

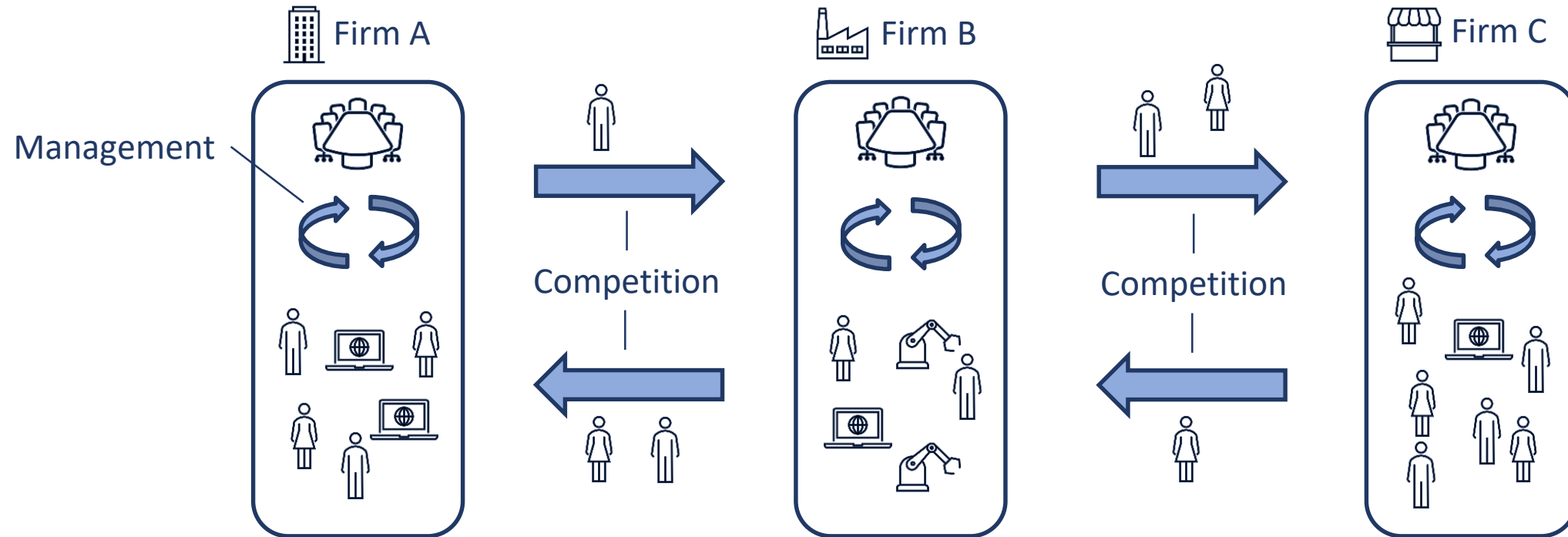
Upskilling, advanced work practices and productivity in a socially distant world

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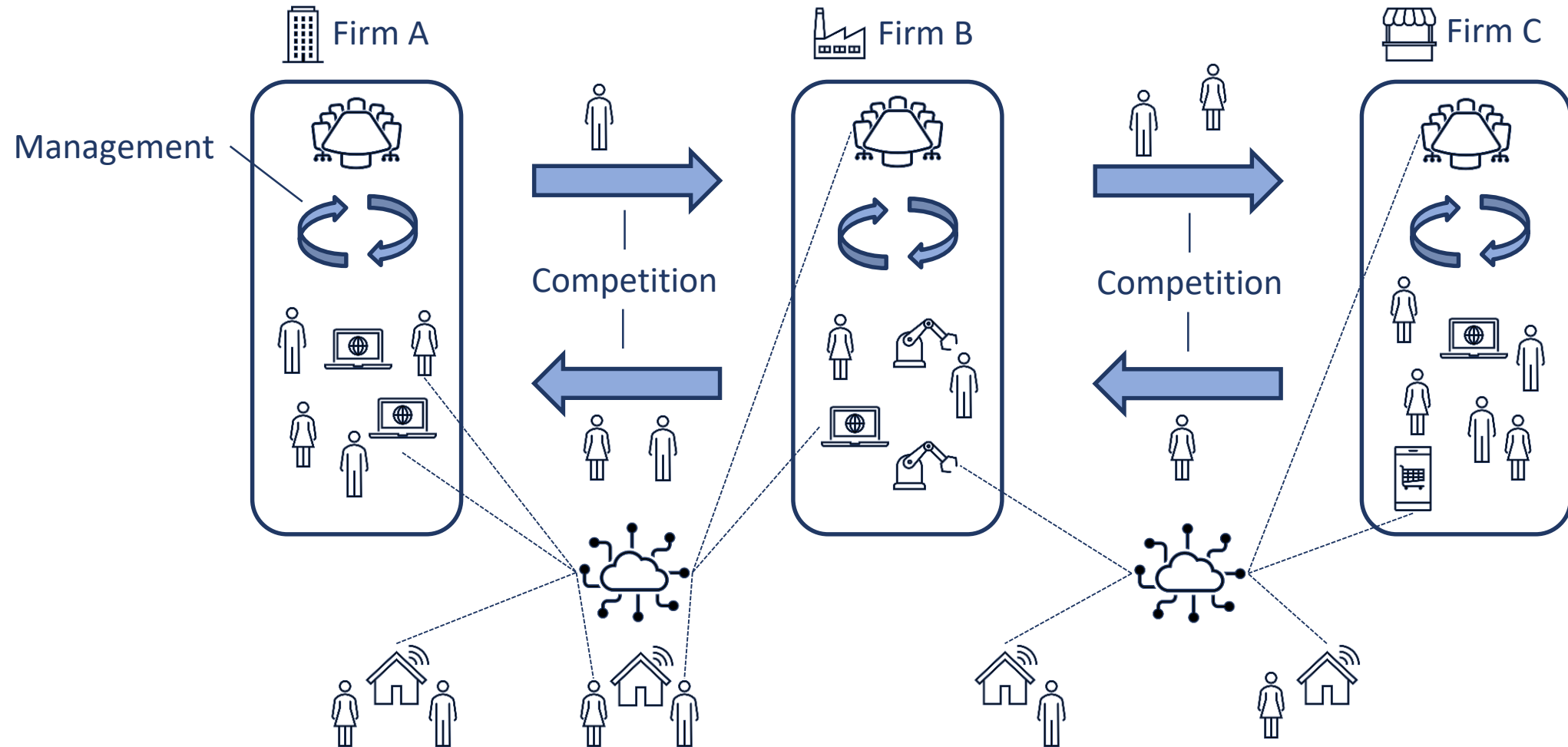
Department for
Business, Energy
& Industrial Strategy

Before Covid-19 we could simplify the world of work into some basic building blocks centred around business locations

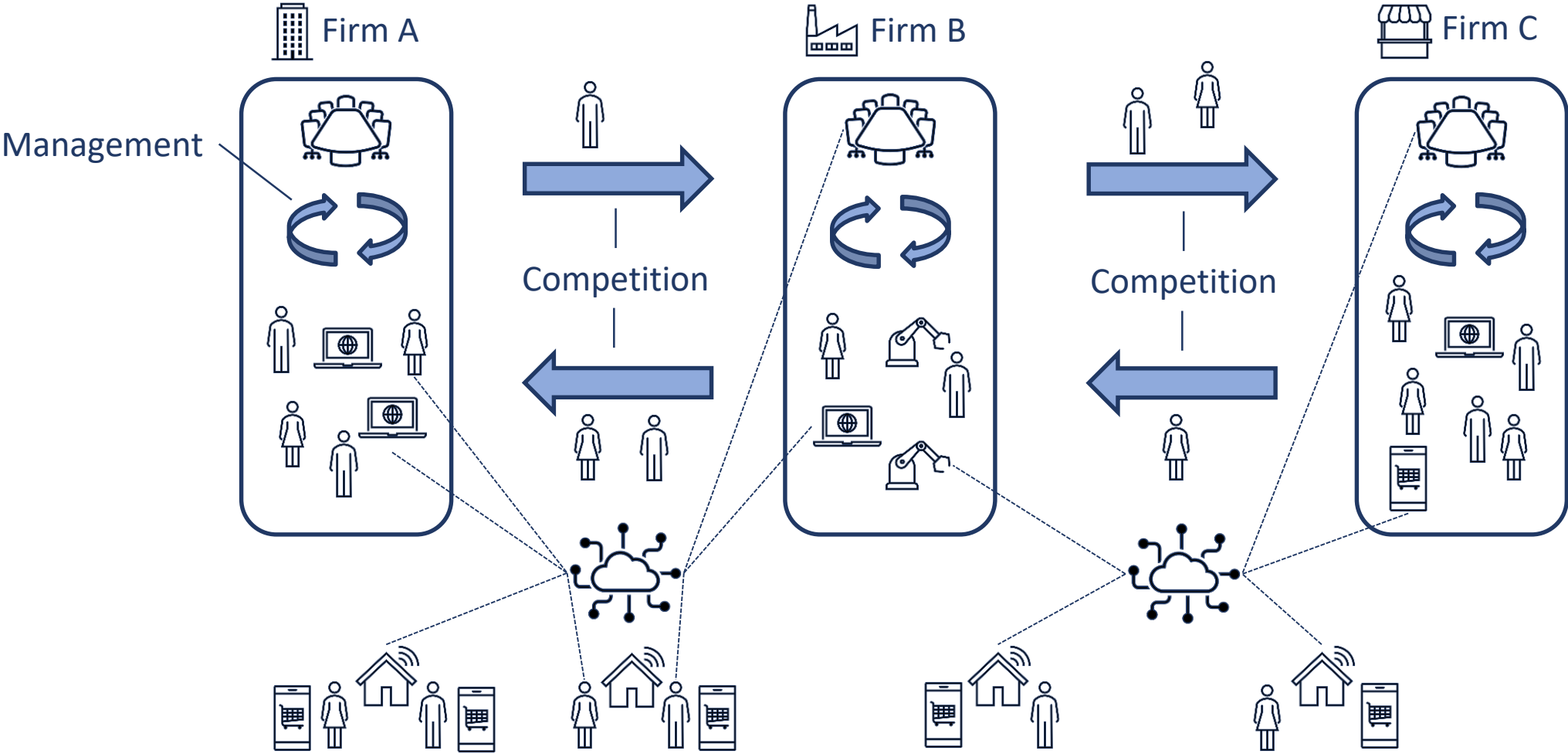


- People worked in particular **business locations** (offices, factories, shops etc.)
- **Competitive forces** drove changes in market share etc. reallocating people **between firms**
- **Management decisions** and processes governed how people were reallocated **within firms**

Covid-19 added a new work location for a significant number of employees the home, facilitated via digital assets



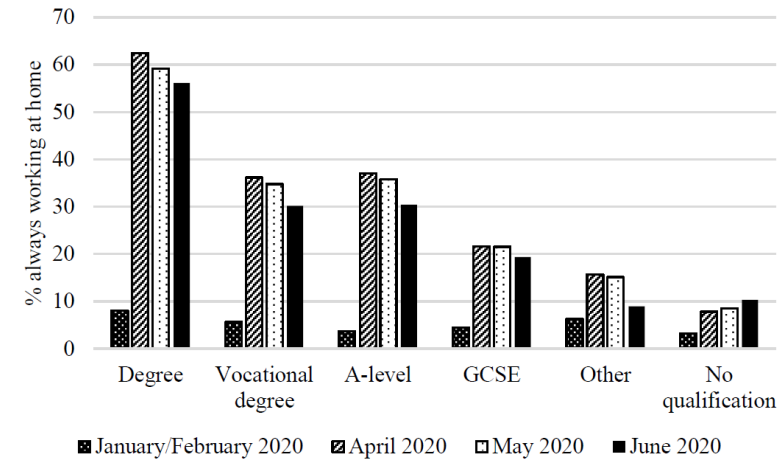
It has also dramatically increased the role of the home as the location where customers interact with businesses



The scale of the shift to remote working was dramatic, but uneven across groups – as has been the return to the office

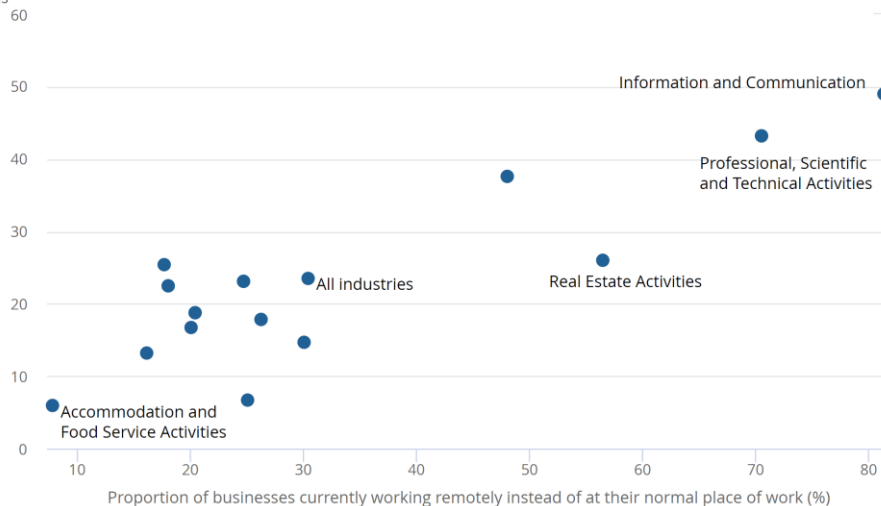
- “When it comes to remote work, a decade of change has been compressed into just a few weeks.” Brynjolfson (2020)
- “...the UK healthcare system has seen years of digital evolution take place within weeks. In 2019, less than 1 percent of appointments took place via video link, with the vast majority in person. Now, doctors assess 100 percent of patients by phone, with only about 7 percent proceeding to face-to-face consultations” McKinsey (2020)

Proportion of workers always working at home, by education level



Proportion of businesses who intend to use homeworking as a permanent business model going forward

Business intentions over future homeworking by sector

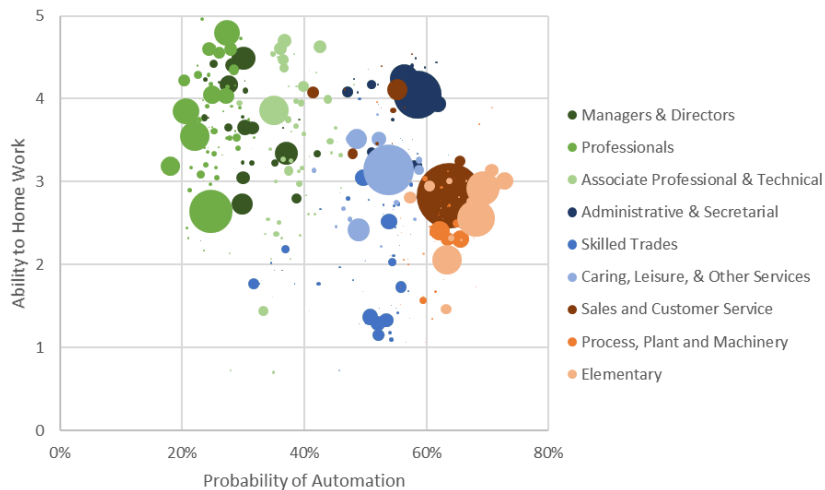


- Areas with higher proportion of ‘remote workable’ jobs have seen a **slower return to the office**
- Of workers **currently homeworking**, 85% wanted to use a "hybrid" approach of home / office working in future
- Across sectors those that have used homeworking – intend to continue to do so, **those that have not, do not**

If it persists it will have implications for both remote and face-to-face workers

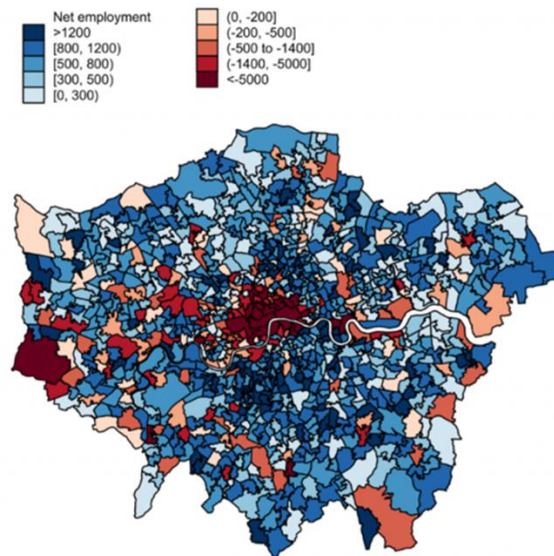
High skilled occupations have greater opportunities for **Remote Working** and are less exposed to **Automation**

Ability to work from home vs risk of automation by occupational group



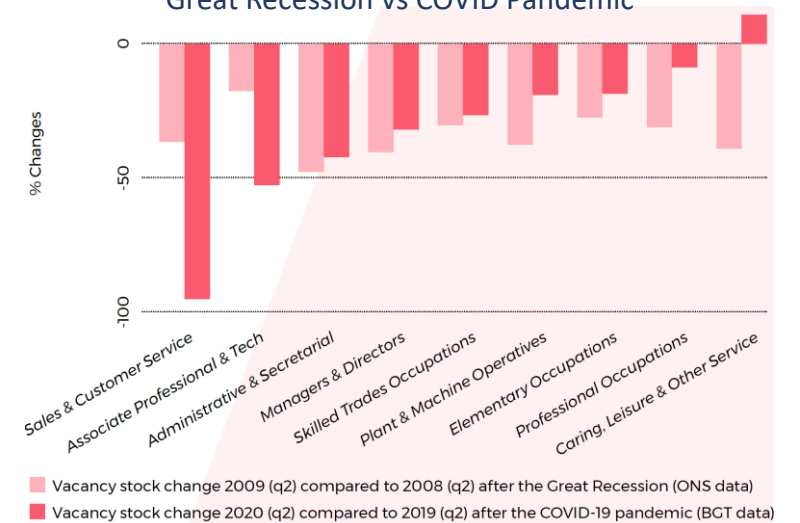
If these workers shift to remote working permanently this has big implications for the **location of employment** (aka 'Zoomshock')

Change in net employment by London area under a shift to home working



With knock on implications for workers in **'adjacent' activities** which support these workers (and are often face to face)

Changes in the labour market by occupation Great Recession vs COVID Pandemic



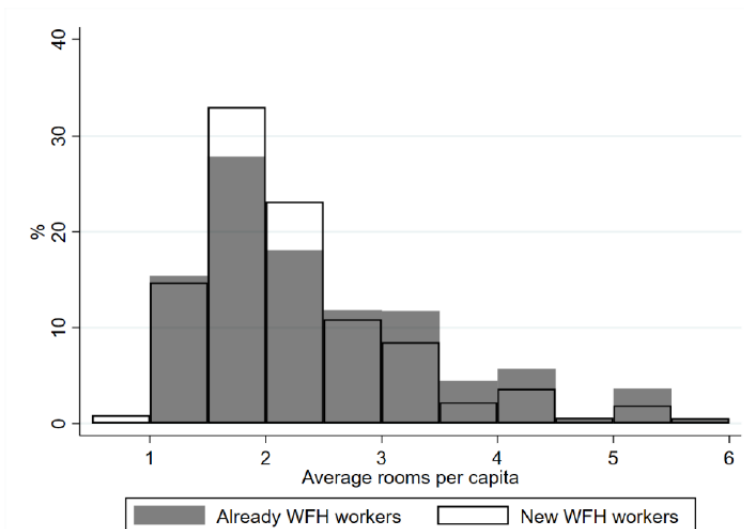
Remote working may have a bigger impact on adjacent workers in face to face occupations than remote workers

Source: BEIS Analysis of ONS data; De Fraja et al (2020) Zoomshock: The Geography and Local Labour Market Consequences of Working from Home; Draca et al (2020) A tale of two crises: The COVID-19 pandemic vs the Great Recession and their impacts on labour markets

As well as the role of the home and housing inequality in driving productivity

- We could previously regard the **role of housing in productivity** as relatively limited
 - e.g. via peoples' wellbeing, commuting etc
- With homeworking the quality of your home environment directly affects **your productivity**
- Not only that, it also affects the **productivity of your co-workers**
- However the **pre-covid distribution of housing** does not necessarily reflect this
 - New 'Remote Workers' less likely to have more space available in their homes

Figure 5 – Mean room per capita distribution in the UK in April 2020 among WFH workers

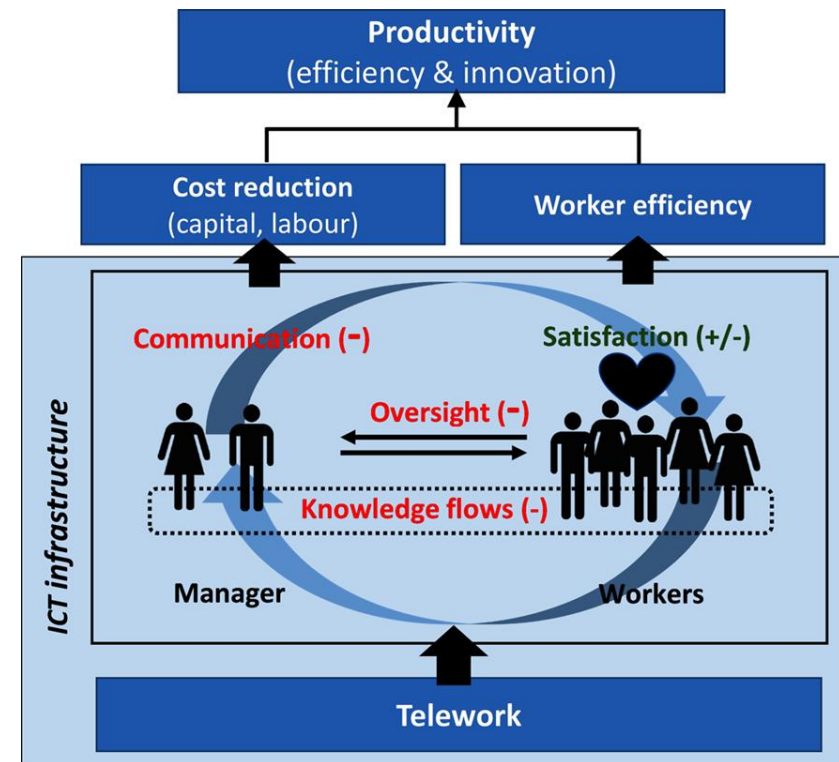


Note: the figure shows the distribution of the average rooms available per capita in the UK for workers who declare to always work from home in April 2020. The grey bars refers to workers who were already working remotely in January and February, while the empty bars those who started doing so in April. Source: Understanding Society Covid-19 data.

In a world of hybrid working housing inequality directly matters for productivity

Increased remote working also has implications for the role of management practices and associated digital capital

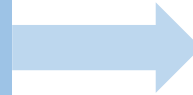
- There is now an extensive literature on the importance of **management** for productivity
 - Conceptualises management as a form of technology (intangible asset)
- However **remote working** directly affects this process by potentially leading to
 - Weaker managerial oversight
 - Weaker communication from managers
 - Weaker sharing of best practice within teams
- It also increases the importance of a variety of **digital assets** in management processes
 - Changes how managers communicate / allocate tasks, teams collaborate etc.



It also raises questions about what management practices are important in a remote working world

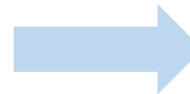
Management Practice Scores

- Continuous improvement, or how businesses respond to problems
- The use of key performance indicators (KPIs)
- The use of targets
- Employment practices relating to promotion, training and employee underperformance



- Current methodology for measuring management practices tends to focus on a combination of
 - Management as a tool for **optimisation**
 - Management as a tool for **disruption / reallocation**
- However hard to disentangle which of these is more or less important (and when)

- Results from Fenizia (2020) suggest **disruption / reallocation** is an important component
 - New managers go in and 'shake up' teams by reallocating tasks
- Role of **changes in management as a catalyst** to unblock previous inefficiencies
 - But are the benefits transitory or permanent?



Implications

- Do we need to think more about the role of changes in management to catalyse improvements
- To what extent does remote working change what is needed for 'good management'?
- Are good management / working practices now even more reliant on good digital assets?

Remote working affects both how management works and its reliance on digital assets

Summing up



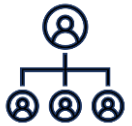
Remote work affects more than just remote workers

- *Adjacent occupations may be more vulnerable to shifts in working practices*



Quality of housing environment is no longer separable from workers' productivity

- *But the distribution of housing unlikely to reflect this, and will be slow to adjust*



Role of management practices in determining productivity may have changed

- *Importance of digital assets likely to also have increased*
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