrough was, for example, from Stockton, which is very close by.

From the point of view of us in Parliament trying to look at national solutions or suggestions that we can make on this, if there is such diversity and you are saying that the only solutions are from the bottom up, is there a role for national policy-making in this, or will it all be dependent on local initiatives, local businesses and local authorities? Maybe I should ask Mark first about how diverse all these communities were, since he raised the point in a couple of the replies he has given.

**Mark Gregory:** There is a role for both. There is a set of trends and developments that affect us at an international level. For example, how I would characterise it is that, if you start with individual places, we should then aggregate those up. What is missing in the UK at the moment is that middle layer—I am not quite sure what that middle layer is—where we can aggregate up to meaningful regional or geographical—

**Baroness Jay of Paddington:** For example, we failed significantly when we tried to have an English parliament or an English assembly. I am not sure where you would see that middle level, really.

**Mark Gregory:** No, and we have looked at cities as the place, but towns that are not close to cities then lose out. The ideal system—I am an economist, so I can assume that we can get to one—is that mix where we have top-down direction with responsibility and resources at a local enough level that people can take responsibility and help shape their outcomes in that.

For me, skills are an important part of that. I grew up in Stoke-on-Trent. I was invited to an event where we were going to make pottery, and I remember saying to people in the office, “I’m really bad at making pottery”. They asked, “How do you know that?” and I said, “Because when I was growing up, every child at school in Stoke-on-Trent would get to make pottery, and the good ones would be directed to Royal Doulton and other places in different sectors where they did that”. We have lost some of that link.

For me, it is about trying to get the best of both. We want to make Britain net zero by 2050, but let us translate that into what that means in different places and try to capture both sides of it. My call is for more local and less top-down, but not to remove it.

**Baroness Jay of Paddington:** Rooney, would you be able to add anything on the need to amalgamate both national and local responsibility, and how one does it?

**Rooney Anand:** You have to have national responsibility for big national ideas. They are important, because if everything were left to the market, some of the bigger social change initiatives might not happen. That is why we are having this conversation, I guess.

We need to decide how to help people at a local level and what economic help we can give them. For example, the whole idea of business rates at a local level has been very controversial during Covid, as you know. It has been controversial for some time. There is an argument that if, for argument's sake, working hubs or helping people to stay closer to their community for a part of the week had all sorts of ancillary benefits—less pressure on transport infrastructure, more support for local shops, bars and restaurants—some of the business rates at a local level should be redirected to help facilitate that. I am not sure that locally that idea might be propagated, but could that conversation be catalysed at a national level and then piloted locally in one or two regions?

**Q30** **Baroness Fraser of Craigmaddie:** I want to turn to you, Nye, on the question of inequalities and your perspective on the Labour Market Outlook Survey and *Low Pay Britain* report. You have not managed to contribute very much so far, so I wanted to give you an opportunity to contribute on inequalities and the issues that employers would need to look at.

**Nye Cominetti:** I have not put my hand up, because we are not economic geography experts, so I was definitely leaving those questions to members on the panel who know more about those things.

We spend most of our time thinking about what is happening in the labour market and how that is affecting different groups of workers. For us, probably the biggest problem is the impact the crisis has had on low-paid workers. Everyone will be familiar with this, but that has happened because of the impact on certain sectors of the economy. Those have all been social-contact sectors, which employ low-paid workers. It was pretty inevitable but still unfortunate.

You could look at the impact on low-paid workers in a number of ways, but we have tended to look at surveys asking who has been furloughed, lost their job or faced a reduction in hours and pay. The impact on low-paid workers has been about twice that of higher-paid workers. That is just the economic impact. The health impact has been greater on low-paid workers as well, with higher death rates among people working in occupations in those sectors.

As for what you do about that, there is always a role for employers, but we tend to focus on what the Government should be doing, rather than hoping that employers will do the right thing such as raising pay or improving conditions. The impact has been great on low-paid workers, so a priority for the Government should be that the recovery from the crisis benefits those workers. We are trying to steal the Government's levelling-up ideas and apply them to low-paid workers.

A very strong part of the UK policy framework is the minimum wage, which is set to continue rising. That is a good thing and will benefit low-paid workers, as it already has done in recent years. What has been missing from UK labour market policy is action on job quality and standards. There has not been no action at all: there was the good work

plan of the previous Government and some increase in resources directed at enforcement, for example. A loophole was closed relating to agency workers a couple of years ago. There have been a few things, but they have been much smaller than the effort on pay.

The Government should do a few things in their employment Bill, which they have said they want to do but have pushed back. First, we think that is something that they should do. It should include a right to a regular contract that reflects normal hours. At the moment, the Government say that they intend to introduce the right to request a regular contract. This is for people on zero-hour or low-hours contracts, where the hours fluctuate a lot, which makes life very difficult. Also, the income swings that they are likely to face just make planning your life very difficult. We think that workers should have that right. It is worth noting that Ireland did this a couple of years ago, and other countries like Finland already have such a right, so it is not a completely outlandish idea at all and would not be particularly costly for business.

Secondly, it is quite important to resolve the self-employed worker boundary. Again, it is something that the Government have said they are interested in doing, but that should happen soon, because, as everyone will know, we are relying at the moment on court cases to resolve questions as to where workers should be entitled to basic employment rights and are not.

**The Chair:** I am sorry to interrupt you, but I am keen that we stay in the boundaries of towns and cities. The things you are saying are all extremely interesting and relevant to other work we have done, but can you try to elaborate a bit more, if you think there is something relevant to the future of towns and cities as opposed to just the remote-working and workers' rights piece of the puzzle? I am concerned that otherwise we will have covered a huge amount of ground but will not have learned enough to make good judgments about the future of towns and cities. I am sorry to interrupt you; it is all incredibly important.

If you look at the work we did on the hybrid world, you will see some things that we came out with, such as gig workers' rights, but I am concerned that we have had a hugely wide-ranging discussion, and we need to try to stay focused on towns and cities. I do not know whether anyone had anything to add to Stephanie's question about the towns and cities framework.

**Mark Gregory:** I was just going to say one thing about policy, which we have not talked about but which Nye has made me think about. Health is a really important part of this debate. We know when we look at towns, and we have looked at them over time, that deprivation goes hand in hand with economic challenge.

The pandemic has shone a light on health and how important it is. In EY's research on foreign direct investment, we surveyed 500 businesses in April. They told us that the No. 1 factor determining whether they will invest in a country is how well it dealt with the pandemic and the quality

of the health system, which has never happened before. That is really important. Towns suffer generally in terms of health provision.

The health and social care sector, along with education, is a much more significant employer in towns than in cities, by and large. There are two things there. First, there are high-skilled jobs in those sectors that we can invest in. Secondly, if we paid people a bit more in those sectors, that would boost local economies. It is important to think about that. In terms of investment, economies and skills, and giving more people the chance to be in the workforce, we should not neglect health.

For towns, health is a really important factor and can be quite a differentiator. Sarah O'Connor did a great piece in the *Financial Times* about two years ago on Blackpool and how young people had left the city when they got older, and how the demands on the health system increased even more. You get into a vicious downward cycle at that point, so health is worth having on your radar at least.

**The Chair:** That is extremely interesting and ties up a lot of the threads that we were getting at in some of the questions. I will move on to Lord Pickles inspiring some visions of the future.

Q31 **Lord Pickles:** I just remind the witnesses that we are looking at trends three to five years out. In terms of changes in the job market and in working patterns, you have talked about this in general, but can you think of any examples that point to the future use of space in towns and cities and any economic opportunities that might be created?

**Mark Gregory:** Picking up on my health point, we have seen some really interesting things with football stadiums, high-street drop-ins and churches, where people have been able to go and get their vaccinations. It feels to me that we could bring health on to the high street in a much more significant way. It is really important for towns, as I say. There is an opportunity there to improve the health of the population as well as to deliver health services in a different way. We have seen some examples of that. The NHS Confederation is working on that.

That is the first thing. The second is the idea of people being able to recruit a workforce that is not necessarily where they are at this point. We have seen several employers come out and talk about how they have been able to increase their talent pool. In order to continue doing that, it is about investment in infrastructure and drop-in centres. We have also seen education go online in this pandemic. There is a huge need for reskilling, in-work training and upskilling. Surely, universities and further education colleges can learn from what they have been delivering in order to deliver courses in a different way.

**Lord Pickles:** Do you mean on the high street? Is that what you are saying?

**Mark Gregory:** I mean universities being able to work in their local areas. A couple are physical, but some are virtual.

**Lord Pickles:** Kate, can you see yourself selling your pub and your gym, and everyone having a slightly different pattern?

**Kate Cox:** Yes, we can. Our biggest worry in January 2020 was that we were running out of office space and thinking about how we could build more office space in our Wrexham HQ. We were running out of space for people in the car park. We are slightly on the edge of the town centre in Wrexham. Adopting hybrid has taken that piece of the puzzle away, so we can expand our talent pool. We still need people in the office at some point, so it is going from a 20-minute to a 40-minute drive time, but it gets us into a wider talent pool from rural Wales up to the bottom of Liverpool. In terms of space, it supports the Wrexham economy in a slightly different way, but we are quite community-focused. I do not think that we will be opening fully remote or recruiting from a wide area, just because of the training needs that we have.

**Rooney Anand:** I am sorry if I sound like a broken record, but I really think that this idea of relocating people back into the community where they want to live as opposed to the place they have to go to to find work in is a really big idea. It is a big idea, because it will have benefits in a number of areas, which surely has to be the essence of a really good idea.

Back in 2007, when the UK smoking ban was introduced, I was making my living in the pub world. As an industry, we were violently against it, and one or two of us were lone voices who said that this could be a problem in the short term but could change the face of pubs longer term, as people came into pubs they would have swerved away from in the past because they were no longer filled with smoke. It changed the complexion of public spaces generally, from one piece of legislation that had a direct health origin.

Doing things as a country to encourage people to have a mixed approach to work—they are in the office for two days a week and at home for a couple of days a week; they might even not be working more than four days a week—is a really big idea, because you would get mixed communities. Rather than certain towns where largely older folk reside, particularly in the Midlands, where I come from, and up north, becoming shadow towns, as Mark was saying, with a slightly decayed, left-behind feeling, they would become more vibrant if young and old people were rubbing shoulders. That would be hugely beneficial.

To your question about using spaces, 25 years ago pubs took up old bits of space that were left behind by banks, if you recall, and other public buildings. Suddenly, they were regenerated into socking great pubs. It is quite possible that you could regenerate a lot of moribund space—some of it is held in private hands and much of it is in government hands—into workspace, which you do not have to pay for in the way you do at WeWork or certain commercial enterprises. I apologise for raising this chestnut again, but broadband and digital investment is capital light, because the infrastructure is largely already there.

It is a big idea and could help to utilise space that will be moribund in the next 10 years. The revolution was coming anyway in terms of retail decline through home-shopping and the damage to the high street. This could be a way of regenerating local communities and high streets.

**Lord Pickles:** What about Nye?

**Nye Cominetti:** I do not think this is one for me, but thank you for bringing me in.

**Lord Pickles:** Do you have nothing to say on changes in work patterns?

**Nye Cominetti:** I think there will be changes, but it is a bit soon to make big forecasts about sectoral shifts. There are few things that we might expect, like a further fall in physical retail, because that has been an ongoing trend for the last 20 years. That is one of the trends that I think will persist after the crisis. It is more reasonable to think that hospitality will bounce back. There was no evidence of a structural change in people's desire to go out, so I do not expect that fall to be one that lasts.

As for whether the shock from Covid will lead to changing demands for physical space or skills, it is really only physical retail, and therefore the rise in logistics and distribution, that is obvious to me. You can see that already in the pattern of vacancies. Vacancies in general have risen in recent months, but particularly in logistics and transport. That seems to be one that might last and which therefore will change the use of space a bit. For places that already have jobs in warehousing and distribution, I expect that to continue to rise, but I do not have a detailed view on how that would play out in particular towns.

Q32 **Lord Harris of Haringey:** I am very attracted to some of the things that have been said about local hubs, having spent a happy decade running my life entirely from coffee shops. I can see that this way of working can suit some people. But put yourself in the mind of a town planner with a magic wand. What do you want the high street and the town centre to look like in five to 10 years' time? What would be the ideal mix? We will see a change in the dynamics of small towns and high streets, so what should be the ideal end state, in order that we can start to think about how we get there? Rooney made the point about the value of those local hubs, but what happens to the areas that are vacated? How do you make those viable?

**Rooney Anand:** It is difficult for me to say what the ideal high street should look like. Up to a point, you have to let the market decide. There is the romantic notion that you would have the things you need for everyday life: a pub, a post office, a butcher, et cetera. One or two folks on the call seem worried that, if local towns or smaller cities are regenerated, businesses in those larger cities will suffer. At the macro level, economics tends to prevail over time, and there will be a balancing act. There are arguably too many coffee shops in London and not enough in Stockton; I do not know. Maybe there is no need for as many in

Stockton, if there are not as many young people. If many more of them were working from home, there might be.

I cannot arrogantly predict what the ideal high street might look like, but it should have a blend. It cannot become a distribution hub; nor can it be the confines of leisure venues and charity shops, which is the way it was heading pre Covid. It would be a balanced, blended community high street. Asking people who lived there, and who might be attracted to come back to live in their community, what they want is probably the right way forward.

**Lord Harris of Haringey:** What about town centres? You have these revived local high streets, but what about the more traditional town centre with the bigger shops and offices? What does the future for them look like?

**Rooney Anand:** Can they just not be smaller? Can we not just have similar things at different levels of resolution and size? It does not have to be either cities or villages. It would be really healthy if we could broaden the debate to say that there is a place for villages, market towns, cities and metropolises in our society. For about 20 or 30 years, the larger metropolises have had it all, and it is about time there was a rebalancing, in my humble opinion.

**Mark Gregory:** A trend we are seeing, and I mentioned this in foreign direct investment terms, is that the fastest-growing sector for investment in the UK is food. There are a couple of things going on there. One is people moving supply chains post Brexit into the UK. There is also the drive to sustainability and a focus on plant-based food. From what we see, what people have enjoyed about the pandemic, if that is possible, is remembering their local high streets and being able to go and buy local produce. Part of it will be trying to revive some of that.

I talked about health, which is another thing that we could see more of in the high street or being more accessible to people. If we are in this digital economy in a bigger way, drop-in centres for people to work in but also for tech support and training are things that we might have facilities for on the high street. People talk about more living on the high street, which would boost that community feel. There are a few ways in which those big trends could play out on the high street.

At the Centre for Towns, we have been very worried about the disappearance of the village pub, bank branches, post offices et cetera. I have engaged a bit with the Newcastle Building Society, which feels that having a branch is a competitive advantage in its region. It is looking to expand the services it offers in its branches, with multiservice hubs where people can do their banking and post office services, as well as accessing other public services. We have government online, but some people may want to go into a hub and at least be guided through that process. That kind of hybrid centre is something to think about.

**Lord Hain:** Mark has referred twice to bringing health to the high street

and the town centre. Do you mind expanding on that? I do not really understand what that means, apart from queuing up to be vaccinated.

**Mark Gregory:** You could see there being more ability to do testing or diagnostic work, exploring problems that you might have. As an alternative to doctor's surgeries, by having nurses or pharmacists in centres there, there would be more accessibility. In some places, it is often difficult to go and see a doctor. If you have premises on the high street, there might be a way of getting more skilled professionals there to help people access services.

**Joe Fitzsimons:** I would agree with what has been said about the kinds of things we might expect to see. Indeed, it is very difficult to predict. With the UK being world-leading in the start-up space, nurturing and supporting so many start-ups to grow and flourish, we are excited about the prospect of start-ups having greater access to the city centre locations that they otherwise might not have had the resource to access. There are benefits associated with being close to financial hubs and other organisations, with the ability to facilitate growth in that way, even if the workforce in an organisation is working in a hybrid or blended way. We are excited about the ability for start-ups to access those spaces.

About a third of our members have talked about moving towards co-working spaces, which is another potential area of growth for high streets and city centres, but start-ups might have this increased ability to access and engage in this space, where they might not otherwise have been able to do so.

**The Chair:** I am interested in whether you have seen a vision of cities or towns of the future that you have been impressed by in other countries or other places. Could you point to anywhere that may not have had the whole of what we are talking about but elements of it?

Maybe the inability to travel over the last 18 months has curtailed inspiration. Thanks for considering it. I am also interested in sustainability, and I feel as though we have not talked so much about the ability to redesign based on net-zero targets, as a couple of us have mentioned. If any ideas occur to you, please shout them out.

Q33 **Lord Alderdice:** The reason for us having you with us is not just because we enjoy your company and listening to what you have to say, but in order that we can produce a report. There are two important elements in that. First, what practical interventions by local government, national government and businesses might you suggest to ensure that the post-pandemic employment situation is one of high-quality, long-term work opportunities in sustainable towns and cities? Secondly, what recommendations might we make in the report for government to bring about long-term, high-quality work opportunities in sustainable towns and cities? Can you help us on that?

**Rooney Anand:** I can think of a couple. One is the idea of re-examining how business rates are charged and what folks in the community get for

them, to try to encourage people to have a space to work from home, if they cannot work in their home.

I do not want to hoist myself by my own petard, but the second one would be encouraging enlightened employers to design place-of-work sections of the employment contract that provide for flexibility.

**Joe Fitzsimons:** We have looked in a lot of detail with our members at the recent skills for jobs White Paper and the local skills improvement plans that are highlighted in there. We believe that they will be really important, but the Government must ensure that those have equal coverage across the country and that any of the existing organisations involved locally in the skills agenda are included, like LEPs, local authorities, employers and training providers—the whole range of groups.

In our view, sustainability is not about sustaining a form of employment but about sustaining the ability to be employed, so the emphasis needs to be on local areas that have a focus on lifelong learning, empowering those individuals to invest in their own lifelong learning, and empowering employers to feed into the curriculum locally. Local skills improvement plans are key.

The White Paper talks a lot about local skills priorities, which we agree are fundamental, but so is looking to define those national priorities moving forward. We know that green skills will be really important. We believe that that is not just for some sectors; all jobs, arguably, will be green jobs in the future. Understanding how that can be fed into all skills provision across the country will be key, as well as defining those other national priorities for the next three to five years and beyond.

Q34 **Lord Alderdice:** One of you mentioned earlier something that I thought was very important, which was the skill of managing at a distance. It is not the same as management and it is not what usually comes into skills learning. Are there any specific thoughts or suggestions about that area of managing at a distance?

**Joe Fitzsimons:** We have discussed this a lot with our members. We believe that it comes back to high-quality leadership and management development for organisations. Help to Grow: Management has been announced recently, which we have had a lot of interest in from our members. Giving employers the ability to access a range of training that they feel meets their needs, with flexibility within the framework, is really important, because one-size-fits-all provision will not always help as best it could. Leadership management has been a high priority, but the pandemic, for the very reason you mentioned, has really underlined that for our members.

**Mark Gregory:** The Chancellor's introduction of higher capital allowances in the Budget was a really good move in terms of stimulating investment. You might consider fiscal incentives to do the same on training, because we have seen corporates reducing training over time. At a time when we are in a state of flux and will see significant change, the need for training

is probably greater than it has been. As I said earlier, there are some really interesting potential linkages to the university and further education sector, which has gone online. Can we learn from that and get training to people in a very flexible way? That would be something practical worth thinking about.

**Rooney Anand:** Somebody mentioned that employers need to be cognisant of the costs of working from home and to help employees recover those costs. I have two thoughts there. First, is there anything we could do to place an obligation on employers not to abuse their position and to reduce their cost base by transferring costs on to employees? That sounds a bit vague and I have not developed it any further.

The second is a little bit of fiscal policy. If legitimate, could employees claim back the costs of working from home as a short-term, five or 10-year measure from government to try to encourage employers and employees to find a way of making hybrid working more effective and productive?

**Nye Cominetti:** I will not repeat what I said earlier about a set of policies to improve work for low-paid workers, essential though those are. The only thing that occurred to me about town-specific policies was that, as we have discussed, demand has fallen in city centres and near transport hubs. In the medium to long-term future, we might see that settle at minus 5% or minus 10%. The problem is that supply does not adjust very quickly. People are now at home and not in their offices, but it is not like shops and bars spring up very quickly. The problem is that, if you are thinking, "I'd like to open a business to take advantage of this change in geography", those people will be facing quite a lot of uncertainty and will not know, just as we do not know, how lasting these effects will be or where demand will settle.

Giving opportunities for temporary spaces to open up might be something that local areas could do, so that people interested in taking up those opportunities could do so in a less risky way. I used to work for Hackney Council, which, when there were development schemes that were being paused, would open up those spaces to temporary restaurants and bars. That seemed to work fairly well as a low-risk way of helping those places open.

**Kate Cox:** There is already some sort of tax relief from working from home for employees, but it is not very much. Some kind of relief there would be very welcome.

To come back to the leadership and management piece, it is a very different skill set to manage remotely. It is much more about transparency and openness, and you have to trust the team a lot more. There is definitely a leadership management curve that we need to go on as we transition towards remote working. You cannot be checking productivity every 10 minutes. You need to trust your teams to deliver

the job and then put objectives in to manage the overall business. There is quite a steep learning curve on that piece.

- Q35 **Baroness Benjamin:** Kate, I was quite interested to hear about the community village type of environment that you have created for your business. How involved were your employees in creating that environment? Are you unique? How do we encourage others to create that same kind of environment for their employees, if it works?

**Kate Cox:** We asked all our employees what they wanted in the office, which is why we have a pub and an allotment. Many people wanted outside space. Our employees all put ideas in for how we develop the space. It is a relatively new office; it opened in 2016. It is incredibly important for us. Because of the service that we offer, we want our customers to have dedicated people, so we need our employees to stay a long time and be involved in the decision-making. Our culture is one of our big USPs as a business, and we invest a lot of time and thinking in employee engagement.

In terms of encouraging other businesses, I think there will be a massive recruitment issue across the board. Debenhams in Wrexham has closed down, so we are currently recruiting from retail and hospitality businesses, where we can, but there will be a crunch in employment. We are seeing it already. It is getting harder and harder to recruit the people we need in the local area. Businesses as a whole, just through market forces, will have to start investing in similar initiatives to retain their workforce. As we move the hotspots of employment out of city centres and into towns and cities, that will become much more of an issue.

- Q36 **Lord Hain:** Could I ask about other fiscal incentives—for example, abolishing business rates for microbusinesses like repair shops? Our town centres do not have many places, in the way they used to, where you could get things fixed, get your computer seen to or whatever it might be.

**Mark Gregory:** The balance of where revenue is raised locally is worthy of consideration, both lower rates for smaller businesses and making sure that the online economy, which we accept has been happening, pays its full costs of contribution. We have had the debate over tax and tech, but there are a lot of invisible costs of the online economy—the amount of waste that is generated and has to be serviced, and the costs on the roads, looking at the potholes outside here—that we have not yet worked through, plus the environmental impacts.

It is about the whole fiscal balance in thinking about what costs are imposed on us and what we are looking to do. Those costs should be not only financial but environmental and social. There is a case for trying to balance how we raise revenue and for giving more control over the distribution of it to local bodies.

- Q37 **Baroness Morgan of Cotes:** I was also going to ask about fiscal incentives but in relation to the reuse or reutilisation of buildings, which various witnesses have touched on. I completely take Rooney's point

about many of our old banks having become pubs. That is a good example to point to. I just wonder whether any of the organisations represented by witnesses have made proposals in the past about such fiscal incentives. Our report will come out at about the time of the spending review and the autumn Budget, so do you have any proposals in relation to reutilising space that might otherwise become vacant because of the changes in the labour market? Has the IoD or the Centre for Towns ever suggested anything?

**Joe Fitzsimons:** I am not certain that we have suggested anything on that specific point, but I would be very happy to go away, consult with members, speak to the team and feed views back. It is not something that we have anything written down on at the moment.

**Mark Gregory:** It is a bit niche, but we were involved in and very supportive of a development at Bolton railway station, where not all the space was needed in the way it used to be. There have been arts and various community bodies established there. Stoke station is important, and well located for the city and the university, but the rail authorities do not need all the space, so there are proposals to create some kind of drop-in space there as well as space for entrepreneurs linked to Stafford University, which is literally around the corner. Transport buildings might be interesting to look at in relation to reduced demand, which we talked about. Network Rail has provided some incentives, but there might be other opportunities to use what are typically very well-located facilities.

**Baroness Morgan of Cotes:** If you have a specific example, send it in to us, because we might be able to use it for the report.

**Mark Gregory:** We will try to do that. We wrote up the Bolton story, so I will dig that out.

**The Chair:** Thank you very much. We appreciate getting into the depths of this discussion. There are so many threads, from working to rebuild the economy to how we get to net zero, the capacity for people to work in different locations or different towns and cities, inequalities and so on. We have covered a huge amount of ground. Thank you for your careful answers. We will take them away and do our best to get to some specific policy recommendations from them.

All that remains for me is to wish you good luck in getting to the end of this period of lockdown, and I hope that you all have something of a summer break, maybe exploring some of the inspirational towns and cities that you have not managed to get to over the last 18 months. Thank you very much.