

## **Written evidence - J R Shackleton (PTC0023)**

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In this submission I confine myself to discussing the changing nature of employment post-COVID and offer some thoughts about issues which the Inquiry should pursue. I use the suggested headings.

### *1. How will the pandemic change the nature of employment? And what will be the long-term impact of this change on towns and cities?*

One obvious topic to raise is the trend towards greater emphasis on working at home. Although home working has been the norm for much of human history, in the early 21<sup>st</sup> century, prior to the pandemic, most people in this country worked outside the home for most of the time. According to Office for National Statistics data only around 13% of those in employment worked 'from home' on a regular basis before lockdowns began. But even this exaggerates the scale of home working, as 8% of these 'home workers' were people such as self-employed painters and decorators, electricians, plumbers, hairdressers, tutors and consultants who spent most of their working hours outside the home. Another 1% worked in buildings or grounds connected to but distinct from the home – farmers, nature wardens, resident pub landlords, shopkeepers living above the shop. Less than 5% were spending their days on screens in home offices.

All this seemed to change when we were ordered to work at home if possible; millions got used to a different mode of working.

Much has been made of this change, particularly by journalists and media commentators whose work always involves a lot of time in front of a computer. But not everybody has been working at home. In early March this year, around 40% of those currently working were working 'from' - remember that qualification - home. And remember too that about 15% of those nominally in employment were furloughed at that time. So overall probably only about a third of workers at most were hammering away on laptops or attending Zoom meetings.

Moreover proportions differed considerably across the working population. Home working levels in London were over twice those in Scotland, and nearly twice those in the East of England. Those aged 30-49 were far more likely to be working at home than 16-29 year-olds, many of whom were furloughed from retail, restaurant and hotel jobs. Around 80% of those working in manufacturing, health care, construction, energy and water supply were continuing to work every day outside the home at their normal place of employment.

So the scale of increased home working may be exaggerated. Nevertheless for many of us it's been a revelation that so much of what we used to go into the office for can be done in a reasonably satisfactory way at home. Many people are enjoying the experience, saving money and seeing more of their immediate family - and don't want to go back to long and expensive commutes. Recent surveys by academics, consultancies and the Bank of England suggest that some people don't want to return to the office at all, while a majority of respondents want a more flexible pattern of work in the future, perhaps attending offices two or three days a week while working at home for the rest of the time. Some prominent employers seem to support this idea, thinking particularly of cost savings from cutting back on office space.

But we should be cautious in going overboard for home working. For one thing, working from home has introduced a new dimension of work inequality. Lucky middle-aged people with their own homes and plenty of space, have turned a spare bedroom into a fully-functioning office, sometimes supported by employers providing expensive new equipment and furniture. For others, particularly young flat-sharers, this meant the less attractive options of grabbing the kitchen table while other people are out, or balancing a laptop on their knees in cramped bedrooms.

For another, while surveys suggest that many individual employees think they have been more productive at home than in the office, this is not necessarily borne out by others' perceptions. Many of us have found it difficult to contact businesses and government bodies during lockdown, and have experienced long delays in getting responses on important matters. And employers have reported difficulties in recruitment processes, team-building, innovating and motivating workers. The government's Business Insights and Conditions Survey reported in February that only 9% of businesses thought productivity had increased, while 33% thought that it had decreased. Of course there were variations from industry to industry, but in only one industry - unsurprisingly, Information and Communication - did more businesses think productivity had increased than that it had decreased.

The most likely result of the pandemic experiment is going to be a small but significant increase in the proportion of people working full-time at home, but a much larger number spending part of the time at home.

Should home working continue at markedly higher levels post-pandemic, there will be wider changes in the economy. Some are pretty certain: for example fewer commuters will damage the finances of Transport for London and the new Great British Railways (nationwide, the industry predicts that at best rail journeys will reach no more than 80% of their pre-pandemic level in the foreseeable future. Apart from a decline in commuting, business travel to meetings, conferences and exhibitions is expected to be permanently lower while leisure travel may well be slow to recover as older people continue to be inhibited from being in close proximity to others. So in the medium term, in the absence of hugely increased taxpayer subsidies, this is likely to mean higher fares (and thus even less use of trains), reductions in services, job losses and probably the abandonment of infrastructure upgrades, planned line extensions and reopenings.

Centre for Economic Policy researchers have coined the word 'Zoomshock' to draw attention to some of the other knock-on effects on our big cities of more people working at home. They point to the considerable amounts of 'locally consumed services' on which office workers spend - coffee shops, restaurants, after-work drinks and meals, retail outlets, gyms, theatres and so on. If half of commuters work at home two days a week, this alone means a 20% fall in potential demand for these services, with knock-on effects on employment - particularly the employment of young people who have in the past staffed these types of services.

This also suggests that the longstanding decline of high streets and the more recent decline of purpose-built shopping centres, added to the reduction in the need for office space, will lead to many empty buildings which need to be repurposed - possibly as housing, but also moving public services into more prominent positions in towns and cities as cheaper accommodation becomes possible.

A more home-based lifestyle will tend to consolidate what we have seen in lockdown - an increase in online shopping and home deliveries of goods and meals. There has been a substantial increase in app-based casual employment in delivering to homes, an aspect of the gig economy which has raised concerns in some quarters.

Alongside this, we may well see an expansion of various forms of self-employment. Although the self-employed have been hard hit during lockdown, with the Self-Employment Income Support Scheme failing to protect many of them, in the longer term we may expect to see a recovery in their numbers. Many people who have been turned on to the potential of Zoom-based communication and online services will be interested in starting up their own new businesses. Traditional employers may find that a range of new contract services now make more sense than in-house employment. This of course has implications for taxation, national insurance, employment rights and so forth.

It's also likely that in the medium-term reductions in commuting and the possibility of remote work will lead to people moving home. If you're not going to commute as often, or at all, you may want to move further away from the centre, where house prices are lower and you can afford to buy more space for your home office. Over time house prices outside major conurbations may rise relative to those in London or Manchester.

## *2. How might this increase, or decrease, inequalities within towns and cities?*

Past experience suggests that people aged over thirty, especially those with families, are more likely than others to move further out - with white British people more likely to relocate than most ethnic minorities. Over a decade or so this will tend to make the population of London and other major cities younger and with larger concentrations of ethnic minorities and immigrants and fewer middle-aged, middle class white people. We could move towards a more polarised urban environment with a minority of rich people in parts of towns and cities, with a larger group of poorer people and relatively few in between.

We may in this scenario also see rising unemployment in cities, possibly accompanied by higher crime rates. This would have implications for public services, health, education, rates and council tax – and the accompanying politics.

However other outcomes are possible. One factor is what is likely to happen to migration flows. There is evidence that large numbers of migrants from the Europeans Union may have returned home, possibly for good. And clearly inflows of new migrants have virtually ceased and are unlikely to increase again soon, if at all.

This will reduce the pressures on housing space, particularly in London, and may lead – is already leading – to lower rents. It may also lead to a shortage of workers in some sectors which will mitigate any tendency to permanently higher unemployment,

An increase in immigration tends to increase inequality: immigrants are disproportionately higher earners (bankers, businesspeople, academics) or lower earners (restaurant and hotel workers), compared with the native population. So a permanent decrease in immigrant numbers, or even net emigration, may tend marginally to reduce inequality.

This means that the overall impact of the post-pandemic labour market on inequality is uncertain.

### *3. How might this increase, or decrease, inequalities between towns and cities?*

If remote working, or long-distance commuting, becomes significant we might expect to see people moving to areas where housing is cheap and local facilities such as schools and doctors easier to access than in the centre of major cities such as London and Birmingham. An influx of better-off residents to poorer areas may tend to stimulate local businesses and create more employment opportunities.

However it is likely that many such moves will be to areas which are already reasonably prosperous – London residents moving to towns in Essex or Kent rather than further afield. Mass migration towards Grimsby or Barrow seems an unlikely prospect.

Some changes in the labour market may have benefits for poorer regions. We are likely to see permanently higher levels of public spending on healthcare and education, a substantial share of which may be going to previously-neglected parts of the country. For example, Sir Michael Marmot has called for a doubling of healthcare spending in Greater Manchester over the next five years to reduce health inequalities. Other disadvantaged regions will surely press for similar increases.

As importantly, some of the most rapidly-growing areas of private employment are not those associated with major cities – for example, warehousing and logistics, the importance of which has grown because of the explosion of online shopping. There is also a growing demand for domestically-based delivery

drivers and agricultural workers as a result of the exit of EU workers. We are also seeing a rapidly-increasing demand for IT service workers, who need not be based in cities.

The current restrictions on overseas travel are presumably not going to last forever. However it seems likely that flights will be permanently more expensive as capacity has been reduced and some continuing testing or sanitation requirements may add to the hassle – particularly if climate-change policies include higher taxes on air travel. This will make weekend trips abroad less appealing, and staycations more attractive to families on modest incomes. There could be a permanent boost to some neglected areas such as old seaside towns.

If British people are less likely to travel abroad, it also seems likely that tourism into the UK will also tend to diminish for similar reasons. This will tend to hit major cities such as London, Edinburgh, Oxford, Cambridge, Bath etc. relatively harder than some of the locations favoured by domestic visitors.

More speculatively, there may be post-pandemic changes to supply chains if trade restrictions grow. This could lead to a minor revival of manufacturing in some parts of the country.

All these factors suggest that there may be a modest reduction in inequality between different parts of the UK. The hope must be that faster growth in poorer regions will not be associated with significant declines in currently more prosperous areas.

*4. What action is needed from the UK Government, town and city leaders, and others to mitigate any change in the nature of employment?*

Understandable concern over recovery from the economic and labour market impact of the pandemic has led Westminster politicians, trade unions, business organisations, local authorities, quangos, thinktanks and a thousand and one pressure groups to call for action. But we need some humility in thinking through what has happened and will be happening in the months and years ahead. History suggests that the powers of government and others to change underlying trends is limited, and that spending huge amounts of taxpayers' money is no guarantee of success. Moreover even necessary large-scale spending always carries significant risk of cost overrun, fraud and error. The Public Accounts Committee, for example, has just reported that COVID-19 support schemes will have wasted tens of billions of pounds through inadequate controls.

One recent call has been to entrench new practices of remote working by some form of 'right' to work at home (in practice, a 'right to request'). This would be a mistake. No business can reasonably be expected to constrain its employment contracts in this way, and any refusal could set off expensive tribunal action or other litigation. In any case it is far too soon to pronounce on the effectiveness and attractiveness of home working, so the government would be well-advised to remain neutral.

Whenever unemployment threatens, it is argued that we should put more resources into skills and retraining. It's difficult to dispute this, but in practice many government schemes have had poor results. Schemes for new labour market entrants can succeed if they are well-designed, but retraining has a patchier record. We should probably wind down the Apprentice Levy scheme, which has actually reduced the number of apprentices rather than increased it. If it is to continue as a training levy, businesses should be given greater freedom to use it in ways which best serves their need. It might be better to give vouchers or bursaries for individuals to spend on their training or educational needs rather than assuming that government or businesses should decide.

One way in which government and professional bodies could facilitate movement into new occupations would be through relaxing occupational regulation, which has grown considerably over the last twenty years so that now one in five workers require a licence to practice their occupation and often unnecessary barriers are placed in the way of people who wish to train or retrain for a job. For instance the move towards an all-graduate police force and social work profession, and nursing degrees as the main way into nursing, could be relaxed, especially for those with previous relevant experience.

The government could also look carefully at the legal position of gig workers and the definition of self-employment, which is unclear in the light of apparently conflicting Uber and Deliveroo legal judgments. Such consideration, however, should lean to the permissive rather than erecting further barriers to employment.

Local authorities could look to the employment implications of future land use, for instance facilitating the repurposing of high streets and shopping centres rather than trying in vain to maintain existing set-ups.

*5. How could the UK Government, town and cities leaders, and others use their response to the pandemic to reduce inequalities in employment?*

The use of taxpayer-funded resources should primarily be to meet the needs of the public for services which only the government (local or national) can provide. If in doing so we can reduce preexisting inequalities, so much the better.

However there are many dimensions of inequality in employment – between regions, between men and women, between young workers and older workers, between ethnicities. There are clearly potential conflicts in the use of resources: an emphasis on one dimension of inequality can mean other types of inequality are exacerbated, or at best ignored. This is insufficiently realised by activists who blame all inequalities on uncaring or incompetent governments.

For example a programme of infrastructure investment in the NorthEast might create employment opportunities for people in that region, but as this region has one of the heaviest concentrations of white British workers in the UK, this would do little to reduce employment inequality between whites and some ethnic minorities. Indeed, on some statistical measures it could well increase such inequality.

If reducing inequality is seen as an important priority, governments need to be very much clearer in setting out what they seek to achieve and indicators of success in those ambitions. And they should be much less reticent to spell out the possible downsides of interventions.

One tempting policy for many governments – and the current one is no exception – is to move central government functions out of London and the SouthEast towards less prosperous regions. The primary idea is that new high-level jobs will come into a region, and that this will in turn stimulate new spin-off businesses (although other more nebulous objectives such as enhancing devolution and creating greater diversity may also be mentioned). Recent examples have not been wildly successful, however. The Office for National Statistics was moved to Newport; this led to some employment gains in South Wales at the expense of London, but few if any new businesses were stimulated and for a while the ONS's efficiency fell as most experienced staff were not prepared to move and there were few locals trained as statisticians.

Given the spread of remote working, even some of the most basic gains of moving functions out of London may amount to rather less in the future than in the past. The Bank of England is creating a hub in Leeds, but it may well be that some staff will prefer to remain in or around London, travelling up to Leeds twice a week rather than moving permanently; we saw something of this with the opening of BBC studios at Salford Quays.

Members of the House of Lords have less political pressure to argue for higher government spending and greater interference with the labour market than MPs seeking electoral success. They ought to be a restraining influence and offer considered judgments rather than headline-grabbing but ineffective initiatives.

They also ought to bear in mind that COVID-19, like previous pandemics, is likely to accentuate existing trends, such as that towards homeworking and the decline of the high street, rather than create a fundamentally new world. There should always be a measure of scepticism towards those who claim to predict a radically different future. Concern over inequality is a constant in modern societies and we should not start from the premise that all has been changed by the pandemic.

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