

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

The effect of remote work on hospitality and retail



Theme:

The growth of remote work has the potential to change the labour market and macro-economic forces

Area of Focus:

Increases in remote working are sustained but. This affects the parts of the hospitality and retail sector that particularly relied on office spending.

Key Findings:

Working from home will be a permanent feature for many staff, but occupations with higher remote working rates before the pandemic expect to have higher remote working rates as the pandemic begins to ease. There is a difference between work that can be done from home and what will be done from home.

Large cities such as Birmingham and Leeds expect to see a large percentage of people working from home. There is evidence of 'doughnut' patterns, where those in city centers and in the outmost areas are most affected. The pattern reflects differences in affluence.

If more people are working from home, will their spending on hospitality, such as coffees and sandwiches, also move closer to home? There is unlikely to be a full transfer of spending as services may not be available in the localities where people live. The report estimates that there is a £3 billion, or 1.5% of 2019 spending, desired reallocation of retail and hospitality spending. This translates to around 77,000 retail and hospitality jobs that could be lost or relocated.

Some areas are expected to see job growth in Hospitality and retail, like Little Sutton & Roughley in Birmingham, while the city center is expected to see a dramatic loss. However, the estimated losses are uniformly bigger than any gains.

These changes will disproportionately affect already affluent neighborhoods. Areas with higher worker densities, like Birmingham, will see a decline in employment densities. This will reduce the need for office space.

Local Authority	Neighborhood	Spending change annual £'000s (2019-2022)	Employment change, number of jobs (2019-2022)	Change in R&H jobs (2019-2022)
Birmingham	Central	-24,077	-14,148	-721
Birmingham	North Central & Dartmouth Circus	-11,949	-7,302	-329
Birmingham	Little Sutton & Roughley	1,294	760	41
Coventry	Stivichall & Finham	1,194	723	34

Midlands Engine Impact:

- As can be seen by the extracts summarised in the table above, the Midlands Engine will have areas that benefit from job growth and suffer job decline. However, there are likely to be greater losses than gains.
- Large cities across the UK, and therefore the Midlands Engine, will see many people working from home which will fundamentally change the way transport, retail, hospitality and city centers work.
- The wealth inequalities between communities look set to increase due to the rise of homeworking. This risks entrenching disparities further and making the proper management and distribution of Levelling Up funds important.
- The change in space use (decline of offices and increase in retail space in suburbs) will change the look of cities.

Covid reallocation of spending: the effect of remote working on the retail and hospitality sector <https://eprints.whiterose.ac.uk/181190/>

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