

HYBRID AND REMOTE WORKING IN THE NORTH OF ENGLAND:

Impact and future prospects

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About us

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Executive summary

The pandemic has driven a sharp surge in remote and hybrid working, increasing from 5.7% of workers in January/February 2020 to a UK average of 31.5% during the first national lockdown. This remained high into 2021, with 29% of workers nationwide working exclusively remotely in March 2021. Although there was a widespread conception that remote working applied only to the South of England, evidence suggests that remote working found substantial take-up in the North of England, with 29% of workers in the North East and 27% of workers in the North West working remotely in March 2021.

This new research, which features analysis of Understanding Society survey data and interviews with employers and stakeholders, explores the scale and implications of the shift to hybrid working in the North East and North West of England. It finds substantial variation in experience among workers and employers, and distinct challenges and benefits for different sectors of the economy.

Implications for employers and employees

This research focused on local, mainly medium sized employers in manufacturing and professional services — sectors which provide a large share of jobs in the North of England and make an important contribution to the national economy. Comparing a sector with a relatively low number of jobs that can be easily carried out remotely with a sector in which the potential for remote working is much higher reveals distinct experiences and challenges. In June 2020, only 16% of those working in manufacturing in the North of England worked remotely all the time, compared with 50% of professional services staff.

Businesses are managing the dual impacts of the pandemic and Brexit, which is proving challenging for the manufacturing sector in particular and has resulted in high rates of furlough and businesses closing temporarily over the last 18 months. However, contrary to some misconceptions, insights from survey data and our interviews suggests that employers who shifted to remote working during the pandemic were by and large able to maintain productivity.

Our research has also found that increased autonomy for employees has led to improved trust

between employees and managers. For many workers, remote working is positively impacting their lives, enabling them to spend more time with their families and achieve better work-life balance. However, the blurring of boundaries between work and home life was an issue reiterated by almost all interviewees, and highlighted as an area many organisations have already acted to mitigate.

Going forward, many interviewees indicated that some form of face-to-face interaction would be important for a range of reasons, including: to sustain organisational culture, induct new staff, maintain formal and informal connections between staff, and enable managers to better gauge worker wellbeing. This latter point was felt to be particularly important in the context of increased concerns about mental health issues, which were exacerbated for some by the isolation of exclusive remote working.

Most notably, this research points to the fact that employee preferences are likely to drive the shift to enduring hybrid working post-pandemic. However, businesses report a great deal of uncertainty around what this transition will look like in practice. Therefore, it is important that the Flexible Working Taskforce develops detailed employer guidance to support organisations in the coming months, and that Government updates flexible work legislation so that it better reflects new ways of working as they emerge.

Implications for places and local economies

Local economies across the North of England have faced real challenges over recent years. Government has set out its ambitions to improve access to economic opportunities through its Levelling Up agenda, and this research aims to support this ambition by contributing to the evidence base regarding the intentions and practices of firms as we recover from the pandemic. In this context, it is important to recognise that the shift to remote working has presented some challenges that are distinct to the North of England and others that are likely to be felt by employers and employees across the country.

Widespread remote and hybrid working could create both risks and opportunities for local economies in the North of England. On the one hand, those who are working from home can bring

positive economic gains to their immediate local area, particularly as virus restrictions ease. On the other hand, it also means that the economic activity that they once brought to the town centres around their office could be displaced.

Significant changes in where economic activity takes place will not only affect bigger city centres, but could also drive lasting changes to smaller town centres and surrounding residential neighbourhoods, for example shifting service jobs, such as hairdressers and sandwich shops. Those who work exclusively remotely, which is expected to be only a small portion of all those who can work remotely, will no longer be tethered to their office location. Given the widely-held preference to combine time spent working remotely with time working on-site, workers who do choose to relocate are likely to remain within commuting distance of their current employer. If local areas can facilitate remote working, this could support individuals to remain connected to their local communities while accessing job opportunities that may otherwise have been out of reach.

However, for most workers and businesses, there will likely be a shift to a hybrid model over the months following Government's removal of the working from home guidance. While some displacement of jobs and economic activity is anticipated, the continued need to commute in to a shared work space at least some of the time means it is likely workers will remain rooted in their local context to a much greater extent than with exclusive remote working.

Recommendations

Evidence from this research provides a sense of what employers and government can do to support a positive transition to hybrid work.

The findings of this report highlight opportunities for employers to support their teams through the transition to hybrid work:

- Help employees manage their work-life balance by discussing working hours, communication and technology use. If necessary, an organisational right-to-disconnect policy should be developed in conjunction with staff and trade union representatives.

- Take a deliberate approach to sharing formal and informal knowledge. The roles of both remote and in-person activities during the onboarding of new employees should be carefully considered, and the development of informal networks within the organisation to foster knowledge transfer (e.g. buddy systems, mentoring schemes) should be encouraged.
- Consult with staff and trade union representatives on broader preferences for flexible work, taking account of the importance not only of flexibility in where employees work, but also how and when they work. This should be aimed at providing access to flexible work particularly for those in jobs that cannot be carried out remotely.

To enable the transition to sustainable hybrid work over the long term, the following recommendations for policymakers have been developed:

- Government's Flexible Working Taskforce should develop clear guidance for employers around their duty of care towards employees while they are working exclusively remotely, or in a hybrid model.
- Furthermore, the Taskforce should set out proposals to amend legislation around flexible work, introducing a day-one right to request flexible work; narrowing the range of reasons employers may give to deny such a request; and shoring up avenues for workers to appeal decisions without fearing reprisal.
- To truly level-up the North, Government must focus on boosting the number and the quality of jobs, supported by the infrastructure to enable people to access them. This should focus on access to training opportunities and skills development, as well as planned investments in high-speed broadband and improved public transport connectivity. This will not only help individuals work more effectively in a hybrid environment, but could also be a way of ensuring residents are supported to continue to live and work in their local area.
- Local authorities could play an important role in coordinating and developing affordable and accessible co-working spaces for local businesses, which could also host events and act as a form of informal innovation hub, in collaboration with organisations such as Local Enterprise Partnerships or Chambers of Commerce.

Introduction

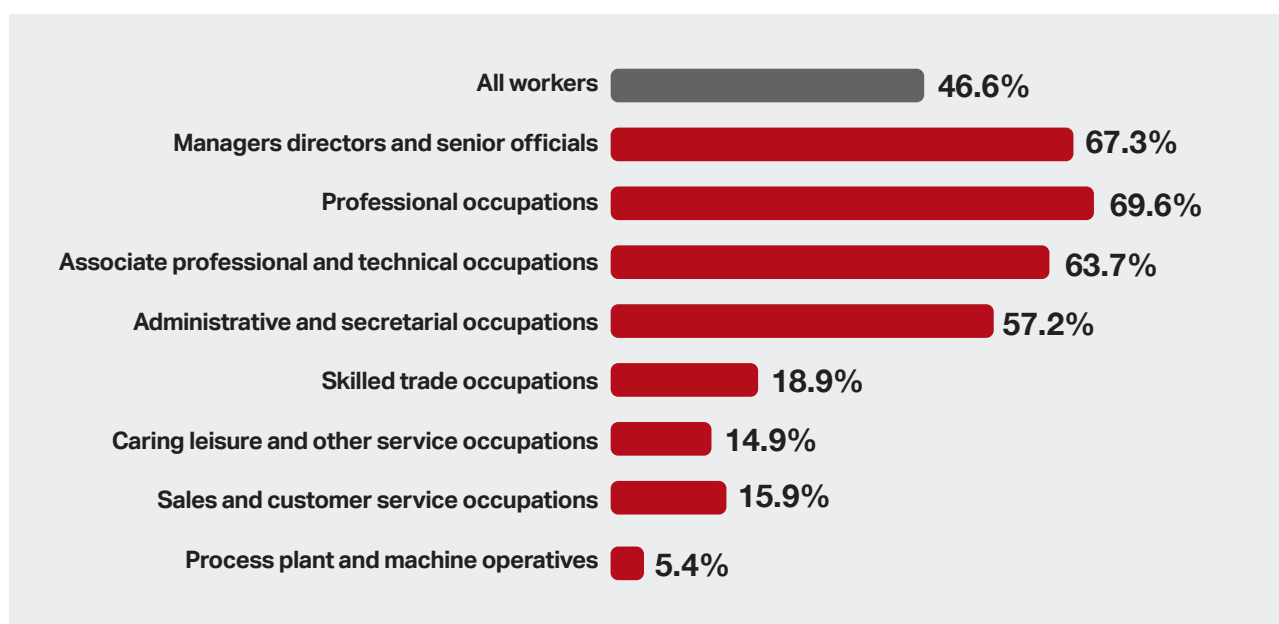
Over recent years, homeworking in the UK has been on the rise. Before the pandemic, individuals tended to work remotely on an ad-hoc, occasional basis. Just 5.7% of working adults in the UK worked from home exclusively prior to the pandemic, and this has since increased to 31.5% during the pandemic and has remained high¹, according to figures derived from the Understanding Society survey.

The sudden shift brought about by the pandemic has in some ways functioned as an experiment in remote working, highlighting challenges and barriers, as well as changing perceptions around what is possible, and bringing the impacts of remote working on people, businesses and places

to the fore. Some of these challenges were unique to the pandemic and forced many employers into 'fire-fighting' mode, others reflect long standing issues.

Unsurprisingly, some jobs have a more limited scope for remote work than others, in particular those that require manual, in-person or place-based activities. As such, we have seen marked differences in remote working rates between different types of jobs, with particularly high levels of homeworking during the pandemic among those in professional and managerial jobs, and much lower rates among those in routine/manual occupations.¹

Figure 1: Proportion of UK workers working remotely in any way, by occupation, April 2020



Source: Office for National Statistics (April 2020), *Coronavirus and homeworking in the UK*. Figure 6

¹ Responses were filtered by those who were currently employed, self-employed or both. Notably, estimates include workers who worked 0 hours in the week prior to the survey, in order to reflect the fact that many individuals were furloughed because they were in roles that could not be carried out remotely. As a result, this analysis provides lower estimates than Felstead and Reuschke (2020), but which are closely aligned with estimates from the Office for National Statistics.

Evidence shows that there is a growing expectation and preference among the majority of workers to continue working remotely at least some of the time as restrictions ease.² 89% of individuals working remotely in June 2020 would prefer to continue this to an extent in the future, ranging from 'always' to sometimes, according to analysis of the Understanding Society Survey. 85% of those working remotely in April/May 2021 expected to pursue a mix of remote and on-site working in the future, according to the ONS Opinions and Lifestyle Survey.

With employee preferences driving this shift, it is important to explore how remote working, and particularly hybrid working, (i.e., a mixture of remote and office-based working), on a large scale can function well for local economies and businesses in the North of England after the crisis. Therefore, this study assesses the challenges and barriers in place, in terms of infrastructure, policy and at working practices.

This report is based on statistical analysis of Understanding Society survey data and qualitative interviews with employers and key local stakeholders. It outlines some of the benefits and challenges workers in the North of England have encountered since the onset of the pandemic, and the strategies that businesses and local authorities in the region are developing and employing as the requirement to work from home comes to an end. The findings and recommendations it contains hold

broader relevance for employers and policy makers at a national level in achieving the aims of Government's Levelling Up agenda, which seeks to address the longstanding problem of the UK's regional economic disparities.³ This policy agenda looks to address key socioeconomic challenges faced by some local areas including low productivity, high unemployment, lower attainment of formal qualifications and having a high level of vacant retail, industrial, office and leisure units.⁴ As a result, many parts of the North East and North West of England are in the highest priority category for receiving levelling-up funding, including Barrow-in-Furness, Preston, Manchester, Newcastle upon Tyne and Stockton-on-Tees.⁵

Increased levels of remote and hybrid working, and any resulting displacement of economic activity and jobs could further exacerbate these regional challenges, but also offer new opportunities to workers and local areas that can be capitalised on.

The Flexible Working Taskforce is taking learnings from the pandemic and using these to develop policies and practices to advise government on ways to support employers and workers to adapt to new ways of working.⁶ This presents an opportunity to ensure that employers have clear guidance on best supporting their teams through remote and hybrid work, and to propose legislative changes to ensure that access to flexible working aligns with the evolving employment landscape.

Impact and prospects for businesses

Industry interviews focused on local businesses in the North East and North West of England in manufacturing and professional services. These sectors were selected on the basis that they make an important contribution to the economy in the North of England. They also represent either end of the spectrum in terms of the proportion of tasks and jobs that can be done remotely. The nature of manufacturing means many tasks and roles that cannot be carried out off-site.

In contrast, there are office-based roles such as sales, administration and marketing, which can. In comparison, the professional services sector holds many office-based roles which can be done remotely. This is highlighted in figure 2.

Figure 2: How often people worked from home in the North of England, by sector (June 2020).

Professional, scientific and technical activities



Manufacturing



Source: Work Foundation analysis of Understanding Society, Covid-19 Study, June 2020.

We found substantial variation in staff and business experiences of remote working during the pandemic, with general and sector-specific challenges and benefits.

In dealing with the challenges that this new working environment has created, many of the businesses we engaged with have changed their flexible working policies and invested in equipment, IT and training for managers and workers.

Managing productivity: autonomy and trust

Many businesses interviewed for this research have felt the dual impact of Brexit and the pandemic, which impacted demand for goods and services, and led to complications in business continuity, particularly in manufacturing. Some interviewees noted they had furloughed large proportions of their shop floor staff, who were not able to work remotely. Among businesses which continued trading, productivity was largely reported to have remained stable. Wider evidence indicates that productivity remains higher for workers who had experience with working from home prior to the pandemic, proving that practice can improve outcomes in remote working⁷. For the minority of workers who reported decreases in productivity, this was often related to specific challenges surfaced by the pandemic, such as childcare and home-schooling responsibilities during school closures⁸. Some interviewees noted that workers' motivation and focus fell during the lockdown over winter 2020-2021, which was for many more mentally challenging and experienced more negatively than the earlier spring lockdown.

Remote work also appears to have increased autonomy for some employees. For many interviewees, this has led to improved trust between employees and managers. This increase in autonomy affected how work is organised, monitored, and evaluated. One interviewee from a manufacturing firm said that,

"I think that you have to trust [employees] a lot more working remotely, definitely. It is all about the output of work. If the work is getting done to a high standard and a good quality, I don't see why there should be an excessive amount of monitoring."

Many employers have loosened their level of managerial control, moving to monitoring outputs rather than processes and focusing on results rather than hours worked. However, levels of

autonomy vary across occupational groups. For example, employees in professional roles might have experience of working remotely prior to the pandemic and so expect a certain level of autonomy, whereas employees in technical roles might not. For employers, this means that the relationship with employees and the level of support needed for remote working varies across teams.

For this outcomes-focussed approach to be successful, interviewees found that it was important to carefully manage relationships with employees. To build the trust needed, managers have created opportunities for regular meetings, social interactions with their team through chats, messaging systems or calls. Those interactions don't necessarily focus on the work itself but are rather opportunities to develop or maintain the connection with employees. As the CEO of a manufacturing firm explains it,

"It was not "have you done this?" it was about using soft skills to make sure that people are actually okay."

Balancing work and life: blurred boundaries and wellbeing

For many workers, remote working is positively impacting their lives, with reductions in commuting time and cost, and the ability to spend more time with family members. However, for some it has led to the blurring of boundaries between their work and personal lives, with almost all interviewees reiterating the challenges of a perceived need to be constantly available on chats as well as videocall fatigue. Going forward, firms should continue to consider those boundaries, with regard to the mental health and wellbeing of employees, as a legacy of the pandemic.

Interviewees recognised the increasing demand on employees to be constantly available, with the vice president of a professional services firm reporting that,

"We have some colleagues who say it's not so much working from home, it's living at work. [...] We are trying to get colleagues to recognise that it is not necessary. It is not even well regarded [to work during weekends and evenings]. We started to offer guidance to people on finding a rhythm, on deciding what hours you want to work, remembering to leave your desk regularly, etc."

Indeed, many firms have taken measures to encourage employees to create clear boundaries between home and work when working remotely.

For example, one has banned meetings between 12 and 2pm. Another asks managers not to send emails during weekends to avoid putting pressure on their staff to read them outside working hours. They recognise that if remote work is to continue at scale post-pandemic, it is important to establish clear boundaries to protect employees' mental health.

Employers may also wish to formalise these arrangements to facilitate a healthy work life balance through creating an organisational Right to Disconnect Policy. As take-up of remote working increases, this new model is already rapidly gaining traction, both among employers including Volkswagen, as well as through legislation, with countries including Ireland, France and Spain introducing a legal Right to Disconnect.⁹ Developed through consultation with staff and worker representatives, an internal policy would aim to establish a shared approach to work communications that supports workers to fully disengage from work outside of core hours and while on leave.

Research has shown that remote working can increase employee wellbeing by helping employees both increase their sense of autonomy and accomplishment as well as reduce stress, anxiety and work-related disruptions. These positive effects are greater for employees that maintain good social connections outside of the workplace, further emphasising the importance of a good work-life balance.¹⁰

Interacting with colleagues: communication and corporate culture

Many interviewees mentioned that social interactions with colleagues are a core part of what they missed about on-site work. This seems to be at the heart of office life, enabling a sense of community at work and facilitating teamwork. Employers and organisations should consider ways of maintaining or rebuilding their corporate culture in a remote working environment, whether they plan to use a hybrid or fully remote model going forward. One interviewee noted there may be a real opportunity for change, particularly within large organisations, around the need for roles focusing on community management. These roles would not sit within HR but would be integrated within teams, and focus on inclusivity and building relationships between on-site, fully remote and hybrid colleagues.

The importance of informal communication within and across teams was highlighted by interviewees, with many identifying difficulties engaging in informal communication as a drawback of remote

work. It is harder to maintain contact with colleagues, especially those outside of an employee's immediate team. One interviewee from a manufacturing firm noted that,

"I would say that relationships between employees become much more formal. You have to be extremely intentional about having informal conversations and building personal casual relationships with your colleagues. For me personally it is quite important to try to build those connections, both at a professional and personal level."

This was echoed by another interviewee, from a professional services firm, who said that,

"I think the main challenge has been having a relationship with staff which is beyond transactional. It is very easy to use these [online] systems for daily meetings and say: "do this, do that". What I have lost is that sort of cultural interaction with colleagues, where we would be sitting [in the office], have an idea and talk spontaneously. We need to be back together to have that team dynamic."

From socialising and building connections with co-workers to finding out news from other teams, it is hard to replicate the benefits of in-person, informal conversations. In-person, informal chats can be particularly valuable when onboarding new employees; the informal and unstructured transfer of knowledge and information can be especially important for interns, trainees and junior colleagues.

Organising work: technical, physical and ethical considerations

The pandemic has forced many employers to reconsider the future role of the office, questioning the nature of work that is to be conducted on site versus anywhere else, with one interviewee from a professional services firm reflecting that,

"We did not pay attention to this before but now we have to reconsider why do we want an office? What was the purpose of the office? Do we want any offices and what work do we want the offices for? We have been through that journey of redefining the new normal in our business context. Increasingly, the physical space of an office is to entertain a customer, to work collaboratively with others where face to face engagement is going to be beneficial, and to drive innovation and creativity."

This raises issues related to fairness, with regards to who is allowed to work from home, and parity between in-person and remote work. Firms are

having to consider which tasks are better performed in person and grapple with the implications of this new organisation of work. There is a need to ensure that although hybrid work means the workforce essentially becomes segmented by jobs that can and cannot be carried out remotely, these two groups of workers retain equitable access to other forms of flexible work where possible, as well as access to workplace opportunities. Currently, workers only have the right to request flexible working arrangements after 26 weeks. Government should align legislation with shifting work patterns, enabling workers to request flexible arrangements from the first day of their role. One business was prompted by the pandemic to encourage workers to take up a variety of flexible work that suits them, including working variable hours, where these can be distributed across the work week as fits an individual's commitments.

In addition, employers faced challenges in acquiring and setting up technology to facilitate the initial shift to remote working during the pandemic. Most interviewees noted the pandemic has accelerated take-up of video calling and communication software within their organisation.

Going forward, there is a concern around where employers' duty of care for their employees starts and ends. For example, some interviewees noted that workers do not always have appropriate space in their homes to work from. Beyond the pandemic, could this be grounds to refuse a request for remote working? Particularly in the context of potential changes to the waiting period to request flexible work to a day-one right — meaning some workers will be in their probation period and may be more vulnerable to dismissal, it becomes important to consider again under what circumstances an employer can refuse a request and what ways are open to employees to appeal such decisions. Furthermore, will employers using a hybrid model be responsible for providing desks, chairs and monitors at the office, and for remote use? The uncertainty around this could be addressed through Government guidance outlining employers' obligations related to remote working, as well as examples of good practice in supporting remote and hybrid teams.

Specific issues for manufacturing

Nearly half a million people work in manufacturing in the North of England¹¹ and the sector provides an important contribution to the national economy. The

pandemic and Brexit have significantly impacted manufacturing businesses. In April 2020, approximately 40% of manufacturing jobs were furloughed and as of the end of March 2021, this remains at 8%¹². During the first lockdown 43% of manufacturing businesses in the UK temporarily paused trading¹³, and by June 2021, 2.1% had permanently closed down¹⁴.

Analysis from the Understanding Society survey indicates that in June 2020, 70% of manufacturing workers in the North of England reported they 'never' worked from home, but as many as 16% reported they had been working remotely exclusively over recent weeks. Some employers in manufacturing interviewed for this research noted that there had been no, or very little remote working prior to the pandemic, and broadly there are signs of a resistance to the digitalisation of processes among some workers.

At this stage, with pandemic restrictions only recently lifting, there is still uncertainty around the challenges such a segmented workforce could bring in practice, or what solutions could be developed to mitigate them. Pandemic-related remote working is, for many manufacturing businesses, their first experience of remote working, and this coincided with many on-site workers being furloughed. Simply put, segmentation between remote and on-site workers has not yet had a chance to take root. This may change once workers are brought back from furlough and remote working shifts from being a requirement to a choice. There are some early signs that unequal access to remote working could lead to tensions, with one business representative flagging that they were aware of an organisation in which shop floor workers were resentful of the office staff being able to work remotely.

Specific issues for professional services

With a workforce of about 300,000 people in professional services in the North of England, this sector makes a sizeable contribution to overall employment in the region. At its peak in April 2020, 27% of workers were furloughed, and this remains at 8% in March 2021¹⁵. Although these figures are considerable, take-up of the furlough scheme in this sector is comparatively lower than in manufacturing, reflecting the ability of many workers and businesses to shift to remote working.

In June 2020, 50% of people working in the professional services sector in the North of England

had worked exclusively from home over the past four weeks. This sector includes accounting, legal activities, scientific research and development, advertising and market research. Within this sector, there is a higher proportion of tasks and jobs that can be done remotely, compared with manufacturing. However, around 30% of jobs did not shift off-site during the pandemic, which likely includes roles in research and development that takes place in labs, and engineering or related roles that cannot be done off-site.

Some professional services firms work with highly sensitive data, such as personal bank details. The shift to remote working means that individuals accessing this data had to work from a room with a lockable door. This also means that workers who didn't have access to a home office work while sitting on their bed, isolated from those they live

with, which could impact their wellbeing and is clearly not sustainable for the long term.

Extensive use of sensitive data means that professional service firms face greater cybersecurity risks, which make some firms more cautious about remote work, or particularly cautious around particular roles being done remotely.

The shift to hybrid working means there is a need to manage this risk across both their own business premises and the homes of their employees. One example of a successful phishing attack cost one business representative organisation thousands of pounds. This was described as something that would not have happened if the team would have been working from the same space and remained in face-to-face communication with each other.

Case Study: Sage Group plc - Giving employees flexibility without losing connectivity

Sage Group plc is a professional service firm employing approximately 1,400 people in the North East and market leader for integrated accounting, payroll, and payment systems.

Prior to the pandemic, a small proportion of its staff would work from home perhaps one day a week, or once every two weeks, and this was done mainly by support staff, for example in HR and finance. Those working in the contact centre never worked remotely.

The pandemic prompted a shift to 100% remote working for all staff. This was technically difficult, as well as challenging for team communication and the mental wellbeing of workers. However, there were also productivity gains and a perception of enhanced work-life balance, particularly due to the lack of a commute.

Coming to grips with the benefits and challenges of exclusive remote working, the organisation wanted to combine the advantages of flexible work going forward, with those of good communication and connection between colleagues. To that end, Sage developed the Flexible Human Framework, for which it conducted design session with 200 colleagues and held a testing session and workshop with 90 managers. The framework establishes guidelines for the future of remote working at the firm,

"At Sage we have recognized that the world has changed as a result of the pandemic. And that [it has] allowed us to test and trial very quickly remote working and assess the impact on the organisation"

(Michael Bell, people business partner).

The new framework gives employees the ability to determine, for example, how many days they work from home, compress their working hours or work abroad for up to 10 weeks a year. It provides clear procedures on the role of employees and managers in experimenting and developing new ways of working flexibly whilst maintaining high levels of productivity. Requests made by employees are therefore examined in light of how they would impact collaborative work,

"We want to try and give colleagues as much flexibility as we can without losing connectivity"

(Michael Bell).

Overall reception of this new framework by staff has been positive. Many have questions which are addressed through round table events, Q&A sessions and the company's intranet. Generally, staff like the clarity the framework provides and the agreements that are made by teams ahead of a return to the office helps them to plan ahead.

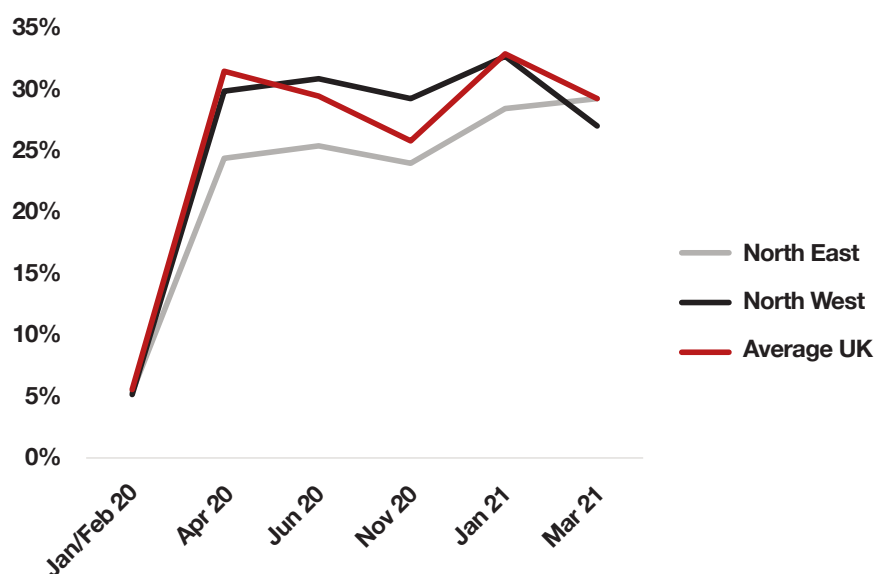
Impact and prospects for local labour markets and economies

The North of England experienced large-scale deindustrialisation and economic decline through the 1970s, which has since contributed to a widening gap between the economies of the North and other regions. In 2019, Gross Value Added (GVA)² was £55.3 million in the North East and £188.1 million in the North West, compared with £291.7 million in the South East and £1.98 billion for the UK overall.¹⁶

Furthermore, employment rates in the North are below the UK average (74.7%), with 72% of working age adults in employment in the North East and 73% in the North West, according to the Office for National Statistics. Evidence suggests the region also remains vulnerable to external shocks. Over the course of the pandemic, the North West has faced the most significant reduction in the employment rate of all the UK regions, decreasing by 2.3% on the year, compared with a decrease of just 0.6% in London, and 1.2% for the UK overall. Unemployment is significantly higher in the North East (5.8%) than the North West (4.9%) which is closer to the UK average (4.8%).¹⁷

There was a widespread perception prior to the pandemic that remote working was more possible for the South than the North. This may be partly related to the sector composition in these regions, which have a lower scope for remote working than the IT and Professional Services sectors based in, for example, London and the South East¹⁸. Despite this, when the pandemic struck, levels of remote working in the North East and the North West increased largely in line with the UK average. In April 2020, 25% of workers in the North East and 31% of workers in the North West worked exclusively remotely over the four weeks prior to the survey¹⁹. There is substantial variation between cities like Manchester and Newcastle and smaller towns and rural areas. From January to December 2020, 81% of remote work in the North East and 87% in the North West was done in urban towns and cities, with a small minority being accessed in rural towns, hamlets and villages.²⁰

Figure 3: Proportion of working adults working exclusively remotely in the North East and North West, over time



Source: Work Foundation analysis of Understanding Society: Covid-19 Study, waves April 2020 – March 2021.

² Gross value added (GVA) is a way of measuring the value of goods and services produced in an area, industry or sector of an economy. It is calculated as the value of output (at basic prices), less the value of intermediate consumption (at purchaser prices).

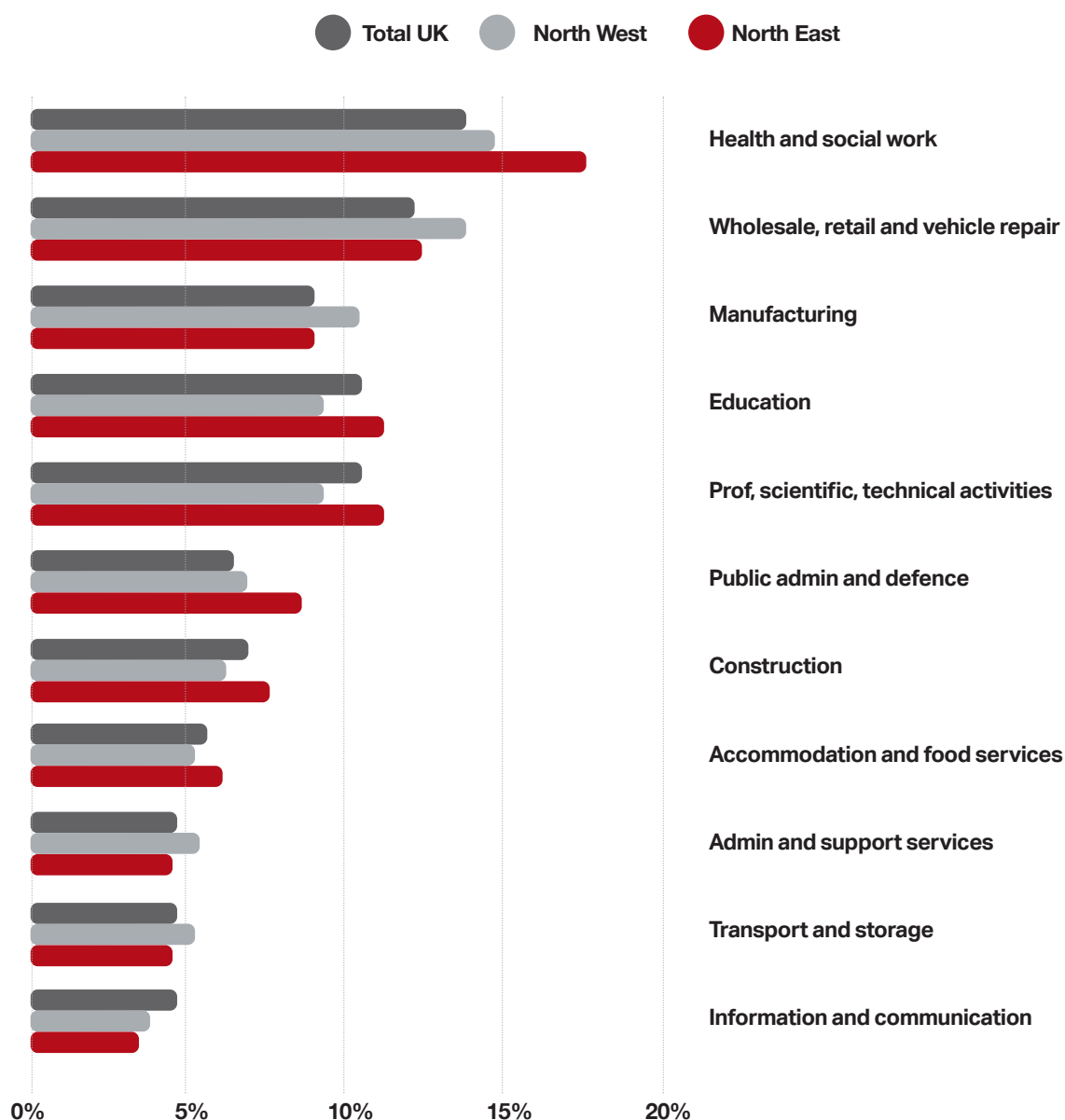
Our research found employers across the North East and North West share many challenges, including issues relating to remote working in rural areas. One interviewee highlighted the importance of digital connectivity in enabling remote work,

"some people's ability to work has been disrupted. If you've not got adequate internet coverage you're effectively in a digital poverty because you can't get the same opportunities that are presented to other people."

The pandemic has therefore given central and local government fresh impetus to address the critical issue of broadband connectivity.

Additionally, as outlined in figure 4, there are key differences both between the local economies in the North East and the North West and between the North of England and the wider economy, including a relatively high dependence on sectors such as health and social care, education, retail and manufacturing, which limited take-up of remote work.

Figure 4: Sector employment as a share of overall employment in the North East and North West



Source: Work Foundation analysis of Understanding Society: Covid-19 Study, waves April 2020 – March 2021.

Within the North of England, the shift to remote work is having different impacts across different local economies. The sectoral composition of a given area plays a large role in determining the impact that a shift to permanent remote or hybrid working will have. For example, some rural areas which rely more heavily on manufacturing are less impacted by remote working as many jobs remain on-site, whereas in cities, the impact of remote working has shifted activity away from the city centres, which is impacting retail and hospitality in particular.

Restrictions during the pandemic have had a significant impact on high streets and town centres. Across the UK, fewer stores opened than in other years and many more closed down, resulting in a net decline of 9,877 stores. The North West was particularly hard hit by the closure of chain stores, with an estimated net fall of 1,133 stores in 2020, five times the pre-pandemic figure²¹.

With city centres likely to remain quiet for some time, Dr Darja Reuschke of the University of Southampton has made the case that this provides local policymakers with an opportunity to reconsider how high streets can be reconfigured into multi-use places accommodating a wider range of economic activity.²² This view is consistent with the findings from our interviews. For interviewees in the North West, the suppressed demand through the pandemic has led to high numbers of vacant premises and many shops planning not to renew their leases and instead focus on their online offering. A local authority interviewee noted that,

“the offer in the city centre will need to be more diverse and attractive, more events driven [...] we need to give people reasons why they should come back into the city.”

Another highlighted that while they plan to transform their town centre from a shopping hub to a living hub, incorporating more housing into the town centre by redeveloping vacant space,

“we do still feel that you need high streets, you need that vibrancy and things going on.”

Potential further impacts of remote working on local areas post-Covid

While much uncertainty remains as to the form and scale of the impact of the pandemic for local areas, it is already clear that widespread remote and hybrid working could create both risks and opportunities for places in the North of England.

Significant changes in where economic activity takes place will not only affect city centres, it also means that many residential neighbourhoods are likely to change permanently. Indeed, if working from home becomes the new normal on a large scale, some services, shops and restaurants may rethink where they locate and invest in the future.²³ Therefore, it is possible that we see a reversal of traditional commuting patterns, with workers in the service economy instead commuting to where the remote workers are.

Beyond the pandemic, some interviewees were hopeful that widespread remote working could increase the jobs available to people in the North of England, in particular bringing more secure and better paid jobs to the region. As one interviewee highlighted,

“we lose a lot of our most talented people who want to earn more, because if you want to earn more you have to go and get better jobs, and they tend to be in London.”

Remote working is seen by some as an opportunity to stem the impacts of this brain drain from the region, as according to ONS analysis, jobs that pay higher hourly wages are more likely to be adaptable to remote work.²⁴

Indeed, in an exclusive remote working model, people can live wherever they want to live and still work wherever they want to work, and as highlighted by one interviewee,

“[employees] can have the benefits of higher quality of life, lower housing costs living in somewhere like Northumberland, but still access some of those higher paid roles that traditionally have been based in London. [...] I think that opens up the possibility that people can live and work in places like the North East.”

For local councils the shift to remote and hybrid work will drive a change in focus. Rather than needing to attract whole businesses to relocate their activities in the region — a task which interviewees reported has been very challenging in the past — they could instead focus their attention on attracting and retaining individual workers.

However, the number of workers who will work exclusively remotely is likely to remain small, as just 8% of all jobs are currently advertised as being completely remote.²⁵ Moreover, of those who worked remotely during the pandemic, more than 70% want to be in the office at least some of the time²⁶. Therefore, the number of workers who will be able and willing to move may be very small, and hybrid workers who do move are likely to choose to remain within commuting distance of their current base.

As a result, any displacement of labour is more likely to take place within the North of England, rather than flow from other regions into the North. Previous evidence on internal migration into and out of Manchester suggests that relative to other age groups and skills levels, graduates in their thirties tend to move out of urban areas into the region, but remain within commuting distance²⁷. This has a few important implications. Firstly, it is likely that the number of exclusive remote workers attracted into a local area from elsewhere will be too small to contribute significantly to overall economic performance. Secondly, any movement would likely represent a relatively small geographical shift broadly in line with existing migration patterns, and therefore would not be sufficient to address the productivity and skills gap between the North and the rest of England.

Therefore, while remote working may generate new opportunities for some employers and workers in the North, it is not in itself going to be the key to reversing decades of disadvantage and economic decline. As outlined by the What Works Centre for Local Economic Growth, improving the skills of current residents, rather than focusing on attracting high-skilled workers from other places, would have a greater overall benefit.²⁸ As such, policymakers aiming to level up economies in the North of England should prioritise strengthening the local skills base, while increasing the number of high-quality jobs.

How are places responding?

Local Governments are developing strategies to capitalise on benefits and mitigate risks that a longer-term shift to hybrid working world could bring. One local authority interviewee highlighted the importance of more investment for town centres, regenerating unused buildings with a view to better serving their local workforce and wider community. They said that

"We found that there is still a demand for office space, but there's a big trend towards co-working spaces and hot desking."

The council has capitalised on this trend by refurbishing two floors of their offices with the purpose of creating a flexible co-working space that local businesses will soon be able to lease, with reduced rates for start-ups.

While this will provide a source of income for the council over the longer term, its primary drivers are not profit, but getting people and businesses back into the town centre, as well as creating an informal innovation hub. This would be not just a co-working space, but an enabling environment where a community of entrepreneurs can collaborate and support one another. The need for such facilities was highlighted by another interviewee, who made the case that towns in the North need

"A series of innovation hubs that help people to either create or grow businesses in those places so that they don't just become a digital satellite of a city."

Conclusion & recommendations

This research has found that the pandemic hugely accelerated uptake of remote work in both manufacturing and professional services firms in the North of England. This shift has prompted a wider conversation around flexible work which many employers are still coming to grips with.

The mixed experiences of employers in the North East and the North West provided important insights regarding the challenges that must be addressed to make remote and hybrid work sustainable for workers and businesses in the long term. In general, the increased flexibility and particularly the lack of a commute were perceived very positively, enabling people to spend more time with family and to achieve a better work-life balance. However, for the purpose of fostering team connectivity and facilitating knowledge-transfer particularly for junior staff, online environments were broadly considered inferior to office settings.

It is important to highlight that organisations will likely need a degree of experimentation to get this right. Going forward, this means senior leaders should be clear about the outcomes aspired to, and consult and co-design approaches that work, together with their workforce.

Despite initial wariness of remote working among many employers prior to the pandemic, the experience of it has prompted a rethink around the organisation of work — identifying which tasks are best done while working remotely, and which are better conducted in the potentially more collaborative and creative environment of the office. This may have implications for the use and design of office spaces, as well as for the places that house them.

While some displacement of economic activity and jobs is anticipated, to a large extent, workers will remain tethered to the location their office is located under a hybrid model, as they will continue to come into the office at least some of the time. The impact that the shift towards hybrid working will have on places in the North is almost impossible to generalise due to differing geographies and local economies within the region. However, there are early signs that some places will seek to attract remote workers to their local areas,

focussing on attracting and retaining individuals rather than businesses, which has been the traditional focus in efforts to stimulate economic performance. Further, some local areas are hopeful that remote working can serve to address long run issues in their localities, for example around the brain drain of young and skilled workers to the South. Higher levels of remote working could allow these workers to remain in the area, but pursue opportunities that would otherwise be out of geographical reach.

We are now in a critical moment. Government has withdrawn its working from home guidance as of 19th July 2021, and employers have important, and potentially far-reaching decisions to make about the future of their workplace. Much still remains uncertain, however there are key steps that employers, local authorities and central government can take to prepare for the transition to a hybrid working world.

The findings of this report highlight opportunities for employers to support their teams through the transition to hybrid work:

- Help employees manage their work-life balance by discussing working hours, communication and technology use. If necessary, an organisational right-to-disconnect policy should be developed in conjunction with staff and trade union representatives.
- Take a deliberate approach to sharing formal and informal knowledge. The roles of both remote and in-person activities during the onboarding of new employees should be carefully considered, and the development of informal networks within the organisation to foster knowledge transfer (e.g. buddy systems, mentoring schemes) should be encouraged.
- Consult with staff and trade union representatives on broader preferences for flexible work, taking account of the importance not only of flexibility in where employees work, but also how and when they work. This should be aimed at providing access to flexible work particularly for those in jobs that cannot be carried out remotely.

To enable the transition to sustainable hybrid work over the long term, the following recommendations for policymakers have been developed:

- Government's Flexible Working Taskforce should develop clear guidance for employers around their duty of care towards employees while they are working exclusively remotely, or in a hybrid model.
- Furthermore, the Taskforce should set out proposals to amend legislation around flexible work, introducing a day-one right to request flexible work; narrowing the range of reasons employers may give to deny such a request; and shoring up avenues for workers to appeal decisions without fearing reprisal.
- To truly level-up the North, Government must focus on boosting the number and the quality of jobs, supported by the infrastructure to enable people to access them. This should focus on access to training opportunities as well as high-speed broadband and improved public transport connectivity. This will not only help individuals work more effectively in a hybrid environment, but could also be a way of ensuring residents are supported to continue to live work in their local area.
- Local authorities could play an important role in coordinating and developing affordable and accessible co-working spaces for local businesses, which could also host events and act as a form of informal innovation hub, in collaboration with organisations such as Local Enterprise Partnerships or Chambers of Commerce.

Methodology

Our analysis is based on a mixed-method approach.

In terms of qualitative analysis, we drew on interviews conducted with different interviewee groups, including local governments, manufacturing and professional service firms, business associations and unions located in the North East and North West of England. Research teams at the Work Foundation at Lancaster University and Newcastle University Business School conducted a total of 33 interviews with local interviewees in May and June 2021. The range of participants interviewed enabled the development of a comprehensive overview of the current impact of remote working on firms and local economies in the North of England. The interview data was coded and analysed using thematic analysis.

For the statistical analysis, we primarily used the Understanding Society: Covid-19 Study, 2020/21 carried out by the Institute for Social and Economic Research, the University of Essex. The data were downloaded from the UK Data Service and analysed using Stata.

The proportion of remote workers as a share of all working adults in each wave was estimated using the question: 'During the last four weeks how often did you work at home?' Respondents could select: Always, often, sometimes, or never.

Responses were filtered by those who were currently employed, self-employed or both. Notably, estimates include workers who worked 0 hours in the week prior to the survey, in order to reflect the fact that many individuals were furloughed because they were in roles that could not be carried out remotely. As a result, this analysis provides slightly lower estimates than Felstead and Reuschke (2020)²⁹.

This study has received ethical approval from Newcastle University's Policy and Information Team on 3 March 2021 and Lancaster's FASS and LUMS Research Ethics Committee on 13 April 2021.

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