

# Zoomshock: Working from home could cost town centre economies £3bn a year

COMMUNICATIONS

Covid-19 and the Government's response to the pandemic has accelerated WFH or **working from home**. But for every winner there's a loser and a team of economists has calculated the loss of income to town and city centres to be an eye-watering £3 billion as businesses relocate to the suburbs. What are the implications for hospitality and leisure if workers stay at home and eschew the post-work pint or two?

**T**own and city centres are projected to lose £3 billion this year due to permanent changes caused by Covid-19. The projection is contained within an academic study undertaken by the University of Sheffield and is based on the economic consequences of the growth in working from home as retail and hospitality businesses relocate from town centres to service the needs of a more home-based population. The results of the research were presented to the Royal Economic Society earlier this month.

According to the survey the average UK worker will be working from home 20 per cent more - the equivalent of one day a week - than they were prior to the pandemic, which they argue will have huge consequences for retail and hospitality industries with some 77,000 workers employed in the sectors forced to either relocate or lose their jobs completely. Overall, this amounts to removing 1.5pc of all retail and hospitality spending, but in areas with lots of office workers the proportion will be far higher. The City of London will be most affected, with economists estimating that spending could fall by almost a third.

Dr Jesse Matheson, from the University of Sheffield's Department of Economics, worked with researchers from the universities of Nottingham and Birmingham to compare how often people will be working from home over the next 12-months compared to before the pandemic

It is expected that the extra day of working from home will be a permanent shift as a result of the pandemic. As people spend more time in suburban areas as a result of working from home, they will not be providing the economic bene-

## WHAT IS ZOOMSHOCK?

The Covid-19 health crisis has led to a substantial increase in work undertaken from home, a development which shifts the focal point of economic activity in urban areas. Dr Jesse Matheson of the University of Sheffield refers to this shift as a Zoomshock. Locally consumed services which are located near the workplace are transferred to those businesses that are based near to where people live. The consequences are a decrease in economic activity in city/town centres, an increase in activity in town suburbs and a movement of workers to residential neighbourhoods.

fits to city centres that office workers previously would, such as going to coffee shops, buying lunch, going shopping after work or using town centre amenities and entertainment facilities such as pubs with work colleagues. The choice facing workers including those in hospitality businesses will be to either follow businesses that are able to relocate to the suburbs or find alternative employment.

Not only could these changes lead to tens of thousands of workers losing their jobs, but it could make inequalities between rich and poor areas more pronounced. The study found that, as people who are more affluent are more likely to be able to work from home, the money being lost by city centre retailers is more likely to be diverted to the higher income suburbs.

Lead author Dr Jesse Matheson, from the University of Sheffield's Department of Economics, said: "We estimate that about £3 billion in annual spending will leave city centres as a result of working from home. This decrease will be concentrated in a few very dense centres; for example, the City of London will experience a spending



## SASCHA BLODAU, GENERAL MANAGER, MERKUR UK

"The research into the future of Britain's high streets actually reinforces the importance of inward investment and the need to provide a diverse range of offers to attract people. Clearly the days of just going to shop are over - the proposition needs to change. Merkur UK continues to invest in local communities and a large proportion of our new venues were previously not trading. A key discussion point, when we meet with our constituency MPs at Merkur venues is the high street - specifically the jobs that we generate, the supply chains that we support and the contributions we make to local economies. The future will be a blend of retail which will be more niche, hospitality and leisure and the offer needs to be attractive to all demographics and age groups.

We have every confidence in the long-term viability of town centres but we would like to see a root and branch overhaul of business rates and investments in local transport, specifically buses to enable people to access their local high street. Improved infrastructure creates a larger catchment area which in turn means more people and that's what it's all about."

## PETER HANNIBAL, CEO, GAMBLING BUSINESS GROUP

"There are significant changes taking place on Britain's high streets with retail outlets caught in a perfect storm of high business overheads, dwindling visitor numbers and shrinking household income. The increase in the numbers who are working from home which shifts the focus from town to suburb has exacerbated the structural challenges. The fact is that well-run and professional licensed gambling retailers are one of the few sectors that are investing in the high street and as a result creating local jobs as well as supporting numerous local companies and local suppliers. The contributions made by businesses including AGCs, Licensed Betting Offices, Bingo Clubs and Pubs has long been overlooked. The Gambling Business Group is championing those industry businesses on the high street and we have formed a Working Group whose job it is to quantify the scale of the investment and the on-going contributions that our members make. The regeneration of the high street requires a multi-agency approach and we are representing the interests of the industry by ensuring that we are part of the conversation and the debate."



decrease of 31.6 per cent, and central Birmingham will experience a decrease of 8 per cent. Some of this spending will be realised in

the residential areas where these workers live, but some may be lost altogether. As suburban neighbourhoods lack the density of city cen-

tres, many retail and hospitality businesses will find it is not profitable to relocate. "Workers in retail and hospitality may also find

that demand has shifted to locations to which commuting is too difficult, which means that supply may not be able to keep up with demand."

Co-Author, Paul Mizen, Professor of Monetary Economics at the University of Nottingham, said: "Using a new Working From Home survey developed at the University of Nottingham in collaboration with Chicago and Stanford Universities, our team from Nottingham, Birmingham and Sheffield universities has tracked changes in commuting patterns and working from home trends during Covid lockdown periods to show that about £3 billion in annual spending could leave city centres as a result of working from home. This illustrates how sensitive retail and hospitality sectors are to changes in work location, affecting larger cities with commuting and tourist trade in particular."

As a result of this shift to working from home - or the effect of 'Zoomshock' as Dr Matheson described the phenomena - the report argues that city centres may have to transform themselves in order to stay relevant, by becoming more residential instead of retail focused.

Dr Matheson added: "In a lot of places working from home means people are more spread out, which isn't good business... so there is a risk this revenue could be lost from the hospitality and retail sectors forever."

Andrew Carter, chief executive at the Centre for Cities, confirmed there was evidence of a fall in spending in town and city centres, while businesses in suburbs have not enjoyed an additional boost from those extra home-workers. He said: "If people can work from home because of digital and all the rest of it, there is no reason to think they cannot also shop from home."