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Working from home and regional disparities: Insights for UK policy

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A key issue for UK policy makers, both nationally and locally, is finding viable ways to address deeply entrenched and long-standing regional inequalities, which are firmly implicated in our productivity problem. This is a huge policy challenge, especially when the economy is struggling to achieve growth and public finances are under strain.

This briefing discusses key policy implications from a 10-month research project that sought to understand whether the increase in remote, hybrid and working-from-home arrangements, accelerated by the Covid-19 pandemic, might help lagging regions attract high-skilled labour and reduce spatial disparities.

Key Points:

- *Working from home increased during and after the pandemic, but it remains largely concentrated among the high-skilled and is most prevalent in the Greater South-East.*
- *There is little evidence that working from home will be a game changer for altering the residential mobility of high-skilled labour or its geographical distribution. Rather than offering a solution to social and spatial inequalities, it could exacerbate them.*
- *There are major limitations in available data which restrict researchers' ability to fully assess the extent and evolution of working from home and its implications.*
- *Attracting and retaining high-skilled labour is needed to drive productivity in high-value jobs. However, it is unlikely to achieve balanced and inclusive growth without policies to improve jobs across a local economy.*

UKRI Economic and Social Research Council

Introduction

This briefing highlights how high-skilled labour (HSL) mobility, regional inequalities, and economic growth are impacted by remote/hybrid/home working (hereafter WFH). The research findings are particularly relevant given the increase in WFH accelerated by the Covid-19 pandemic. The research also provides evidence to address policy concern about the UK's stark regional differentials and the under-performance of its 'second tier' cities, relative to comparator nations, which is now seen as a major factor in the UK's productivity problem.

While there is a growing international research interest in how HSL mobility is changing in response to new working arrangements and its implications for different places, including city-regions, the evidence for the UK remains limited. This is especially true regarding the relationship between residential mobility of HSL and WFH. Indeed, one of the main findings from our research highlights weaknesses in the available data from Understanding Society and the Labour Force Survey (see report). Consequently, drawing definitive policy implications or recommendations should be approached with some caution.

The study

The research was funded by the Economic and Social Research Council and commissioned by the then Department for Levelling Up, Housing and Communities (now Ministry of Housing, Communities and Local Government). Specifically, it set out to answer three key questions. First, what factors influence the residential (im)mobility of high- skilled workers? Second, what are the implications of WFH for spatial disparities and growth? Third, how can policy make places attractive and "sticky" to high-skilled labour? The study deployed both quantitative and qualitative research methods to answer these questions.

The quantitative research drew primarily on the UK Household Longitudinal Study, also known as Understanding Society, to try and map the changing mobility of HSL and the impact of WFH. The qualitative research focused mainly on the third question, drawing on interviews with key local stakeholders in three UK city-regions: Glasgow, Sheffield and Birmingham.

A central presumption was that WFH could reasonably be expected to increase the residential mobility of HSL, as these individuals would have more flexibility to work further away from their employer's main location. This could mean that lagging regions with lower housing costs could benefit from opportunities to attract HSL to their areas.

Main findings

Quantitative research findings

The quantitative research revealed that, while WFH increased during and after the Covid-19 pandemic (see Figure 1), hybrid arrangements remain far more common than fully remote working (see Table 1). WFH remains largely concentrated among the high-skilled. There is also little evidence that the pandemic has altered the geographical distribution of WFH, which remains most prevalent in the Greater South-East. Therefore, our main conclusion is that, rather than offering a solution to social and spatial inequalities, WFH risks exacerbating them.

Internal migration and residential mobility have continued to decline, but HSL remains more mobile than other groups.

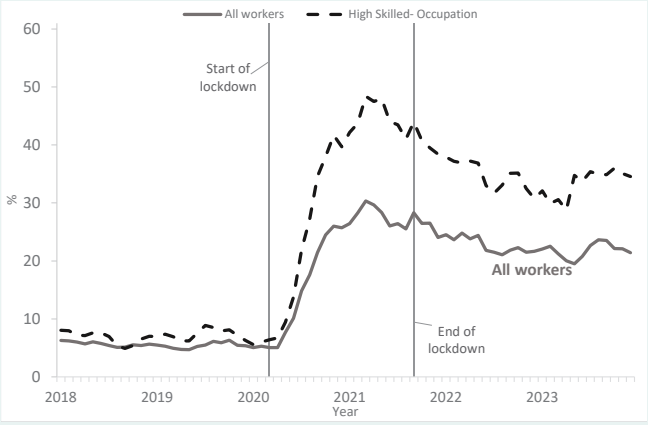

Figure 1. Prevalence of working from home: all workers and high-skilled workers (2018-2024)

Source: : Authors' calculations based on UKHLS waves 8- 14. High-skilled occupations based on the five class version of the National Statistics Socioeconomic Classification (NS-SEC)

Working at or from home: frequency	All workers	High-skill
Never	52.6%	29.1%
1-4 days a month	6.5%	9.6%
1 day a week	3.6%	5.4%
2 days a week	6.3%	10%
3 days a week	6.7%	11%
4 days a week	5.3%	8.3%
Always	10.7%	15.1%
Variable	8.3%	11.4%
Total	100% (n = 18,422)	100% (n = 8,264)

Table 1: Post-pandemic prevalence of hybrid work, for all and high-skilled workers, UK

Source: Authors' analysis of UKHLS wave 14, which covers the period January 2022-May 2024. High-skilled occupations refer to Management & professional occupations based on the National Statistics Socioeconomic Classification (NS-SEC)

Among high-skilled workers, those who work from home tend to move less than those who do not, though their mobility has increased since the pandemic. When they do relocate, it is now more often driven by housing needs rather than job opportunities. There is little evidence that WFH will be a game changer for altering the residential mobility of HSL or its geographical distribution. However, it does seem that WFH will be one variable, among many, that might affect the residential mobility of HSL.

There are potentially many reasons why WFH has not significantly impacted the residential mobility of HSL. With hybrid working more prevalent than fully remote working, most high-skilled workers may still need to commute to major job markets regularly. In addition, economic conditions, such as higher mortgage rates post-pandemic and a tight housing market, might have constrained residential mobility.

Importantly, there are major gaps and weaknesses in available data which limit researchers' ability to fully assess the extent of WFH and, therefore, its implications. Understanding Society does not collect annual information on the frequency of WFH, and the geographic location of employers when employees work from home is missing. The Labour Force Survey shares those limitations in addition to others, such as underestimating the extent of WFH during the pandemic.

Insights from the case studies

Discussions with local and regional stakeholders in Birmingham, Glasgow and Sheffield confirmed the limited data on WFH and its impact on HSL mobility affecting their city-region. This data gap may have hindered their ability to develop strategies on local growth objectives which take into account WFH. Regional stakeholders widely acknowledge that cities remain key hubs for inward investment, and that attracting and retaining HSL is important for developing high-value jobs. Given the higher mobility of HSL, the place appeal is increasingly important for cities seeking to attract such labour.

Each of the three city-regions has unique strengths and challenges in terms of place attractiveness. While they cannot be fully summarised here, examples include how Sheffield benefits from a central location close to the Peak District, but struggles to retain graduates due to weak career progression, and suffers from poor transport connectivity. Glasgow is close to Edinburgh and the Highlands, and performs relatively well on inward investment and retaining graduates. Birmingham, at the heart of rail and motorway networks, will benefit from faster connectivity to London with HS2.

Like Glasgow, Birmingham does well on inward investment, and has a young diverse population of graduates, which is attractive to some employers.

All three cities have their own arts and cultural offerings but differ in how effectively they have communicated their 'brand'. Glasgow has developed a strong 'brand' over several decades, while Birmingham and Sheffield are comparatively earlier in their branding journey.

Partnership working between businesses, local government and universities is also important for developing and promoting the city-region. Sheffield and Birmingham have made progress in partnership working over recent years, whereas Glasgow has a longer history of such collaboration.

WFH was seen as an opportunity for employers to recruit from a larger geographical area, maximise use of office space and leverage lower living costs to compete for talent. However, WFH has yet to become a strategic focus for attracting HSL to these city-regions, possibly hindered by insufficient data. Most interviewees argued that local growth strategies would benefit most from individuals both living and working in the city-region.

Since WFH is only feasible in certain jobs and varies greatly by sector and occupation, the kinds of jobs available in an area (i.e. its sector composition) is seen as important for how much that area could benefit economically from WFH. In the Sheffield city-region, for example, advanced manufacturing and traditional trades were not deemed conducive to WFH, unlike roles in 'tech' firms and professional services. More generally, organisational culture, creative innovation and support for new and younger employees is seen as reliant on face-to-face interaction, highlighting some limitations of WFH.

Interviewees recognised that attracting higher income residents could stimulate local growth through their consumer spending. However, this might increase low value-added services and low-wage, insecure jobs. Solely attracting and retaining HSL was not seen as a solution for balanced and inclusive growth. Interviewees in all three cities acknowledged major challenges with low skills, economic inactivity, skill shortages, and job quality.

Policy implications

1: Develop better data

Improving the data available to national, regional and local stakeholders is vital for fully assessing the impact of changes in WFH on HSL mobility. Introducing new questions into surveys, such as Understanding Society and the Labour Force Survey, is necessary to formulate policy responses and help local stakeholders collect their own data.

Other sources of data may also be useful, as well as examining the net economic impact of WFH on local development. Further research into employers' perspectives on WFH, considering sector and occupation, would also be beneficial.

2: Cities will remain key hubs for inward investment, but their shape may change

There is little evidence WFH will be a 'game-changer' for regional inequalities. Large cities will remain important hub destinations for firms. Hybrid working favours well-connected city centres and, by reducing demand for floorspace in central office locations, makes it easier for more businesses to move in. However, hybrid working could hollow-out inner areas, as high-income residents move to more affordable, commutable hinterlands. This shift could help revitalise these outlying areas but also lead to 'gentrification' due to rising house prices and rents. Additionally, some city centre businesses may suffer as people come in less often to work and spend.

3: HSL helps drive productivity in high-value jobs but has limits

Cities need to attract HSL to help grow high-value, tradeable jobs. Having high-income residents who consume locally but work elsewhere may also drive growth in low-value, low-productivity services, along with low-wage, insecure employment. Therefore, it is crucial to attract HSL to live and work within the city-region, linking to inward investment and local growth plans. It is important for the attractiveness of a place to support the cultural and 'experience economy', alongside digital infrastructure, transport connectivity, affordable public transport and housing, schools, healthcare and neighbourhoods. Effective place branding can help attract inward investment and HSL, but it requires a clear narrative linked to concrete policy actions. While each city faces unique challenges, they can also learn from each other.

4: Don't neglect the wider economy and inclusive growth

Attracting HSL to live and work in a city-region alone will not fully address productivity challenges or achieve balanced and inclusive growth. While much of the policy focus is on helping the economically inactive into work, it is equally important to create 'good jobs' across the local economy. This requires coordinated policies around economic development, business improvement, workplace innovation, skills, and labour market regulation. Success will depend on coordination across national and sub-national government, multi-level partnership working, and devolving sufficient resources and powers.

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