The Future of Work: post-pandemic, post Brexit

By Vicky Pryce- Visiting Professor, BCU and board member, CEBR

A lot has been written and discussed about the type of life we may all be leading once the pandemic is over. Many have hailed the benefit of the move to home working and overall impact on well-being and worry about whether much of that will be lost as we return to some sort of pre pandemic normality as restrictions are being lifted. Others worry than the distance from co-workers – and also from management, reduces innovation- inducing interactions, training opportunities and promotion prospects. Maybe a hybrid model will be the one that eventually emerges.

Truth is we don't know where we may end up. On the one hand it seems inconceivable that the greater use of technology and the new connecting and co-working apps and platforms that have been developed will be jettisoned for a return to pre pandemic patterns of work with the travel and loss of flexibility that will entail. But in the week when children went back to school after the winter lockdown in the UK, some 50% of workers went back to their offices for at least one day a week. And firms' approaches seem to differ. Companies like Goldman Sacks are saying that they want most workers to return- other investment banks seem to be suggesting the same. Retail banks on the other hand such as HSBC and NatWest , needing to cut costs and nursing multi- billion pounds' worth of loan/loss provisions, are instead cutting branches and encouraging people to stay working from home. In the last few days even Amazon, Microsoft and Google have all said they expect workers to get ready to return to the office . Their path to a more ' office-centric' work pattern though varies and others are going for a 'blended' approach- some working permanently from home, others coming to the office 3 days a week and some expected to be working exclusively in the office.

No clear pattern though is yet emerging even for the tech giants. In some countries in Europe such as in Germany the right to work from home is planned to be enshrined in legislation. In the UK the percentage of jobs being advertised as remote- one assumes also not necessarily in the UK- has quadrupled in the last year. There is even talk of moving to a 4 day week and ditching the 9-5 culture. There is also hope that this will mark the end of presenteeism- i.e. being required to be seen in the office as proof of working- even if unwell.

Or is it? We are already hearing of apps being developed that will monitor the length that being logged on to one's computer and time taken off for coffee and other breaks. That is often done for teleworking and call centres of course but it suggests that those stay at home workers may be treated differently in the future to how they were before with worries about inequalities in treatment starting to emerge. For firms the new mode of work has certainly cut down some costs, including the need for office space and other services around that. But what impact will it have on the economy overall? What we know is that greater flexibility tends to result in an improvement in firm level productivity- it increases job satisfaction and well- being and also reduces absenteeism and attrition- so reducing the costs to the firm associated with lost days of work and output and the costs associated with the need to rehire and retrain.

What lies ahead

But it is difficult to aggregate up these micro findings for the economy as a whole, particularly in the forced circumstances created by the pandemic. It is well documented that in fact stress levels increased during that period, particularly when schools were shut and the demand of combining work and family life in the same space and at practically the same time affected the ability of workers to do the hours that were expected of them by their employer , particularly for women. And it is interesting that many exited the labour market with the result that the inactivity rate across the economy has gone up to 21%. Overall productivity growth went up and down in each quarter of 2020 as people came in and out of furlough, but overall output per hour rose by 0.3% in the year but output per worker fell by 9.6 %. . The per hour figure was flattered by the fact that services, generally less productive, shrank but manufacturing , much more productive , increased its share in the economy. We can't seriously draw any overall long term conclusions from this. And the true picture is further complicated by Brexit and its impact on various sectors which has raised the costs of trading with Europe as a result of increased checks and bureaucracy. The impact of that on jobs will be ongoing but at present seems to be impacting smaller firms harder.

The official data suggest that unemployment has stabilised at around 5%. This is good news . But the numbers have been flattered by government support schemes such as furlough, now extended to the end of September. The true unemployment rate is probably much higher. Yet the Office for Budget Responsibility (OBR) in its March 3 forecast accompanying the budget , though downgrading the GDP growth for this year to 4% from the 5.5% forecast last November, also reduced the likely unemployment peak rate to 6.5% from an earlier 7.5%.

We have to wait until the end of the furlough scheme and beyond to see what transpires in terms of jobs overall and how they are reconfigured, if at all. But one thing we know is that the higher one's earnings pre-pandemic the larger the share of tasks that could be done from home. Jobs requiring face to face contact are often also the lower paid and gig economy jobs. Global trends show clearly that skilled workers were less affected by the pandemic than unskilled ones . And in the UK out of the 693,000 of workers who came off payroll since February 2020, 63% were under 25, mostly doing low skilled, face to face and relatively low paid jobs. A lot to sort out post pandemic, post Brexit.