

## Policy Brief: Post-pandemic remote working and the consequences for local labour markets

### Summary of policy brief

City centre retail and hospitality spending across England and Wales will decrease by £3 billion annually due to a permanent increase in remote working.

- Remote working changes the geography of commuter footfall. 77,000 jobs in retail and hospitality will either need to relocate or be lost altogether.
- Our research provides guidance for place-based retail and hospitality pandemic recovery assistance.
- Effective policy may require changes to existing infrastructure. This includes the use of buildings for commercial space and public transportation systems.
- The permanent increase in remote working will have a disproportionately negative effect on lower-paid workers.

### Summary of the challenge

In England and Wales, the pandemic has increased in the amount of work done from home, as opposed to the office, from less than 5% to more than 40%. Some of this increase will be permanent. By changing where we work the increase in remote working will affect businesses in the locally consumed services industry, such as restaurants, retail, hairdressers and health clubs. The aggregate shift towards remote working moves the commuter footfall on which these businesses rely from neighbourhoods where we work to neighbourhoods where we live.

To improve our understanding of the permanent impact of this change, we address three specific questions:

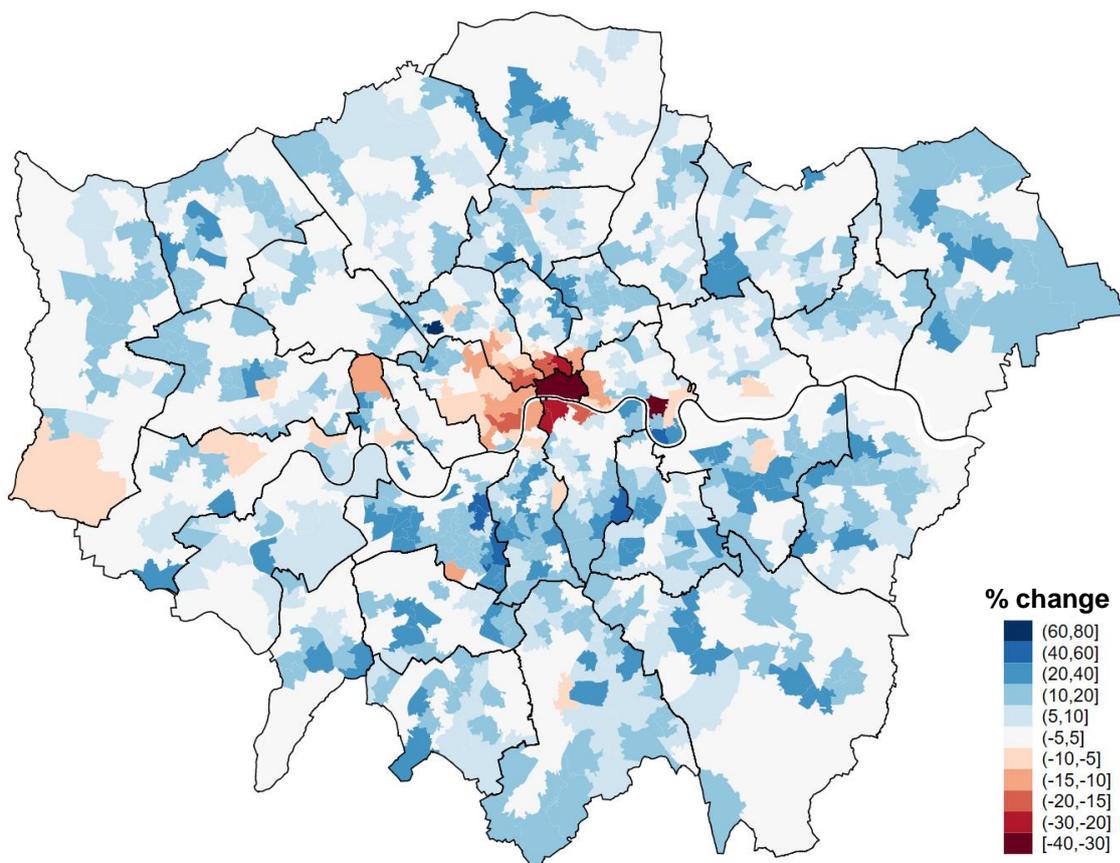
1. How much work do we expect to be performed remotely post-pandemic?
2. How will this change where productive activities take place in the future?
3. What are the consequences of this for where retail and hospitality spending takes place?

To address these questions, we first develop a methodology to measure the impact that remote working has on the geography of where we work, and the consequences for commuter footfall. We then use information from the novel, nationally representative, *Work From Home Survey* to calculate the change in where work takes place and where retail and hospitality spending takes place. We calculate this for 7,201 neighbourhoods across England and Wales.

### Policy recommendations

- **Recovery assistance for retail and hospitality businesses, within and across cities, should follow a place-based strategy.** The shift to remote working will not impact all retail and hospitality businesses equally. The shift towards working from home decreases commuter footfall, and therefore spending, in urban city centres, but increase footfall in residential and sub-urban neighbourhoods.

- **Assistance should be provided to help local businesses relocate, following the geographic change in demand.** The permanent increase in remote working means that some of the shift in retail and hospitality demand we are currently observing will be permanent. Assistance for these businesses should be structured to encourage a transition to the new post-pandemic distribution of demand.
- **Effective policy may include changes to existing infrastructure. This includes how existing buildings and public transportation systems are used.** Changes to where work takes place will lead to considerable geographic changes in retail and hospitality footfall, away from dense city centres and dispersed across many residential neighbourhoods. As a result, city centres will have a surplus of commercial space, while residential neighbourhoods will not have enough. Existing public transportation networks may need to be altered to ensure that workers in retail and hospitality are able to get to areas where we see shifts in spending.
- **This shift will have a disproportionately negative effect on lower-paid workers.** Jobs that can be done remotely tend to be well-paid professional occupations. Low-paid workers in retail, hospitality and other local services, may see their jobs relocate or disappear altogether. This is particularly true for jobs currently in urban centres.



**Figure:** Percentage change in retail and hospitality spending by neighbourhood, London. Figure taken from De Fraja, Matheson, Mizen, Rockey, Taneja, Thwaites, 2021, "[COVID Reallocation of Spending: The Effect of Remote Working on the Retail and Hospitality Sector](#)", Sheffield Economic Research Paper Series, No. 2021006.

## Evidence summary

Using a bespoke, nationally representative, *Work From Home Survey*, we analyse ability and willingness to work remotely by occupation, and the consequences for spending on food, beverages, retail and entertainment around the workplace.

We calculate the change in retail and hospitality spending post-pandemic relative to 2019 for 7,201 neighbourhoods (middle super output areas) across England and Wales.

- The post pandemic change in remote working will be large. The fraction of all work that will be done from home will increase by 20 percentage points over pre-pandemic levels.
- The change in remote working is largely driven by well-paid professional occupations. Many low-paid occupations need to be done onsite.
- By changing where work takes place the shift to remote working also changes where spending on retail and hospitality while at work takes place. Work-related footfall is moved from city centres to residential neighbourhoods.
- The corresponding geographical shift in annual retail and hospitality spending will be £3.0 billion with more remote working shifting demand away from urban areas.
- Decreases in work-related footfall will be highly concentrated in dense city centres. For example, retail and hospitality spending in the City of London is expected to permanently decrease by £350 million annually (see Figure). Spending in the Leeds City Centre is expected to permanently decrease by £35 million annually.

## Sources and further reading

De Fraja, G., J. Matheson, P. Mizen, J. Rockey, S. Taneja, G. Thwaites, 2021, "[COVID Reallocation of Spending: The Effect of Remote Working on the Retail and Hospitality Sector](#)", Sheffield Economic Research Paper Series, No. 2021006.

De Fraja, G., J. Matheson, J. Rockey, 2021, "[Zoomshock: The Geography and Local Labour Market Consequences of Working from Home](#)", Covid Economics, Issue 46, 1–41.

## About the authors

- This brief was authored for ReWAGE by Dr Jesse Matheson, Department of Economics, University of Sheffield.
- The studies underlying this research are co-authored with
  - Professor Gianni De Fraja, University of Nottingham
  - Professor Paul Mizen, University of Nottingham
  - Dr James Rockey, University of Birmingham
  - Dr Shivani Taneja, University of Nottingham
  - Dr Gregory Thwaites, University of Nottingham

- This policy brief represents the views of the authors based on the available research.

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