LEARNING AND WORK INSTITUTE

Fast forward?

Where next for the labour market

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Executive summary

Long-term trends were reshaping the labour market even before the pandemic. An aging population meant growing demand for health and social care. Advances in technology meant a shift toward online retail and increases in home working. Longer working lives meant a need to update skills more often. Brexit was likely to lead to changes in some sectors and the UK's role in global supply chains. The move to net zero was likely to affect the skills needed in many jobs, reduce demand for some roles and create new ones. These trends will continue to affect the jobs available and the skills needed.

The UK labour market is flexible and diverse, increasing our ability to adapt to change. There are a wide range of working patterns, with 40% of people working fewer than 35 hours per week. Self-employment had grown across all sectors. This flexibility and diversity is a positive, allowing a wider range of people to find work that suits them, helping to narrow employment gaps for women, disabled people and poorer areas in recent decades. However, it can have negative effects if flexibility is a one way street in favour of employers, hence the growing pre-pandemic focus on 'good work'.

The impact of the pandemic

After an initial spike in unemployment, the furlough scheme meant most of the labour market adjustment came through hours. The labour market is now recovering with vacancies at record levels. There are 938,000 fewer people economically active than if pre-pandemic trends had continued: one third due to slower population growth, two thirds due to lower economic activity rates. But with employment still 650,000 down and 3.2 million people out-of-work but wanting a job, there is scope to grow employment further.

New polling shows 45% of people worked remotely during the pandemic, most common in media, marketing and sales and finance and accounting. For many people, work during the pandemic was more intensive (40%), involved longer hours (35%) and greater productivity, and less engagement with work (33%) and connection with colleagues (44%) and those that worked remotely more often were more likely to report all of these.

Employers saw positive impacts on staff communication and collaboration (35%), productivity (34%), and creativity and innovation (30%), though one quarter reported a negative impact on staff engagement (26%) and recruitment (26%). Two fifths of employers experiencing more remote working saw an increase in communication between staff and improvements in productivity, though challenges engaging staff.

Working during the pandemic and remote working has, in general, been intensive, higher productivity, but with risk of negative impacts on collaboration and engagement.

Looking ahead

More people are likely to need to change sector. Career switching has fallen around one third since the last recession but is likely to need to increase due to longer-term trends and the disruption caused by the pandemic. New polling for this report suggests that more than one in four (28%) of employees would consider switching jobs or careers after the pandemic, rising to 42% of people in hospitality and 36% of people in retail.

Increased remote and flexible working is here to stay. 58% of employers say remote working will be a little or a lot higher compared to before the pandemic, while 44% of employees say they are interested in greater remote working after the pandemic. Unsurprisingly these results vary significantly by sector: 78% of finance and accounting employers expect to increase remote working, compared to 37% in retail.

Demand for office space will fall, but this is not the death of the office. One quarter of employers (27%) expect to reduce office space, but 9% expect to increase it. Most expect to cut a little rather than a lot, likely a combination of being tied into leases, uncertainty about what hybrid working will look like, and the likelihood that hybrid working still requires substantial office space for employees to spend their office-based time together. The largest expected falls are in London (36%), reflecting the higher proportions of jobs that can be done remotely, and in finance and accounting (46%) and IT and telecoms (42%).

Five policy priority areas

1. **Extending flexible working.** Support to businesses to implement flexible and hybrid working, potentially including a **Flexible Working Hub** of best practice and engaging employers through chambers of commerce, accountants, and colleges and training providers. Extend the **right to request flexible working** to day one of employment.

2. **Growing good quality local jobs.** 'Levelling up' has become even more pressing and challenging as the pandemic accelerates some structural changes. The Government should **invest in infrastructure**, build in good work and training requirements, and **enable local leaders to join up** investment, regeneration, and employment and skills support in their areas, including linking to local Good Work Charters.

3. **Widening employment support.** While vacancies are at record levels, unemployment and long-term unemployment remain higher than before the pandemic. We must ensure **active support for all those that are out of work**, particularly groups with lower employment rates like **disabled people and young people not on benefits**.

4. **Improving retraining support.** More ambitious support for people wanting to retrain including: fast tracking furloughed staff who lost their jobs to support; extending the **Lifetime Skills Guarantee** to support retraining and modules of learning; and exploring the best way to **help retrainers with living costs**.

5. **Effective financial support and safe workplaces.** The Government should **restore the £20 uplift to Universal Credit** and **review eligibility and generosity of sick pay and support** to support self-isolation and health more generally. Decisions about **requiring employees** to be vaccinated are for individual businesses and their staff, but the Government can help by providing clear guidance and enforcing safety standards.

Introduction

The pandemic has had a profound effect on the labour market. The initial impact was seen in a spike of Universal Credit claims, with the furlough scheme meaning more of the later adjustment came from falls in hours worked rather than employment. Nonetheless, employment fell significantly with particular demographics, sectors and areas of the country harder hit than others.

The pandemic also saw profound changes to the way we live and work. People did far more online shopping, those able to worked remotely more often, and work in most sectors was organised differently to fit the new realities.

Now the economy is reopening and adjusting. Vacancies are at record levels, but employment remains lower then before the pandemic showing we need to do more to help those out of work find available work. People are flocking back to shops, bars and restaurants and more people are returning to the office. But it is unclear to what extent the economy and life will return to pre-pandemic patterns, or whether the pandemic has led to a permanent step change in longstanding structural shifts.

This report explores these issues, including through new polling of employers and employees, and identifies policy priorities to ensure we build an inclusive recovery and renewal of our labour market, economy and society.

Long-term labour market trends

Key findings

- **Sectoral and occupational patterns of employment were changing significantly before the pandemic, with growth in higher occupations and sectors like health and social care**
- **The labour force has become more diverse over time, with employment rate gaps for groups including women, disabled people and low employment areas falling over time, though some gaps remain substantial**
- **The UK labour market has a diverse range of working patterns, including the number of hours worked each week and increasing self-employment**
- **Long-term forces, such as an aging population, impacts of Brexit, and technological change, will continue to reshape the economy and labour market**

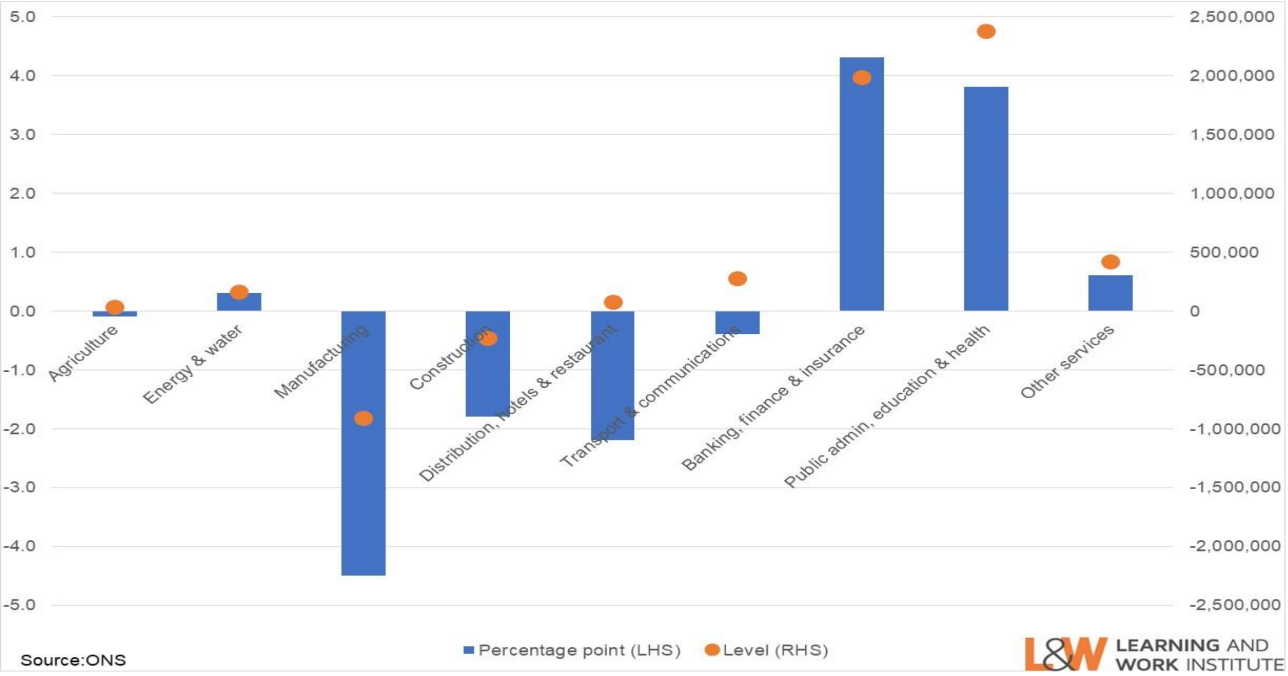
The UK economy and labour market have always changed over time. Before the pandemic, and as we move beyond the pandemic, fundamental forces have and will continue to shape the world of work.

Changing sectoral and occupational patterns of employment

Sectoral patterns have changed significantly over recent decades. The proportion of people working in manufacturing has fallen over time, falling two thirds since 25% of people worked in the sector in the 1970s.[1] The number of people working in banking, finance and insurance rose almost two million between 2004 and 2020, while manufacturing employment fell 900,000. Employment in public administration, education and health rose 2.4 million and accounts for almost one in three people in employment. This reflects both increases in investment in public services during the 2000s and an aging population meaning more need for health and social care.

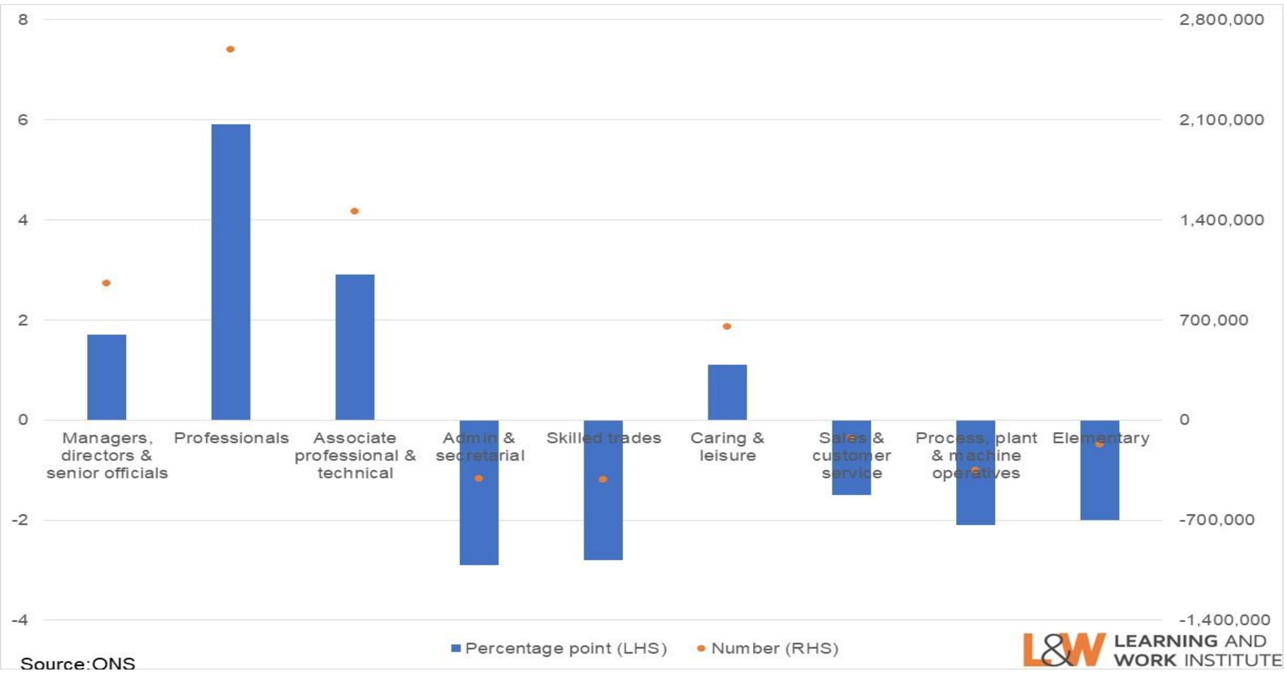
[1] Tomorrow's world: future of the labour market, Youth Commission report 3, L&W, 2019. https://learningandwork.org.uk/resources/research-and-reports/tomorrows-world-future-of-the-labour-market/

Figure 1: Employment by sector, actual and percentage change, 2004-20



There have also been significant changes in the occupations people work in with a general rise in higher occupations. One in two people were either managers, professionals or associate professionals in 2020, a rise in employment in these occupations of 5 million compared to 2004. There has also been an increase in people employed in caring and leisure occupations, reflecting both an aging population and changing economy. All other occupations have seen declines in their share of total employment.

Figure 2: Employment by occupation, actual and percentage change, 2004-20



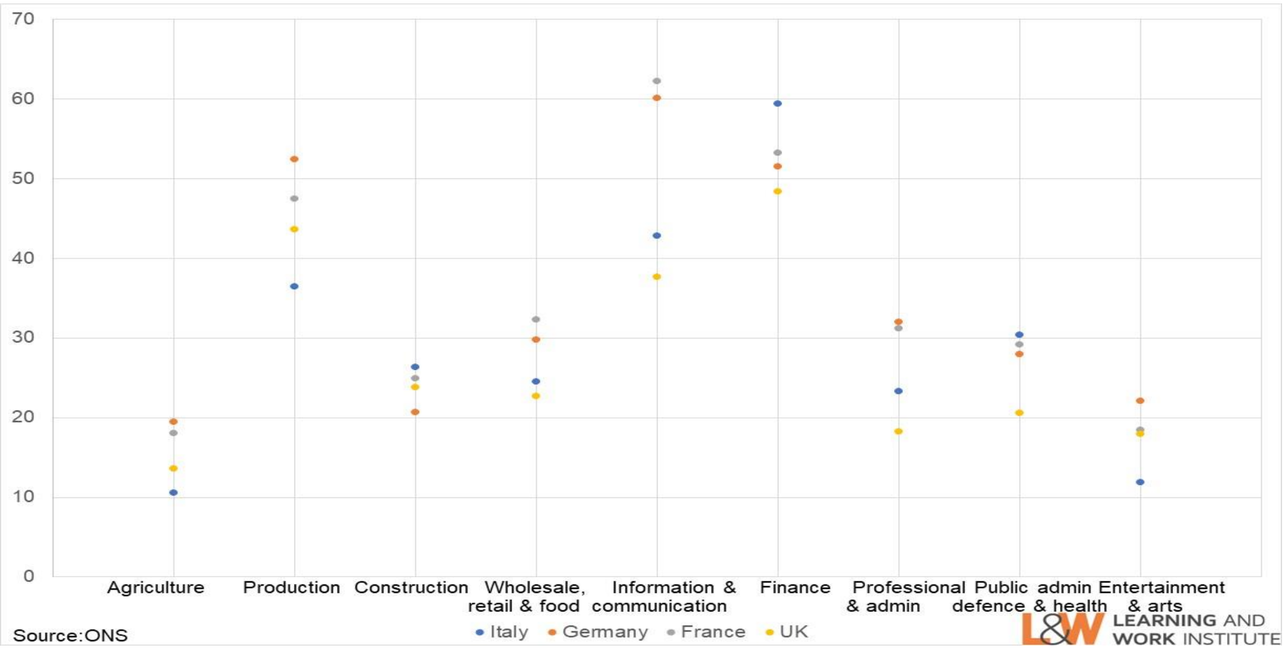
Overall, there has been growth in sectors characterised by a higher proportion of people in higher occupations. And there has been a rise in the proportion of higher occupations within sectors too. Together this meant a rising and changing bar of skills required to get into work and get on in a career.

Relatively low productivity

Productivity – the amount that each worker produces – is a key long-term driver of living standards and prosperity. Unfortunately, productivity in the UK has long lagged many comparator countries. Even in the UK's most productive sectors like production and finance there is a substantial gap with other countries. In 2014 production in Germany was 17% more productive than in the UK and finance was 18% more productive in Italy.

There are a wide range of reasons for lower productivity in the UK, and these vary by sector and area. Key common themes include innovation, investment and skills.[2]

Figure 3: Productivity by sector, euros per hour worked, 2014

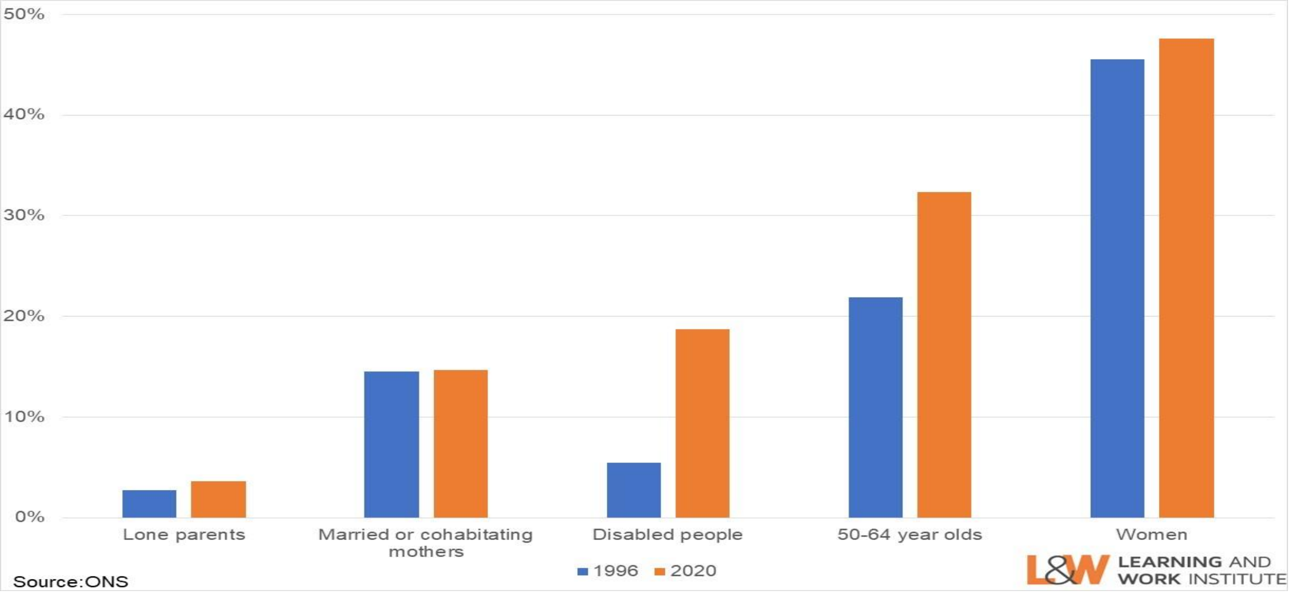


An increasingly diverse workforce

The UK workforce has become more diverse over time, with women, mothers, people from ethnic minorities, and disabled people all accounting for a larger share of employment over time. For example, almost one in five people in work has a disability or work-limiting health problem; and one in three workers is aged 50-64, up from one in five in 1996.

[2] Time for action: learning and skills for economic growth and social justice, L&W, 2019. https://learningandwork.org.uk/resources/research-and-reports/time-for-action-learning-and-skills-for-economic-growth-and-social-justice/

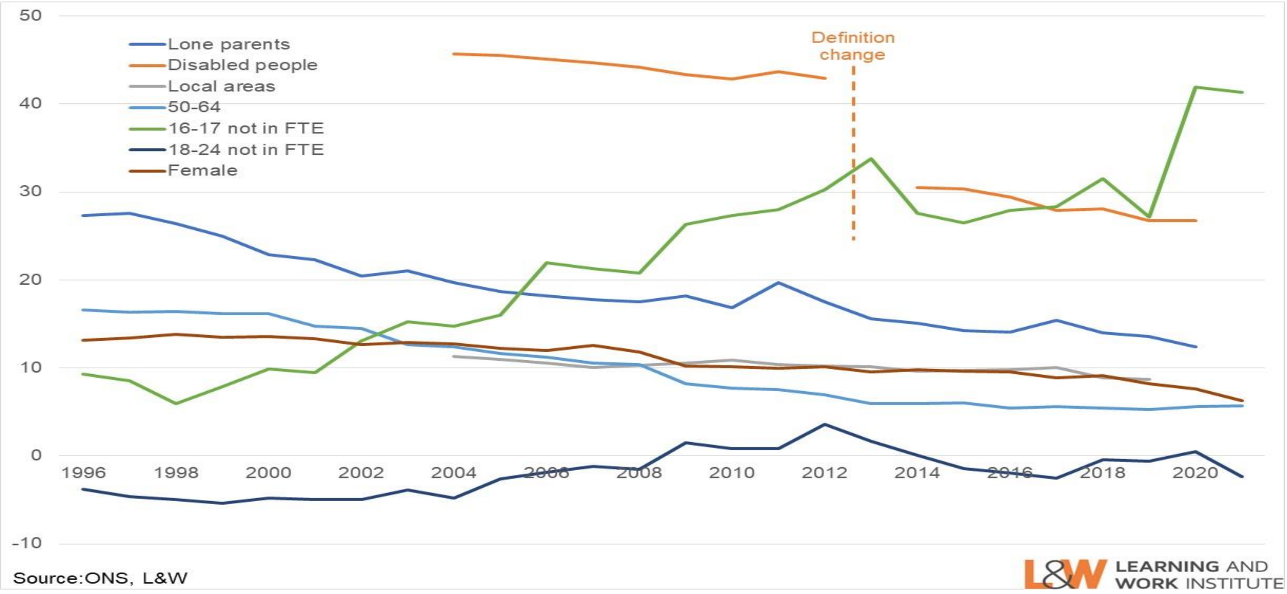
Figure 4: Share of UK employment by group, per cent



These trends are likely to continue, meaning an increasingly diverse and older workforce for the decades ahead. It will also be increasingly important that employers ensure patterns and types of work are inclusive so they can make the most of all available talent.

There has also been a general reduction in employment rate gaps between many groups.[3] The female employment rate gap has almost halved since 1996, part of a longer trend that has seen it fall from 39 percentage points in 1971 to 6 percentage points in 2021. The disability employment rate gap has also reduced, though remains large. The gap between the 25 lowest employment Local Authorities and the rest fell by one quarter 2004-20.

Figure 5: Employment rate gaps, percentage points



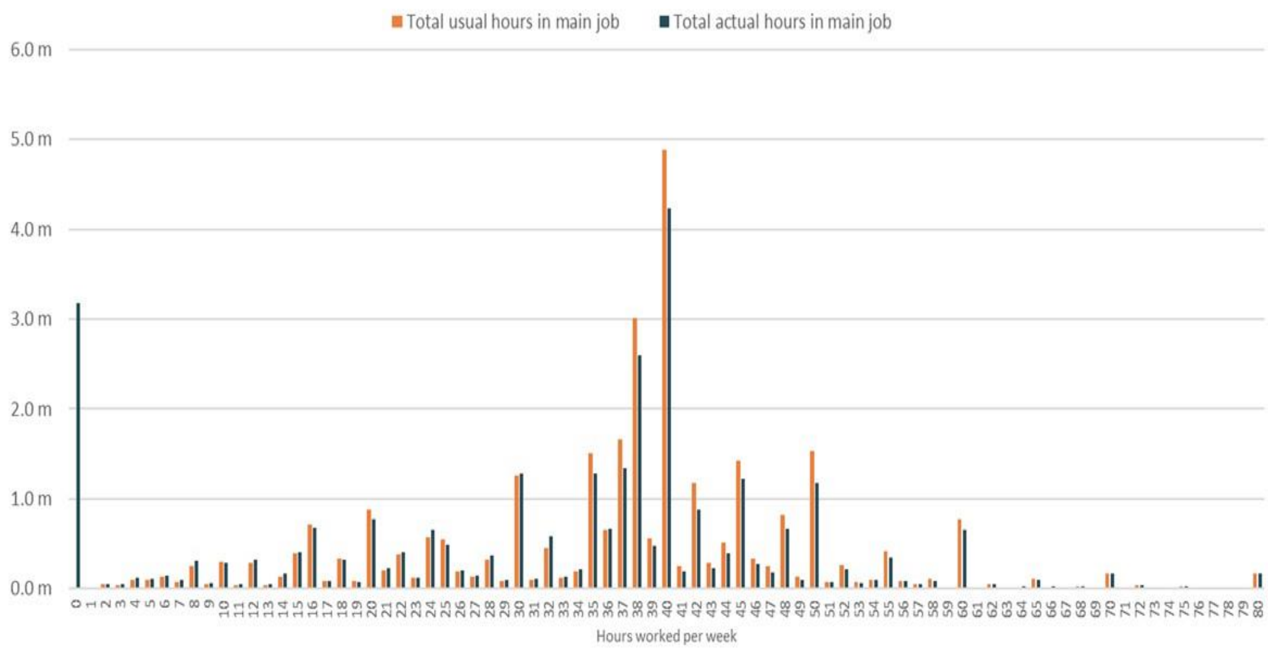
[3] Defined as the employment rate for that group minus the employment rate for all other people.

There are, of course, exceptions and many gaps remain sizable. For example, an increasing proportion of 16-17 year olds are in full-time education but the employment rates of those who are not has declined significantly to leave a large gap compared to the population as a whole. But the overall picture is of general reductions in employment rate gaps for many groups.

Diverse working patterns and flexibility

The UK labour market is characterised by significant diversity and flexibility in working patterns. Most people do not work a stereotypical Monday-Friday 9-5 job. This can be seen by looking at the usual and actual hours people worked before the pandemic. Around one third of people in work (c.11 million) worked 35-40 hours, while 40% (12.4 million) worked fewer than 35 hours.

Figure 6: Actual and usual hours workers per week, 2019



Other forms of diversity in the UK labour market include a relatively substantial and growing proportion of people who are self-employed. Around one in five people were self-employed in 2019 and this is more prominent in sectors like construction and arts, entertainment and recreation, though all sectors have seen rises in recent decades.[4]

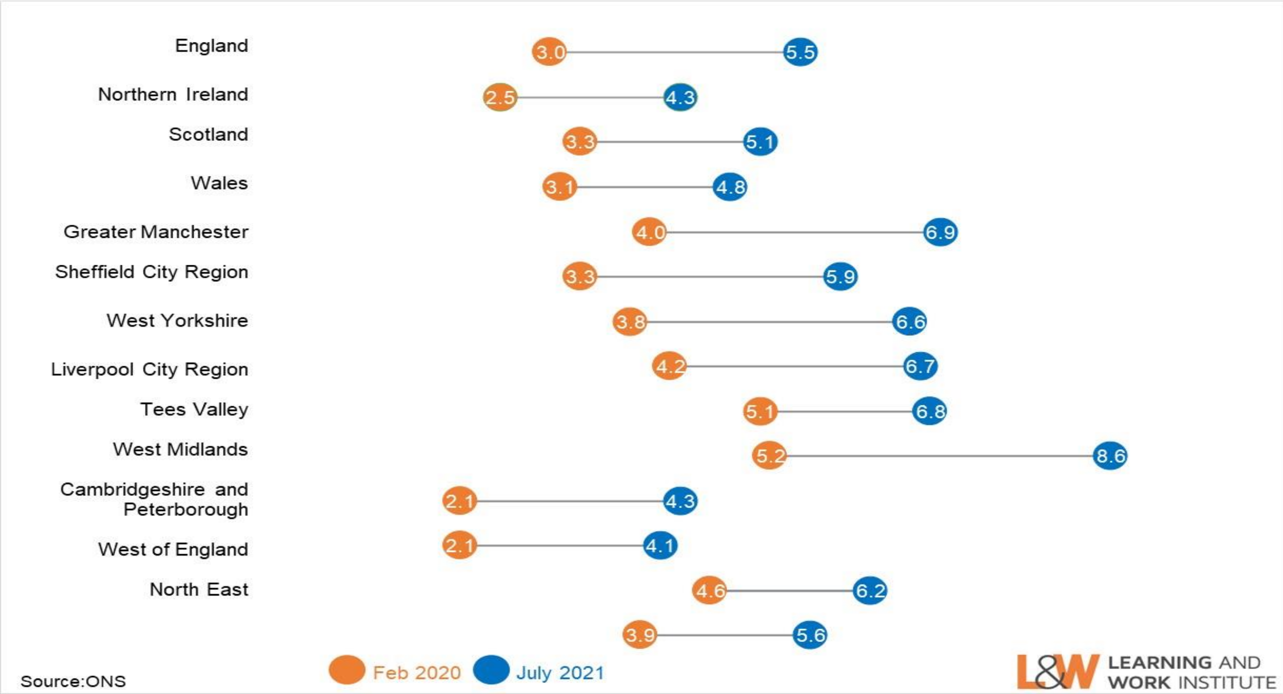
This diversity can help to widen employment opportunity, by increasing the chances that people will be able to find an employment opportunity that fits with their personal circumstances. However, in recent years concerns have grown that flexibility can sometimes be a one way street in favour of employers, particularly as trade union membership has declined (though with some increases in recent years).

[4] Tomorrow's world: future of the labour market, Youth Commission report 3, L&W, 2019. https://learningandwork.org.uk/resources/research-and-reports/tomorrows-world-future-of-the-labour-market/

Variations across the country

The UK employment rate was high before the pandemic but varied significantly, with pockets of high worklessness in most regions and areas of the country. Sectoral and occupational patterns of employment varied significantly too, with cities like London more reliant on commuters and tourism driving demand for retail and hospitality businesses.

Figure 7: Proportion of people claiming unemployment-related benefits



This means the context, challenges and opportunities for employment will vary significantly too. For example, a continued shift away from high street shopping would mean a decline in retail employment opportunities with the potential for new employment opportunities as a result of regeneration and other employment-generating investment.

Looking ahead: tectonic shifts

Fundamental economic and social forces will lead to continued change in our economy and labour market, including:

- **Demography.** Long-term increases in life expectancy mean many young people will have 50 year careers, needing to switch careers and update their skills more often. An aging population will also mean a higher proportion of older people in the workforce, with an extra 2.7 million over 60s by 2030 compared to 2018. The workforce is likely to also continue to become more diverse, with an increased number of people with health problems and disabilities.
- **Global economic change.** Advances in technology are likely to continue to have profound effects, changing the way some jobs are done, removing the need for some jobs, creating new ones, and changing ways of working. The shift to net zero will also have significant implications for jobs and skills demand.

- **Brexit.** The UK's trading relationship with EU countries and the rest of the world has changed significantly. This will lead to uncertain changes in the scale and nature of our international trade and position in global supply chains, which are likely to most affect sectors and parts of the country with greater dependence on international trade. The changes in immigration rules, including the ending of free movement with EU countries, are also likely to lead to changes in the available labour force. Again, this is likely to have larger effects in sectors and areas of the country that have seen the highest prevalence of workers from other countries.

Our policy choices can help shape the impact of these forces and aim for them to lead to increased and shared prosperity. The collective impact of these forces is uncertain, but our Youth Commission identified some likely implications:[5]

- Participation in the labour market is likely to widen across a broader range of groups
- There will be further growth in higher occupations and sectors such as health and social care, with the nature of work changing across most roles
- Greater opportunity to work flexibly, but with policy determining whether this benefits people as well as employers
- Need for adaptability and flexibility as longer working lives and economic change increase the need for people to update their skills and change careers.

[5] Tomorrow's world: future of the labour market, Youth Commission report 3, L&W, 2019.

Step change: the impact of the pandemic

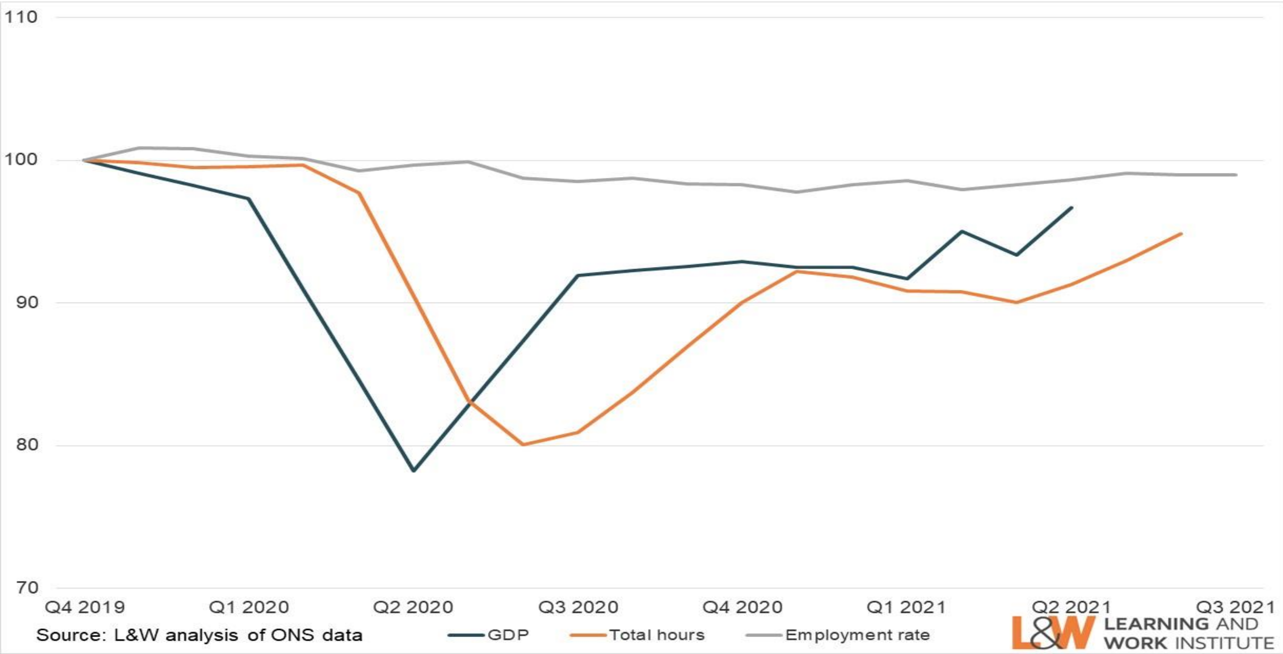
Key findings

- **The furlough scheme protected many jobs such that the labour market impact of the pandemic was seen more in hours worked. Pre-existing labour market inequalities were exacerbated and changes in sectoral patterns of employment have also accelerated.**
- **As a result of the pandemic, many employees and business experienced shifts in where, when and how they work, creating a step change in flexible and remote working.**
- **Employees report working more hours and more intensively, while employers found it more difficult to recruit, engage and train staff. Nonetheless flexible and remote working continued to be valued by both employees and employers.**

The impact of the pandemic on the labour market

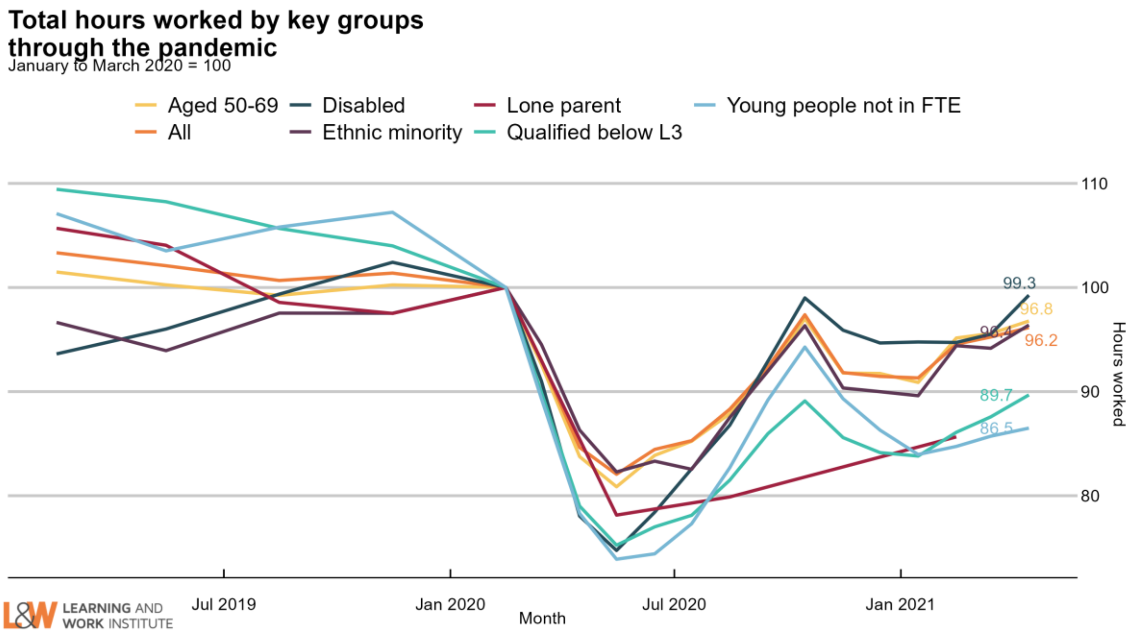
The first lockdown in Spring 2020 saw a substantial rise in unemployment and a ten-fold increase in Universal Credit claims. Since then, as a result of the furlough scheme, the labour market adjusted more through hours worked than by changes in employment.

Figure 8: Economy and labour market, Dec-Feb 2020 = 100



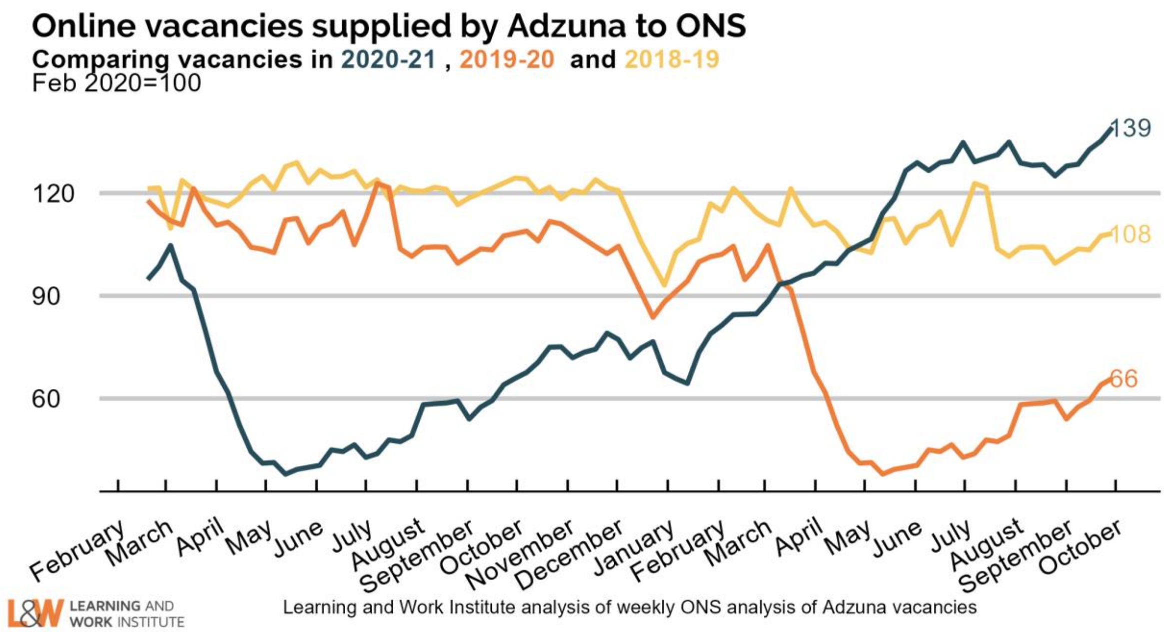
The impact on the labour market has not been evenly spread. Sectors most affected by lockdown and social distancing restrictions, such as hospitality and leisure, were hit hardest, with serious consequences for the people who work in them and for the parts of the country most dependent upon them. In general, the labour market fall-out has served to exacerbate pre-existing inequalities.

Figure 9: Total hours worked by key groups throughout the pandemic



The good news is that the labour market is now showing strong signs of recovery. Employment is rising and there are record numbers of vacancies. Vacancies are above pre-pandemic levels in all sectors and areas of the country, but particularly high in retail, hospitality and health and social care. We are also seeing employment grow for groups, such as young people, who saw the biggets falls in employment.

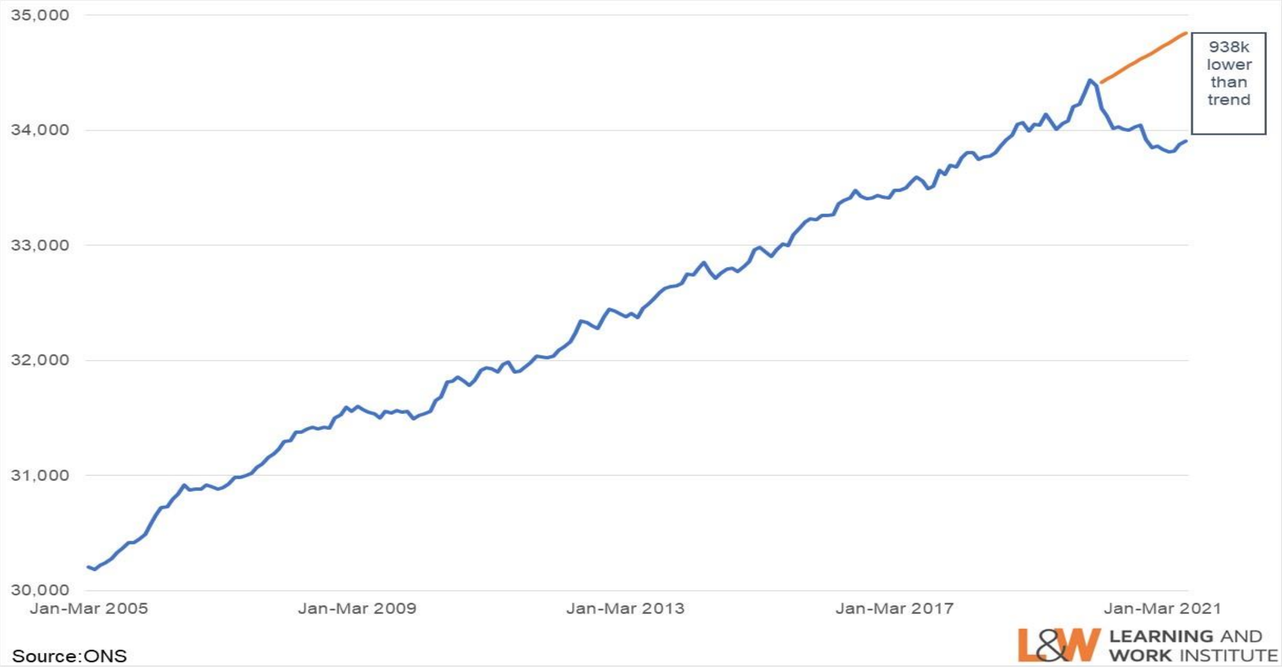
Figure 10: Online vacancies supplied by Adzuna to ONS, Feb 2020=100



The question is, to what extent do record vacancies reflect a booming economy and employers creating new jobs, or does it more reflect a shortage of workers?

It is likely a mix of both. The ONS estimates the working-age population has grown less quickly than expected before the pandemic, in part as some migrants moved to their original country and have not returned as yet. In addition, the economic activity rate has fallen as fewer people look for work. If pre-pandemic trends had continued, there would be 938,000 more people economically active. This is a combination of the working-age population being 300,000 lower than on previous trends, and 600,000 people due to a lower economic activity rate. An increased population creates economic demand as well as increased labour supply, so it is the fall in economic activity rates that are most crucial.

Figure 11: Growth in economic activity, thousands



Source:ONS

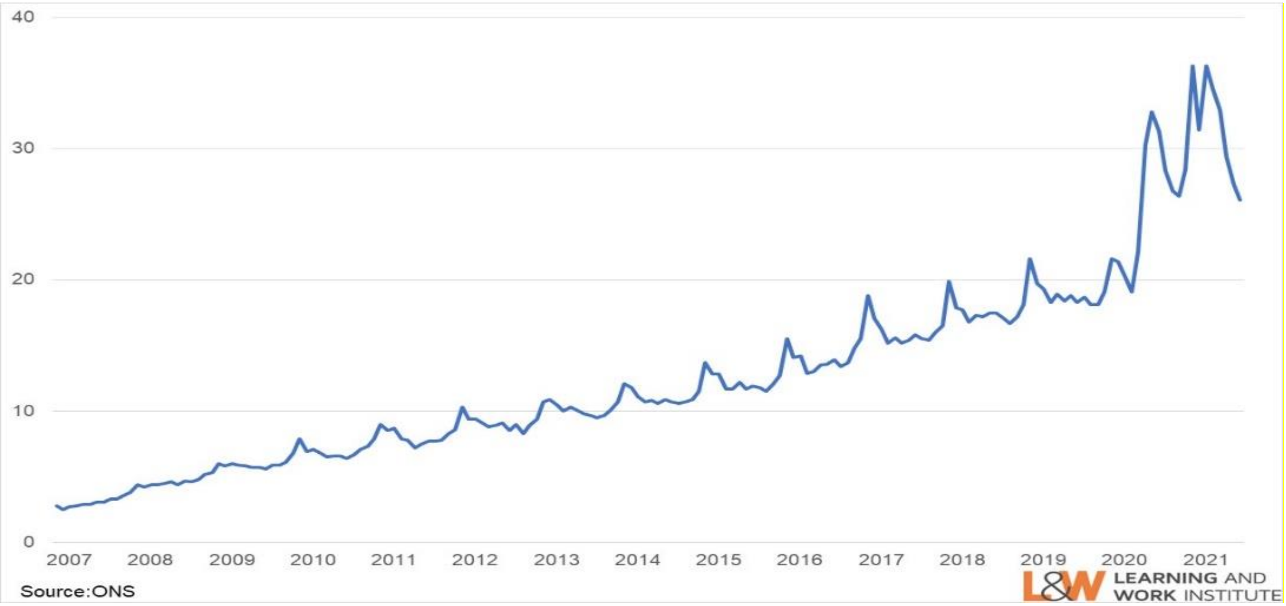
In some cases there is a skills or geographical mismatch between potential workers and vacancies, e.g. HGV drivers. In other cases, we need more employment support for people who are not looking for work but who want a job. There are around 1.5 million people who are unemployed, but a further 1.7 million (largely people with health problems and disabilities or caring responsibilities) who are economically inactive but say they want a job.

Overall, there are 650,000 fewer people in employment than before the pandemic and 3.2 million people who are out-of-work but want a job. This suggests substantial scope to increase employment with greater employment support and skills and retraining support.

In addition, there was a record high net flow of people moving from unemployment to employment between Jan-March 2021 and April-June 2021. Even at the height of the crisis, many people started new jobs – during the first lockdown around 1.5m people found work or changed jobs.[6]

In part these patterns reflect the reopening of the economy, but also some continuaton or acceleration of pre-pandemic trends, such as falling high street shopping and rise of online shopping. These shifts will continue to influence levels and patterns of employment.

Figure 12: Internet sales as a proportion of total retail sales



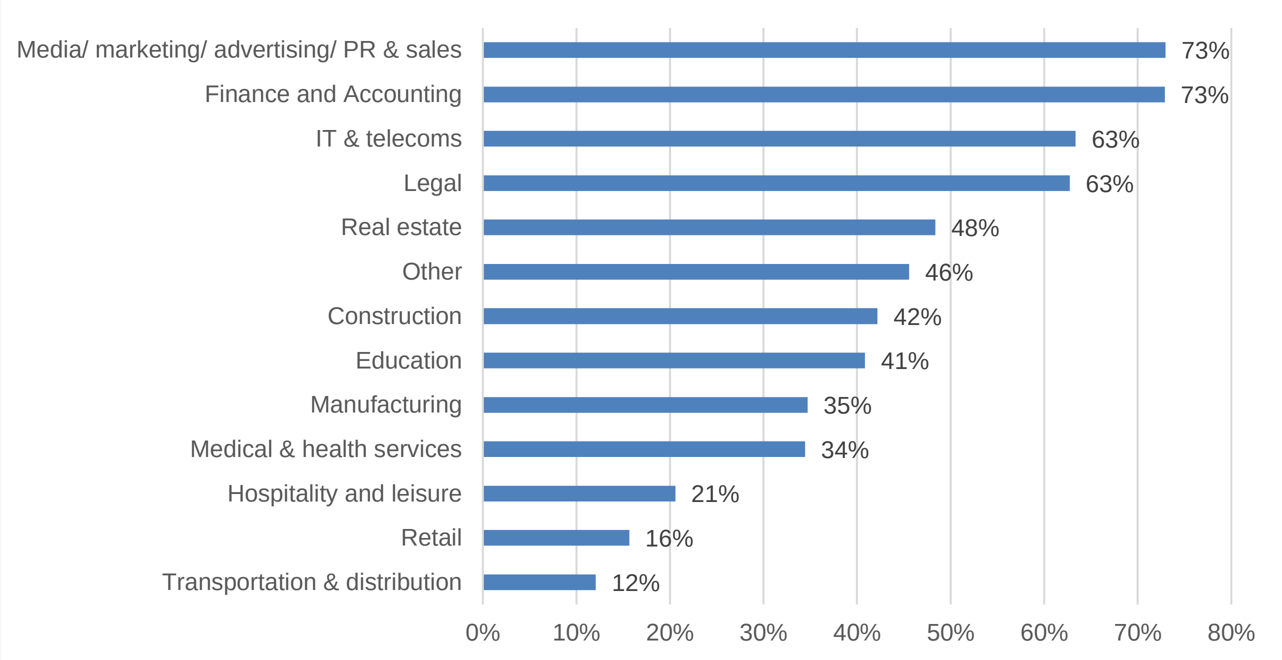
The impact of the pandemic on ways of working: employees

The labour market impact of the pandemic has not solely been restricted to the availability of work, but also to where, when and how we work. New polling of 1,000 employees commissioned for this report suggests that 45% of employees worked remotely more often during the pandemic, 27% have been furloughed (either fully, partially or both), and 13% have worked fewer hours. In addition, 4% of respondents were made redundant and 11% started a new job. Just one quarter (25%) experienced none of these changes.

The nature of this impact was heavily influenced by sector: nearly three quarters of survey respondents working in media, marketing and sales and in finance and accounting reported working remotely more often during the pandemic, as have almost two-thirds of those in IT and telecoms and the legal sector. Just under one half of those working in construction, education and manufacturing, and around one third of those in manufacturing and health spent more time working remotely.

[6] Evans, S. and Clayon, N. (2021) One Year On: the labour market impacts of coronavirus and the priorities for the year ahead https://learningandwork.org.uk/resources/research-and-reports/one-year-on-2/

Figure 13: Employees working remotely more frequently, by sector

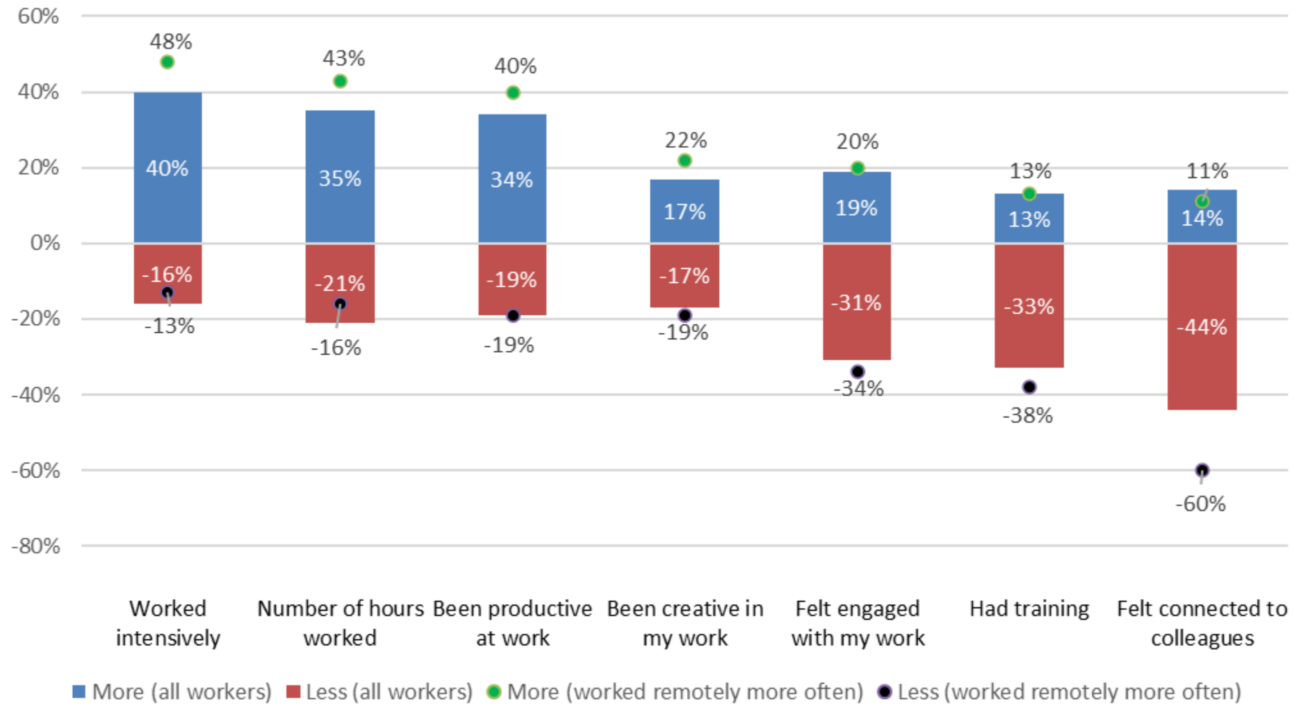


The pandemic also impacted people's experience of work in other ways. In our polling, 40% of employees said that during the pandemic they worked more intensively, 35% said that they worked more hours and 34% said they were more productive at work. In addition, 31% said that they feel less engaged with work, 33% have had less access to training and 44% feel less well connected to colleagues.

Not everyone's experience has been the same. One in five workers said that they worked fewer hours (21%) or been less productive (19%), while one in six (16%) said that they were less productive. For some workers, the pandemic has brough greater engagement with their work (19%), connection with their colleagues (14%) and greater access to training (14%).

Those who worked remotely more often during the pandemic were more likely to report working more intensively, working more hours and being more productive at work. Three-fifths however said that they felt less connected to their colleagues, as a result.

Figure 14: Impact of pandemic on experience of work, comparison of all workers with those working remotely more often



Retail workers were more likely to say that they worked more intensively and were more productive, possibly reflecting the increased demands and pressures on this sector. They also reported feeling more engaged with their work and better connected to colleagues. Those working in hospitality and leisure tended to report working fewer hours, less intensively and being less productive, likely related to the shutdowns and furlough use. They also felt less engaged in their work, connected to colleagues and creative at work.

Women were more likely than men to report having worked more intensively and been more productive, while feeling less connected to colleagues and less creative. In part, this reflects the sectors in which women are most likely to work, but is also likely to have been affected by factors including homeschooling and caring responsibilities.

Workers under 35 also reported working more hours, more intensively and being more productive. However, just over half of these younger workers (54%) reported feeling less connected to their colleagues.

The impact of the pandemic on ways of working: employers

We also polled employers about the changes they've made as a result of the pandemic. In our survey of more than 1,000 businesses, 55% now have *more staff* working remotely and 38% said staff are spending *more time* working remotely. Half (50%) were making greater use of technology within the business, while one in eight (12%) have automated some of their processes and roles.

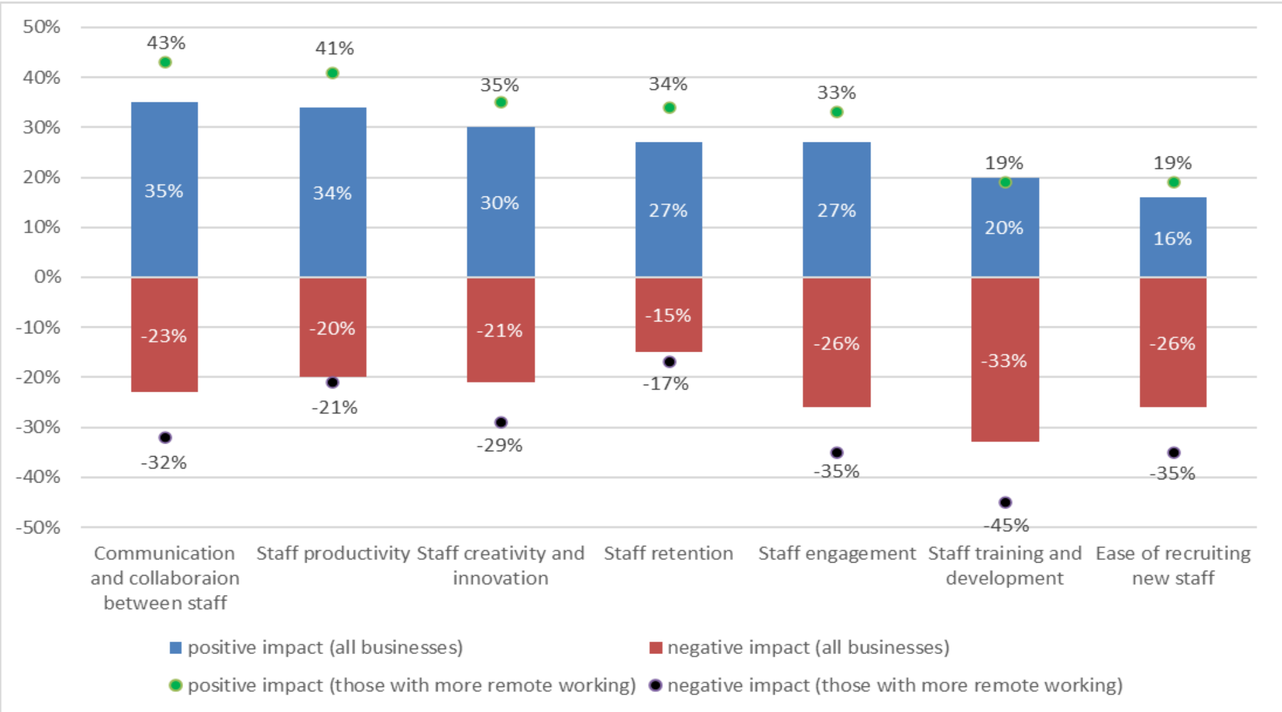
Employers in finance and accounting and IT and telecoms were most likely to report both greater use of remote working and increased automation and use of technology. In reality these two changes are likely to be strongly linked, with each facilitating the other.

The impact of these changes on how well businesses are able to operate has been variable, with positive impacts seen particularly in relation to staff communication and collaboration (35%), productivity (34%), and creativity and innovation (30%). One third of businesses reported changes had a negative impact on training and development, while one quarter reported a negative impact on staff engagement (26%) and recruitment (26%).

Two fifths of employers experiencing more remote working saw an increase in communication/collaboration between staff and improvements in productivity. However these businesses were also more likely to have experienced difficulties in recruiting and engaging staff and in delivering training and development.

Overall, the survey shows challenges to remote working but also that many employers and employees have found that there are also significant benefits to be had.

Figure 15: Impact of pandemic-related changes to ways of working on business effectiveness



Businesses in health, finance and IT were more likely to report positive impacts around ease of recruitment, staff engagement and communication, and improved productivity. Health sector employers also reported positive impacts on creativity and innovation and on training and development. Other sectors were more likely to experience negative impacts: there were greater difficulties for manufacturing and hospitality employers in recruiting and engaging staff; and for construction employers in delivering training.

Where next?

Key findings

- **sector switching has been lower since the last recession then before it, but many people, particularly in retail and hospitality, are interested in changing career**
- **most employers and employees expect an increase in remote working compared to before the pandemic, but this varies by sector**
- **most employers expect to need a little less office space, with the largest falls in London and in IT and finance, but that the death of the office has likely been greatly exaggerated for most**

There is considerable uncertainty about what the immediate and longer-term future hold. This includes uncertainty about the virus, the impact of the longer-term, pre-pandemic trends described in previous chapters, and the extent to which shifts during the pandemic will be fully or partly sustained, or whether we will return to ‘business as usual’.

To help inform this debate and shape potential policy options, we have developed new analysis and commissioned new polling looking at three big questions.

1. Will more people need to change sectors?

The labour market is characterised by large numbers of people moving in and out of work and changing jobs each month. Even during the spring 2020 lockdown, around 1.5 million people either moved into work or changed jobs. This includes changing sectors or occupations, whether such moves require training (before or after the move) or not.

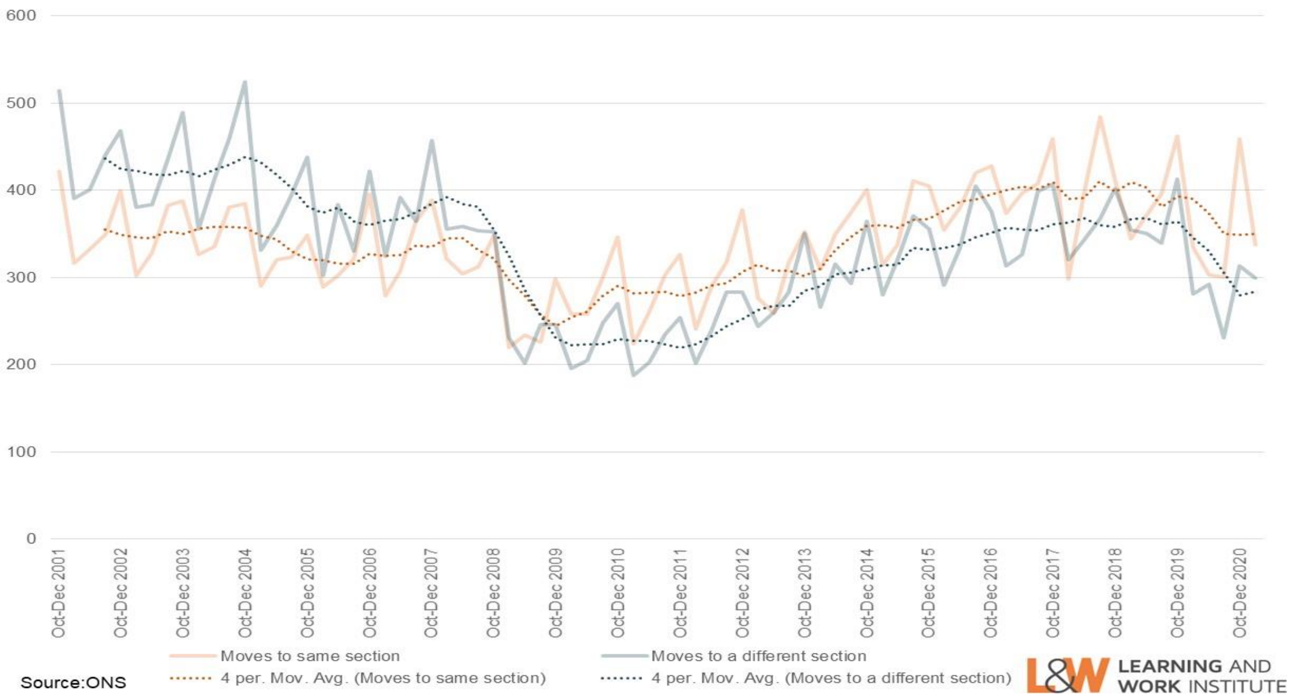
As previous chapters have shown, structural change is likely to continue and, when combined with longer working lives, is likely to mean people needing to change jobs or careers more often in total. It is not certain whether the pandemic has accelerated this. For example, some have hypothesised that the existing trend toward online shopping has been shocked upwards, meaning a permanently reduced demand for high street shopping. This would accelerate the decline in retail employment, but potentially increase demand for warehouse and logistics jobs to support online shopping.

Anecdotally, some sectors, like hospitality, are finding it harder to fill their vacancies than others. If employers respond by reaching out to other available workers, or increase training or pay and conditions, this could mean more people want to switch to this sector.

New analysis for this report shows that the number of ‘sector switchers’ fell after the last recession and only partially recovered before falling again during the pandemic. The number of people moving to another job in the same sector fell following the last recession but subsequently recovered back to its pre-recession level of around 350-400,000 per quarter and only fell slightly during the pandemic.

By contrast, the number of people switching sectors remained about 20% below their pre-recession levels and fell again during the pandemic. It is now about one third lower than numbers during the early 2000s. The current data is far from the picture of job hopping, portfolio career often painted.

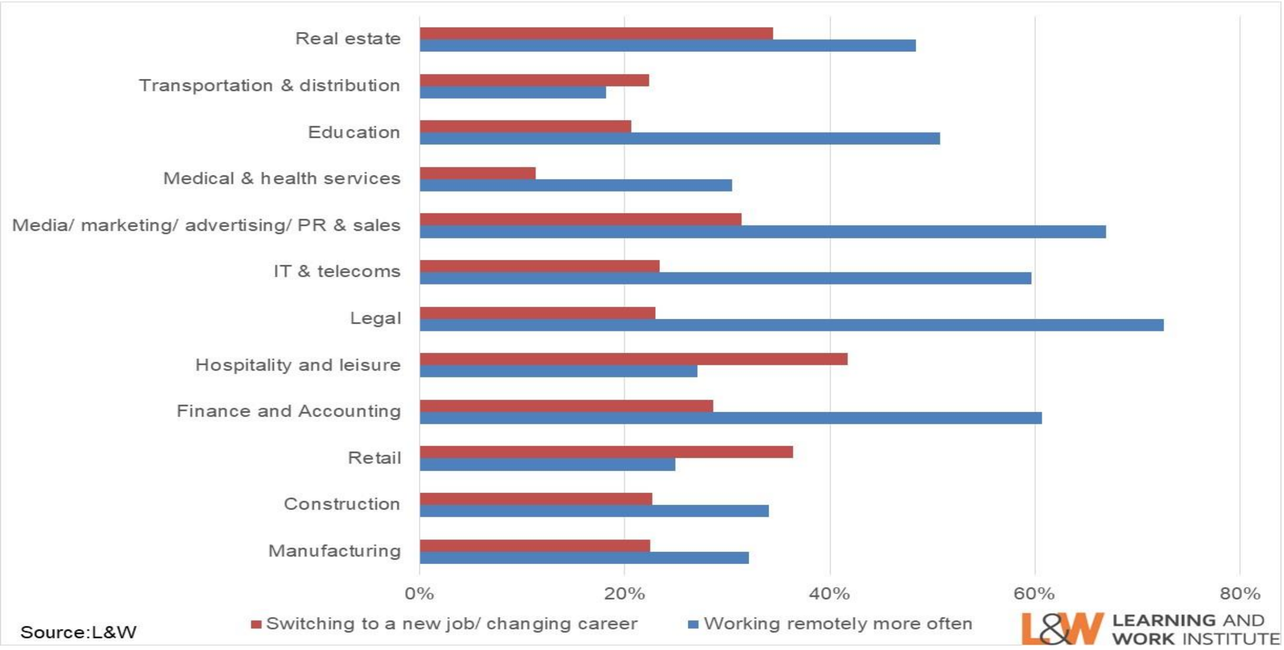
Figure 16: Job to job moves by sector each quarter, thousands



It may be that the numbers of people changing jobs, including the number of sector switchers, increases as the economy recovers, the impact of the removal of restrictions feeds through, and the furlough scheme (which has protected jobs by encouraging people to remain in their current role) ends.

New polling commissioned for this report suggests that more than one in four (28%) of employees would consider switching jobs or careers after the pandemic. This varies significantly by sector. For example, 42% of people in hospitality and 36% of people in retail said they were interested in switching jobs or careers after the pandemic, compared to 23% of those working in legal or IT and telecoms. These differences may reflect the impacts of the pandemic (which has hit sectors like retail and hospitality hardest) but may also reflect pre-pandemic patterns with the same sectors generally characterised by high labour turnover.

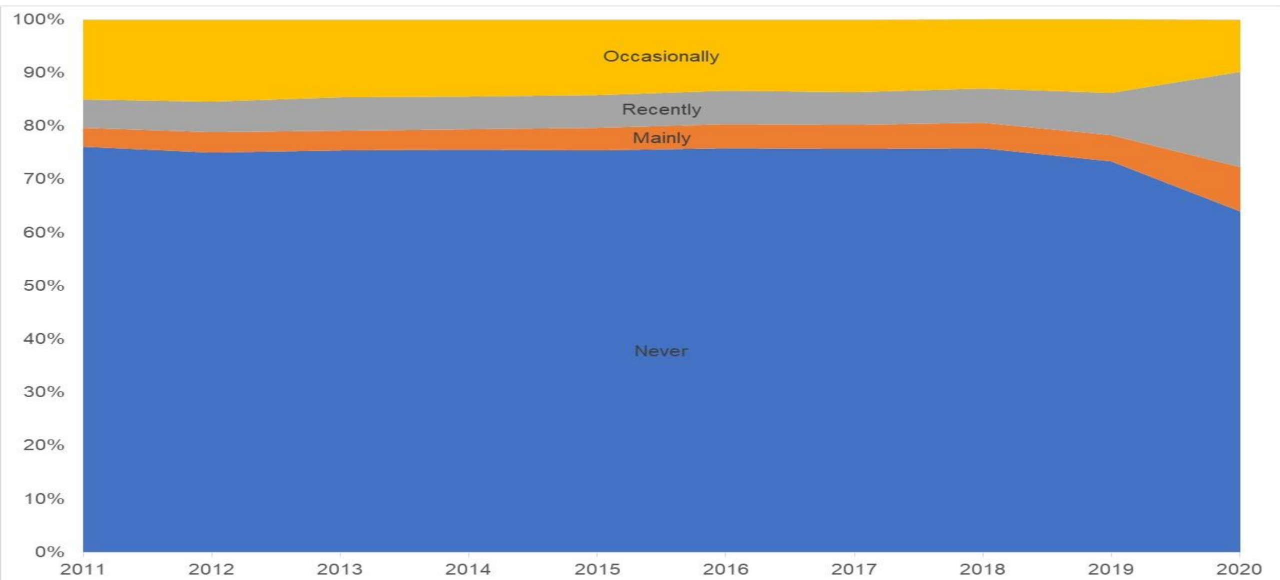
Figure 17: Proportion of employees interested in switching jobs or careers or in working remotely more often by sector currently employed in



2. Is increased flexible and remote working here to stay?

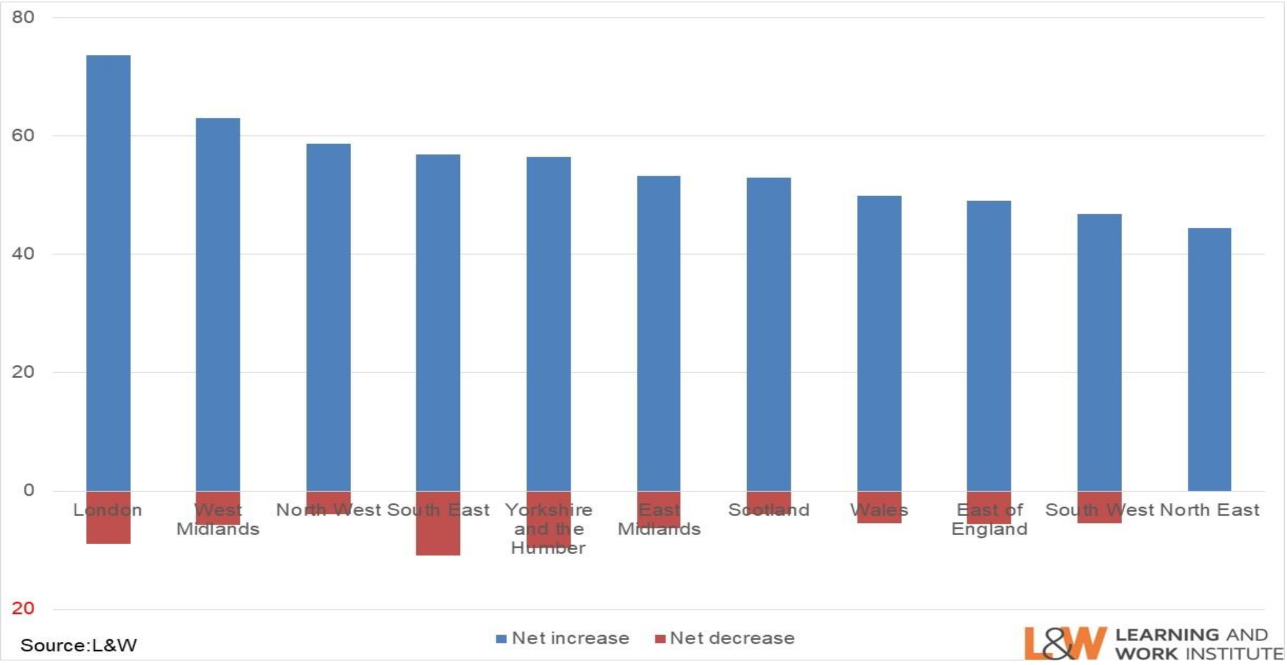
The proportion of people working from home either some or all of the time had been increasing gradually over time, before the pandemic led to a huge step change. Having grown by an average three percentage points per year in the prior decade, 2020 saw a 32 percentage point increase in the proportion of people working from home some or all of the time. This is a decade's worth of growth in one year. However, even during the pandemic most people did not work from home and the ability to do so varies hugely by sector, occupation, socioeconomic group etc.

Figure 18: Proportion of people working from home



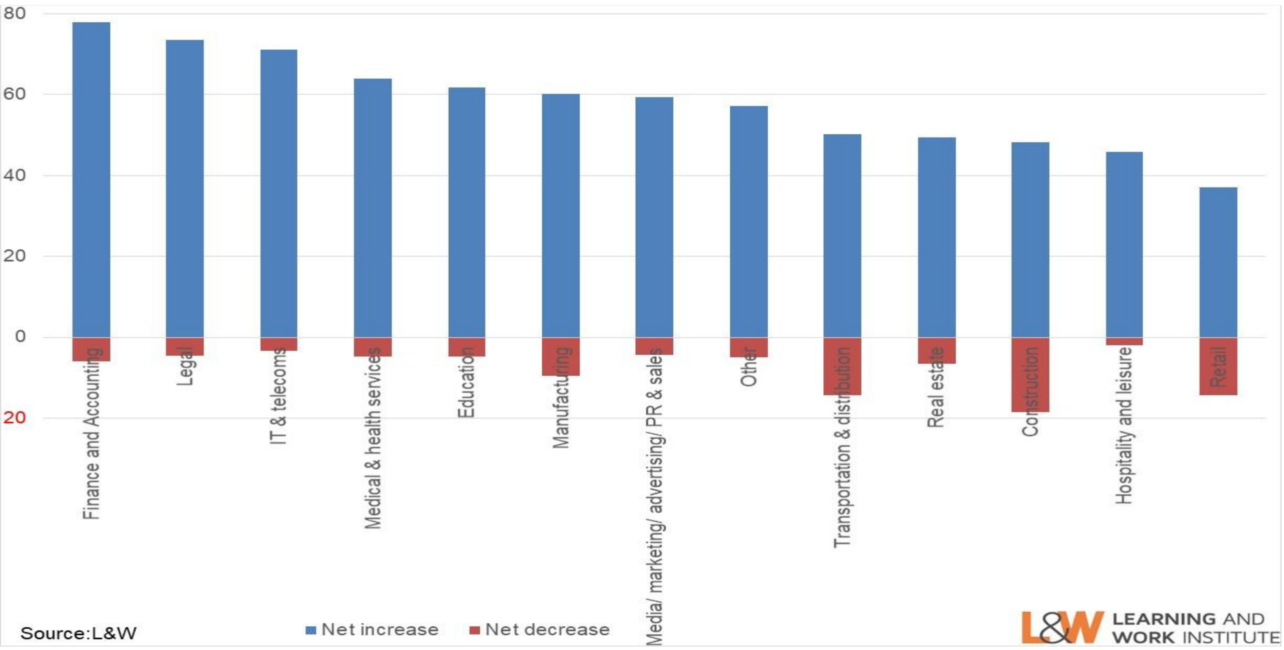
New polling for this report shows most employers in each region and country of the UK expect greater use of remote working after the pandemic compared to before.

Figure 19: Proportion of employers saying remote working will increase or decrease after the pandemic by region



This result holds across all sectors, but with some significant variations. The proportion of employers expecting ongoing increased use of remote working is more than double in finance and accounting (78%) than in retail (37%).

Figure 20: Proportion of employers saying remote working will increase or decrease after the pandemic by sector



Some of these differences are fairly self-explanatory given the nature of some sectors (e.g. reliance on face-to-face customers), others suggest potential change (e.g. the high proportion of medical and health service and education employers expecting increased remote working may suggest a change in some delivery models in those sectors, such as increased online delivery).

3. What impact might these changes have across the country?

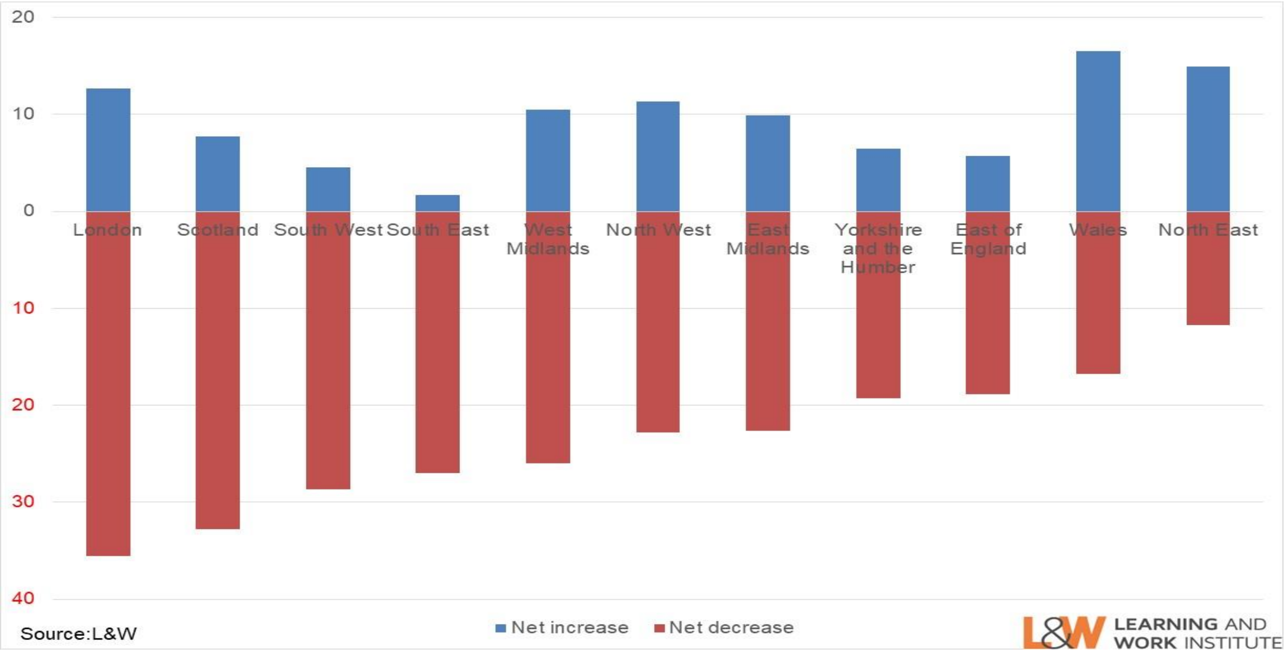
The increased prevalence of remote working and increases in online shopping have led some to suggest a significant decline in town and city centres and, at the least, a need to find a new purpose for parts of these economies. Others argue that we should encourage people to return to the office and pre-pandemic patterns of work, both (they argue) for the benefit of employees and businesses that rely on commuters.

In practice, employers and people will take their own decisions as they always have. It is clear from the preceding analysis that both employers and employees expect an increased use of remote working. However, this does not mean the end of the office or the end of the town and city centre economy. Both because the number of employers exploring hybrid ways of working suggests a reduction in office workers or changing patterns of office work rather than their end, and because local economies usually find ways to adapt.

New polling for this report suggests employers expect to reduce their demand for premises including office space after the pandemic. One quarter of employers (27%) expect to reduce their premises, but 9% expect to increase it. This is likely a combination of employers being tied to long leases, uncertainty about what remote and hybrid working will look like, and the fact that hybrid working still requires substantial office space if you want employees to spend their office-based time together.

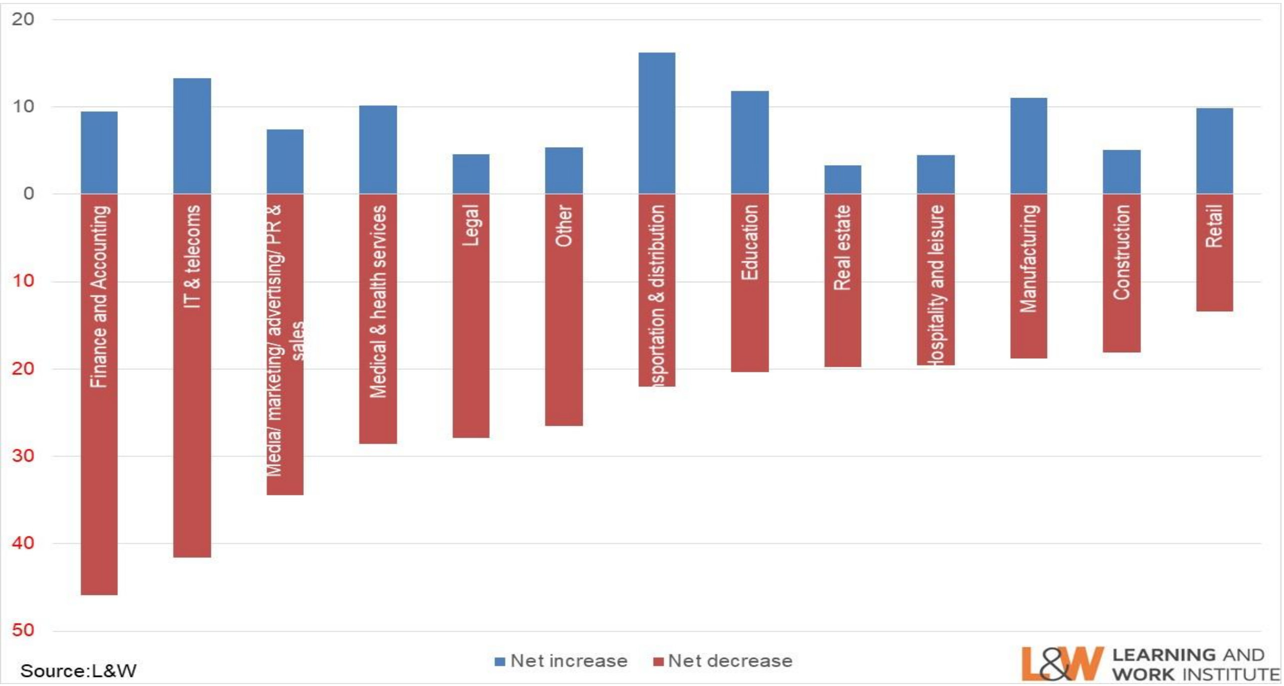
The largest expected falls in need for premises are London (36%) likely reflecting the nature of London’s economy, with higher proportions of professional jobs that were previously office-based but switched more to remote working during the pandemic.

Figure 21: Proportion of employers expecting to change amount of office space/premises after the pandemic by region



As with remote working, expectations of changed need for premises vary significantly by sector. Almost half (46%) of finance and accounting employers and 42% of IT and telecoms employers expect to reduce their office space after the pandemic. Most expect to do so by a little rather than a lot again likely reflecting lease terms and uncertainty about the impact of hybrid working arrangements.

Figure 22: Proportion of employers expecting to change amount of office space/premises after the pandemic by sector



Recommendations

This chapter identifies five priority areas for policy to focus on to help people and employers manage the uncertainties ahead and make the most of the opportunities.

1. Extending flexible working

There is clear evidence of an increased demand for flexible and remote working from both employers and employees. Much of this will evolve naturally as employers work with their staff to develop ways of working, building on lessons learned during the pandemic. However, the hybrid ways of working many businesses are now considering are new to many and may be complex to develop.

The Government and local authorities should consider how best to provide support to businesses. This could be through a combination of a **Flexible Working Hub**, gathering best practice and allowing businesses to speak directly to each other online, and dissemination of resources including through chambers of commerce, accountants, legal advisers, and colleges and training providers.

The **right to request flexible working should be extended to all employees from day one of employment**, with an information and awareness campaign led by employer representative groups, trades unions, and national and local government. All employees have the right to request flexible working once they have worked for their employer for 26 weeks. The employer must handle the request in a reasonable manner and can refuse the request if there is a good business reason to do so. The 2019 Conservative manifesto pledged to consult on extending this right to request to day one of employment, and Labour has made a similar commitment.

2. Growing good quality local jobs

There are significant inequalities in prosperity across the country. Narrowing these has been a priority for successive governments, articulated by the current government as part of 'levelling up'. This is, of course, easier to say than do. It is likely to require locally-led action to join up regeneration, investment and employment and skills support. If the pandemic has accelerated structural change, then that also accelerates the need to support the creation of good jobs and support people to find these jobs.

The Government should maintain a focus on **investing in infrastructure**, build requirements for training, apprenticeships, paying the living wage, and local recruitment into contracts for this, and **enable local leaders to join up** investment, regeneration, and employment and skills support in their areas. This could include linking the **Good Work Charters** many have introduced with coordination of employment and skills support and plans to regenerate areas and create new jobs.

3. Widening employment support

The Government's Plan for Jobs includes lots of measures to support those out of work to look for jobs. These include: Kickstart, funding jobs for young people at risk of long-term unemployment; Restart, employment support for long-term unemployed people; and JETS, supporting people who are short-term unemployed.

However, there is a clear need for further and sustained employment support. This includes to effectively match people with jobs in the short-term, given that vacancies are at record levels but long-term unemployment is up almost 50%, and to extend greater employment support to groups where there are significant employment gaps, such as disabled people. There are also groups of people, such as 16-17 year olds not in full-time education, who are out of work but not generally in receipt of benefits and so often miss out on employment support.

In addition, any expansion of flexible work opportunities has the potential to widen employment opportunity further – helping people currently excluded from the labour market to find work that suits them. But this will only happen if we engage with those out of work to agree a plan to look for work and provide support, including with skills, to match those out of work with employment opportunities.

The next stage of the Plan for Jobs should ensure **active support for all those that are out of work**, with a particular focus on increasing opportunities for people with lower employment rates such as **disabled people and young people not on benefits**.

4. Improving retraining support

Levels of sector switching are lower than before the last recession but are likely to need to rise because of the pandemic and longer-term shifts including longer working lives. Support is available, including apprenticeships, the Lifetime Skills Guarantee which entitles adults in England to a free, first level 3 qualification, and Train and Progress which allows benefit claimants to train for up to 12 weeks (rather than eight previously).

However, we need to be more ambitious. This should include:

- Fast tracking those who are **out-of-work having spent a significant time on furlough** into available skills, retraining and jobsearch support
- **Extending the Lifetime Skills Guarantee** to include level 2, modules of learning where directly linked to job opportunities, and retraining at the same level of qualification
- Exploring the best approach to **helping people with living costs as they retrain**, including the option of providing greater support through Universal Credit particularly for those with longer work and contribution histories
- **Joining up** the best support that tailors training to specific vacancies with employers guaranteeing job interviews, such as through bootcamps and sector-based work academies

- **Introducing Learning Accounts** to increase individual choice and provide a mechanism for people, employers and the Government to co-invest in retraining and upskilling support.

5. Effective financial support and ensuring safe workplaces

The pandemic has highlighted that for many people their household finances are fragile. This is added to a pre-pandemic trend of rising relative poverty after years in which many working-age benefits were capped or frozen. Many households now face a double whammy of rising cost of living and the cut to Universal Credit. The Government should **resort the £20 uplift to Universal Credit** and look at other ways to increase incomes for the poorest households, including **raising the starting point for paying National Insurance contributions**.

Regardless of the path of the virus, the pandemic has shown how important sick pay is and highlighted gaps in that safety net. We should **review the generosity of and eligibility for Statutory Sick Pay** and other financial support for sickness and self-isolation.

There will be debates about whether employers should require employees or customers to be fully vaccinated, with the Government requiring that for staff in care homes because of the risks of not doing so for vulnerable people. Decisions about customers are, within the law, for businesses to make. For staff, employers have a duty to ensure a safe workplace and some may argue that requiring staff to be vaccinated increases everyone's safety. But this may not be judged a reasonable requirement depending on the circumstances (social care is different to an office, for example). Retaining social distancing measures could reduce the risks of virus transmission, but reduce the viability of some businesses.

This is, therefore, likely to be a matter for discussion between employers and employees and will depend on the individual setting. In the best businesses and where there is a strong union presence this will be exactly what happens. But there will be a minority of employers who don't take this approach. That is an argument for clear guidance, promoting compliance through business networks, and risk-based enforcement by the Health and Safety Executive.