

Planning for the
recovery and the
shift towards
homeworking:
implications for poverty in
outer London

Paul Hunter





The Smith Institute

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Executive summary

This report, supported by Trust for London, examines the short and long-term implications of Covid on poverty and inequality in outer London, with a particular focus on employment, low pay, housing and the shift towards homeworking.

The report acknowledges the devastating impact that the pandemic has had on the lives of outer London's five million residents – not least on people's health and well-being – but seeks mainly to understand the after-effects and explore the options for change.

The findings complement previous research by the Smith Institute on poverty in outer London and other London-wide studies supported by the Trust for London.

The research was undertaken in the first half of 2021 and is based on desk research, data analysis, one-to-one interviews and roundtable discussions with the GLA, outer London boroughs and other stakeholders.

The report sets the scene regarding poverty in London and outer London and then divides into two main sections: section one considers the effects of Covid and the immediate crisis, and section two explores the longer-term implications of Covid, with particular regard to homeworking and planning for change.

The report makes a series of recommendations, which are listed in full after the conclusion.

Section one: Immediate impact of the Covid crisis

Impact of Covid

- Both inner and outer London have been hit hard by the pandemic, with high death rates compared with other regions. In previous recessions poverty rates have been most acute in inner London.
- Outer London has been just as badly affected as inner London in terms of covid death rates, furlough rates, unemployment (around 7% in both inner and outer London versus 5% in the UK), claimant count (8% in both inner and outer London outer London v 6% in the UK) and reduced hours. This is a continuation of the convergence that occurred between inner and outer London since the mid-2010s across a range of poverty indicators.
- The report notes that the pandemic has disproportionately affected the poorest areas the most. The claimant rate in six outer London boroughs, for example, is over 10% – higher than any of the inner London boroughs.
- Within outer London young people have been affected most, with unemployment rates at around 25% for 16–24-year-olds. Disabled people and some ethnic minority groups have seen a rise in unemployment rates to above 10%.
- The concentration of low-income residents in the private rented sector (PRS) risks a spike in evictions in outer London as the emergency measures are withdrawn. Outer London boroughs have seen a large rise in housing support for those in the PRS, many of which will now have rent arrears.

Responding to the crisis

- The report argues that outer London faces specific and immediate poverty challenges, which have been highlighted by Covid. These challenges – particular around youth unemployment and growing rent arrears – must be addressed quickly to avoid an increase in poverty in outer London.
- Low pay is major driver of poverty. Approaching a quarter (23%) of jobs performed by outer Londoners are paid below the London Living Wage. The report argues that now is the time to end outer London's low pay status and deliver a wage-led recovery. The GLA and boroughs should adopt a sectoral approach in low paying sectors, making greater use of social clauses in procurement and commissioning. Sector-wide bodies would leverage funding streams and involve trade unions, employers and the public sector in efforts to drive up employment standards and productivity.
- The report calls for a more concerted effort to improve the take-up of the London Living Wage. Local authorities and other public sector employers, such as NHS Trusts, should ensure they are Living Wage employers and use their convening power to place pressure on local suppliers.
- The GLA and boroughs should seek to offer greater advice to businesses (capitalising on knowledge gained during the pandemic). Simple improvements could be made to working practices and employment standards (such as consistent and predictable hours).
- Despite emergency funding the outer London boroughs are under severe financial pressure. Government funding is needed to support the Covid recovery and address the specific poverty challenges in outer London.

Section Two: Longer-term implications of Covid – homeworking and planning for change

Shift to homeworking

- The report shows that Covid led to a significant shift to homeworking, with higher rates in London than the rest of the UK.
- Survey evidence suggests that large numbers of people who have worked from home want to continue to do so, and that many businesses have already begun changing their work practices. The report suggests that homeworking (and hybrid home/office working) could continue at a greater rate than prior to the pandemic – with lasting effects on outer London.
- The evidence shows that those in higher paid occupations are more likely to work from home. Nevertheless, there are significant implications for poverty and lower paid workers in outer London. Much will depend on whether people save up and consume when they do work in central London or if consumption patterns will be more localised to where people live (and now work).
- If there is a major shift towards homeworking, then there could more job opportunities locally for outer Londoners. The report shows that those in lower paid jobs work closer to where they live. Outer Londoners are also 25-50% more likely to be unemployed than those in inner London when holding for personal characteristics. More local jobs could therefore support efforts to tackle poverty (and in-work poverty) in outer London.
- The report also highlights the risks associated with homeworking. The types of jobs could change, suggesting potential skills mismatches and higher rates of unemployment during the transition. Equally, this shift, alongside changes in the location of activity, could create capital mismatches, which in turn could hinder a rapid recovery with higher rates of unemployment. These challenges could be compounded if new jobs are not accessible to lower income residents.
- There are also implications for housing. Homeworkers could trade proximity for space and move away from inner London. This could reduce housing pressures (but also economic activity). Equally it could increase demand for outer London properties with more space. Greater homeworking could lead to more localised consumption and greater value placed on local neighbourhoods and amenities. This in turn though could result in higher housing costs and segregated communities.

Planning for change

- The longer-term implications for outer London of increased homeworking are complex and uncertain. As such, it is vital that the GLA and the boroughs work together to better understand the impacts - not least on lower income household and on place, employment, skills, and pay.
- Planning for a changing world of work has been overly focused on inner London's Central Activity Zone (CAZ). More attention must be given to the opportunities for outer London.
- Uncertainty should not preclude planning. The outer London boroughs should set out a vision for their areas if homeworking increases (as the CAZ has), and how this can support anti-poverty objectives.
- Outer London boroughs should have a clear set of metrics to assess the impact of homeworking on poverty and scale up interventions that are working. Greater support will be needed to help residents make the transition to homeworking, including access to suitable, low-cost workspace hubs.
- More support will also be necessary to achieve the skills transition to a new economy (and avoid unemployment), create jobs in high streets and polycentric business centres and manage the risks around displacement of poorer residents.
- Achieving these plans will require extra funding, but also more devolved local and city-wide powers. For example, the potential impacts of homeworking on rents makes reform of the expanded PRS and rent controls more of a necessity to ensure poorer households are not displaced. In addition, the boroughs should also be given renewed powers over permitted development rights which risk undermining efforts to regenerate high streets for work and leisure.
- The GLA should establish an Outer London Covid Recovery Taskforce. This could help inform and support the boroughs in their efforts to maximise the benefits of the shift homeworking, help engage local communities and offer a collective vision and stronger voice for a fairer and more prosperous outer London.

Opportunities and risks profile

	Unknowns	Jobs and skills	Housing and transport	Recommendations
Short-term/transitional	<p>Opportunities</p> <p>Level of homeworking and consumption patterns impacting where jobs are located and what skills are needed to perform those jobs</p> <p>Faster recovery with local opportunities for work as demand shifts closer to home;</p> <p>Commitment to addressing undervaluing of frontline workers, which presents opportunity to tackle outer London's low pay problem;</p> <p>Investment in skills in growing sectors (social care, green jobs)</p> <p>Risks</p> <p>High levels of unemployment as enter recovery stage (as high as inner London);</p> <p>Skills and capital mismatches as location of work and types of work change: leading to unemployment and slower recovery;</p> <p>Focus on central London recovery</p>	<p>Whether people trade proximity for space;</p> <p>Whether people move to outer London or beyond;</p> <p>Different commuting patterns (radial and orbital)</p> <p>Reduced demand for housing across London, if population growth has fallen/slows;</p> <p>Opportunities for interventions if property values fall in the short term</p>	<p>Use pandemic sentiment to focus on London Living Wage, through convening power and procurement;</p> <p>GLA adopt sectoral approach in unison with boroughs to leverage funding and focus on labour intensive and low paid sectors</p>	
Longer term	<p>Opportunities</p> <p>Rising long-term increase in activity, including around the high-street;</p> <p>Potential demand for office locations and town centre work hubs;</p> <p>Results in increased in local job opportunities -benefitting lower skilled/paid local residents</p> <p>Risks</p> <p>Reduced economic activity as people move outside of London/away from poorer outer London areas;</p> <p>Permitted development and lack of ownership means outer London cannot take advantage of opportunities;</p> <p>Focus on high-tech/tradable sectors at expense of outer London economy</p>	<p>Large rent arrears, especially challenging in outer London because reliance of poorest residents on the private rented sector;</p> <p>Diminished transport services with TfL funding crisis</p> <p>Reduced demand on London's housing stock and focus on delivering 'genuinely' affordable housing (lower land values) and affordable work space;</p> <p>More outer London activity creates greater focus on orbital transport links</p> <p>Higher housing pressures on London's suburban stock leading to displacement of lower income outer Londoners;</p> <p>More segregated places if premium placed on local amenities;</p> <p>Local Housing Allowance rates don't reflect changing local markets;</p> <p>Cuts make transport investment less viable (and still focus on radial routes) and subsidy withdrawn making access to work harder</p>	<p>Track changes in economy to tailor employment and skills support;</p> <p>Close attention to arrears in the private rented sector, with plans to stabilise rents, sustain tenancies and support those who are evicted</p> <p>Taskforce to provide collective voice and vision for outer London and give advice for outer London boroughs;</p> <p>Boroughs set out own plans for towns and high streets with affordable work space;</p> <p>Outline metrics for success around jobs, growth and poverty in post-pandemic world;</p> <p>Measure what is working and hold themselves to account;</p> <p>Focus efforts on supporting economic activity locally (town centres, high streets, orbital travel) to provide employment opportunities</p> <p>Focus efforts on regulation of private rented sector and ensuring economic activity/demand for more space does not result in displacement;</p> <p>Focus on ownership of town centre/high street assets to reshape offer and ensure good work opportunities;</p> <p>Ensure efforts to encourage economic activity has a focus on poorer areas/neighbourhoods;</p> <p>Stronger voice for outer London so challenges are not overlooked</p>	

Introduction

It is becoming something of truism that the pandemic has exposed existing inequalities, not least in health, incomes and employment. As one interviewee remarked, Covid "has revealed problems in the model". Indeed, the very unequal nature of the pandemic has compounded the impact on London, which suffers the highest rates of poverty of any English region.

The devastating impact of the pandemic has been felt across London, including outer London. Indeed, over a range of measures, outer London boroughs have been affected as much as inner areas. The covid downturn has also importantly highlighted the on-going convergence across a range of poverty indicators, a trend dating back to the mid-2010s.

In seeking to achieve the London Mayor's plan for 'good growth',¹ due weight will need to be given to the specific challenges facing outer London. The pan London recovery must also focus on improving the prospects of low-income households who in both outer and inner London have suffered the most from the pandemic.

In the short term, outer London has the difficult task of supporting large numbers of people back into work, recharging local services and dealing with the debt hangover from the lockdowns. This is a huge task, which will require renewed efforts to tackle deep rooted problems around low pay, housing unaffordability and unemployment. It is also essential to look beyond the pandemic and – learning from Covid – to plan ahead for what will be a different London.

As this report shows, the pandemic will have longer term spatial impacts for poverty in outer London. A major effect has been the shift towards homeworking, which could change the way we live and work. The early evidence shows that homeworking is disproportionately concentrated in higher paid sectors and among wealthier households. However, a shift to homeworking could change consumption patterns and therefore demand for services provided by lower paid workers. This could mean the nature of jobs changes, requiring different skills and employment located in different places. It could also imply people trading proximity for space if they are spending more time at home. These trends could potentially be significant and give rise to opportunities as well as risks for outer London boroughs and their poorer residents.

The report seeks to examine and explore how these trends may affect poverty in outer London. The research is based on data analysis, desk research, two roundtables (one with local authorities and the GLA and one with other stakeholders and experts) and a series of interviews. We have not examined all the drivers of change or all the changes needed to end poverty in London. This is a necessary task, but beyond our reach. Instead, our focus is on the fall-out from Covid in outer London, the implications on poverty in the short and long term and what interventions are needed to mitigate the risks and maximise the opportunities to tackle outer London poverty post-pandemic.

There is no silver bullet to the problems of poverty facing outer London. Solutions will take time and demand political commitment and lasting collaboration. But Covid has put the spotlight on poverty and created a sense of urgency and determination to do things differently. Those we spoke to for the research talked about a new consensus for change and a "never again" attitude. If that is to be the case, then outer London needs to feature more prominently in the forthcoming discussions, policies and programmes for an inclusive London-wide recovery.

We are grateful to all those agreed to be interviewed and to those who participated in the roundtable discussions. Their insights were particularly valuable given the fast changing nature of the pandemic and its impact on the economy and poverty.

Background: Poverty in London and outer London

Around 1.4 million people in outer London live in poverty (below 60% of median household income after housing costs). That means one in ten people in poverty across the country live in outer London. Within outer London one in four people are poor, which represents as high a concentration of poverty as any region outside London.² While poverty rates remain higher in inner London, a majority of London's poor live in outer London.

Within outer London over a third of children are in poverty. Rates are lower for working age residents but in absolute terms they form over half of outer London's residents in poverty.

Poverty in outer London, 2019/20

	Proportion in poverty	Number (millions)
Children	35%	0.47
Working age adults	22%	0.78
Pension age	23%	0.17
Total population	25%	1.42

Source: Analysis of DWP, Households Below Average Income

Outer London boroughs

Borough	Population
Barking and Dagenham	211,000
Barnet	393,000
Bexley	247,000
Brent	327,000
Bromley	330,000
Croydon	384,000
Ealing	339,000
Enfield	332,000
Haringey*	267,000
Harrow	249,000
Havering	258,000
Hillingdon	305,000
Hounslow	270,000
Kingston upon Thames	177,000
Merton	205,000
Newham*	350,000
Redbridge	303,000
Richmond upon Thames	197,000
Sutton	205,000
Waltham Forest	275,000
Greenwich*	286,000

* Definitions of inner and outer London differ. The list above covers those often included, including by London Councils, which excludes Greenwich. In official national data, sometimes used in the report, Haringey and Newham are categorised as inner London while Greenwich is outer London.

Source: ONS Mid-Year Population Estimates accessed through GLA Datastore

Within outer London poverty rates vary by place. The latest ONS estimates on poverty we have at borough level from 2013/14, for example, highlighted these spatial inequalities – with the poorest outer London boroughs, such as Newham, Haringey and Brent, having double the rates as wealthier places like Richmond on Thames and Bromley.³

This dispersion of poverty rates is also evident in more up-to-date figures from the Indices of Multiple Deprivation (see next page).

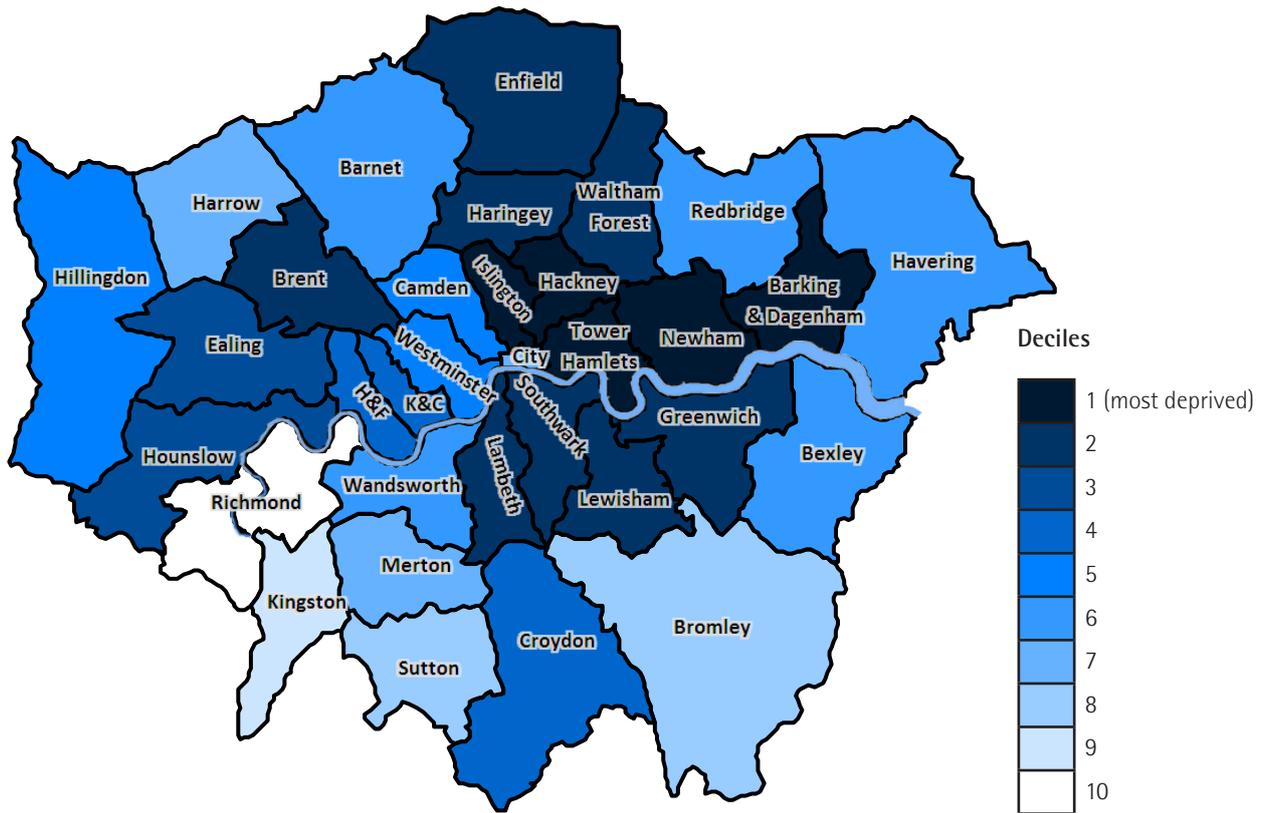
Ahead of the pandemic the nature of poverty was already changing. Like the UK, across London there was a marked increase in the levels of working poverty. For children in poverty in London, eight in ten now live in a household where someone is working. Work may still support people out of poverty but it clearly does not guarantee being free of poverty.⁴ This growth of in-work poverty highlights the potential poverty risks facing households during this period of increased unemployment and reduced hours.

The risks of poverty are also concentrated among some ethnic groups. Within the whole of London, 20% of white people are in poverty, 28% for those with mixed ethnicity, 36% amongst Asian and Asian British people, 44% for black/African/Caribbean and black British people and 45% of those with another ethnicity. Similarly, rates are higher for those with a disability – with a notable difference for those of working age.⁵

Going into the pandemic, poverty rates were stable. However, this has been largely due to stagnating incomes across the income distribution. This is seen in rates of 'absolute poverty' not declining since 2010, whereas prior to the financial crisis it dropped significantly in London.⁶

The stagnation of incomes that characterised the previous decade was in part driven by austerity,⁷ which saw a lowering of benefit rates and a weakening of the social security system.⁸ This weakening of social protection left the poorest in a vulnerable position as we entered the pandemic. Outer London was no exception and – as discussed in the next section – now has large numbers of low-income residents who face an uncertain future.

English indices of deprivation by national decile



Source: MHCLG, English indices of deprivation 2019

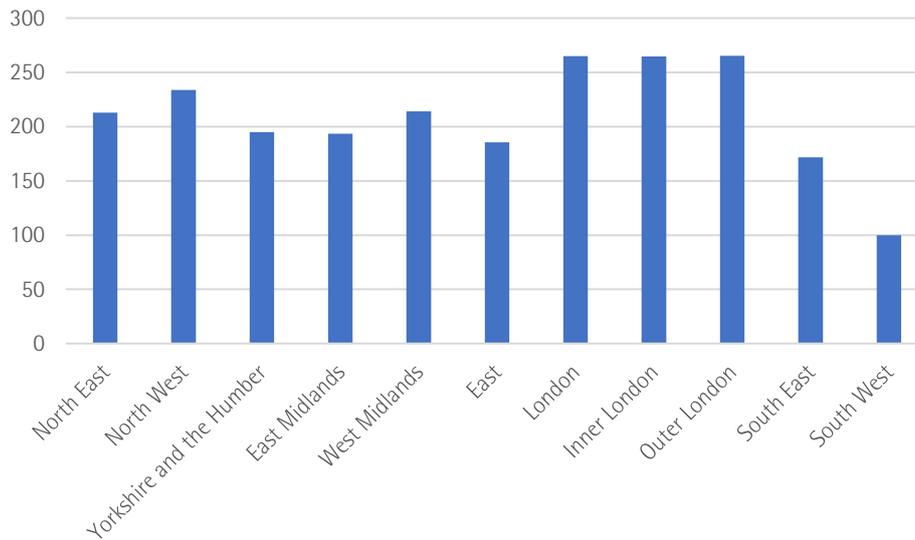
Note: Map categories local authorities into national deciles of deprivation with 1 being in the top 10% of most deprived local authorities nationally.

Section one: Immediate impact of the Covid crisis

All of us have been touched by Covid, but the impact of the health crisis, like the ensuing economic crisis, has not been felt equally. Official studies have shown that those in more deprived areas have been affected most,⁹ as have those in lower skilled jobs¹⁰ and most ethnic minority groups.¹¹

Death rates from Covid have been as higher in London than in any other region of the UK, and as high in in outer London as inner London.

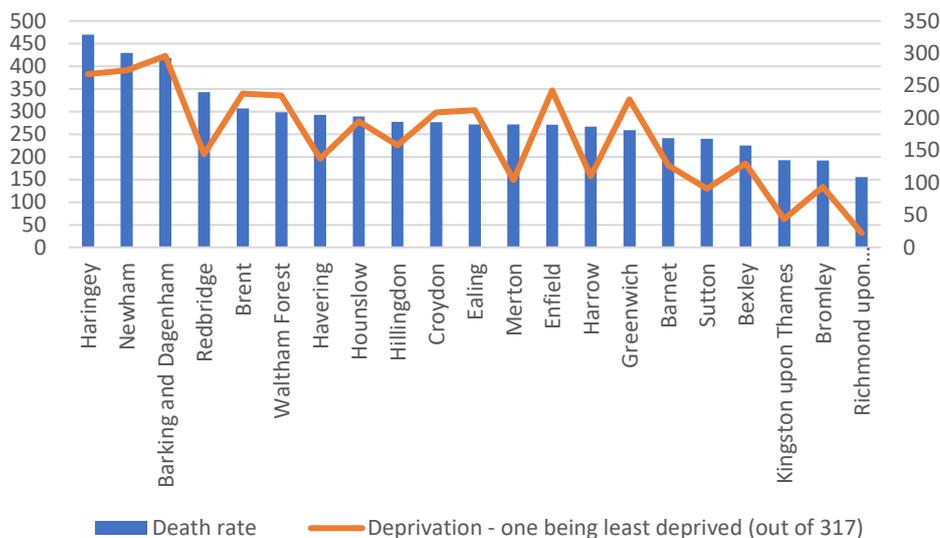
Age standardised death rate (per 100,000 people) from coronavirus between March 2020 to March 2021



Source: ONS, Deaths due to COVID-19 by local area and deprivation, April 2021

Within outer London there is a clear correlation between levels of deprivation and deaths from Covid. As with other towns and cities, the poorer communities have been most affected.

Age standardised death rate (per 100,000 people) from coronavirus between March 2020 to March 2021 and deprivation (1 being least deprived local authority)



Sources: ONS, Deaths due to COVID-19 by local area and deprivation, April 2021; MHCLG, English indices of deprivation 2019, 2019

NB deprivation refers to rank of average score

The economic fall-out

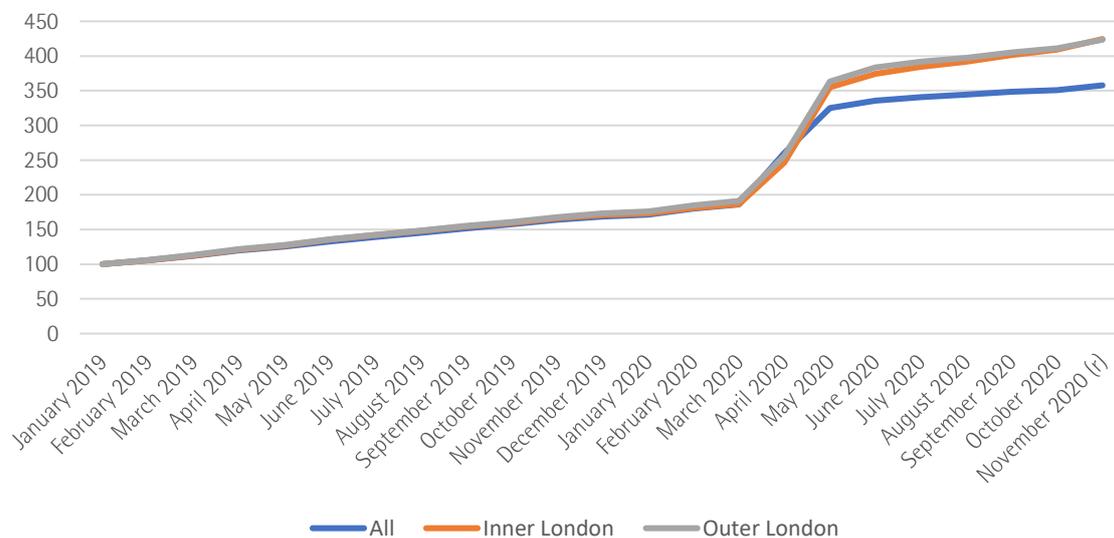
It is not just death rates that have seen those on lower incomes bearing the heaviest burden. One interviewee outlined a long list of areas that they encountered through their work and surveys of Londoners. These included: issues with living in overcrowded housing and temporary accommodation which intensified during lockdowns; high levels of fear around job insecurity; isolation and loneliness; impact of not having technology and broadband; and people with no recourse to public funding. As was observed, "the pandemic has put a magnifying glass on long standing issues as well as adding a few new ones."

Covid shocked the London economy, with the biggest impact on low-income households. Initial forecasts of economic 'growth' in London for 2020 by Oxford Economics was a contraction of -9.4%, with "inner London predicted to hold up better than outer London thanks to more desk-based jobs".¹² However, economic growth in London for the 2020s is forecast to outperform other regions (even if it is still below 2% growth per annum).¹³ The outlook in the summer of 2021 is more positive and much will depend on other factors, including how the London economy adjusts post-Brexit (which according to CEBR could cost London £9.5 billion a year).¹⁴

Whatever the predictions, the outlook since the Covid outbreak looks especially bleak for those Londoners on lower incomes. Universal Credit claims, for example, have risen in both inner and outer London and outstripped growth rates across the UK.

Increase in numbers claiming Universal Credit

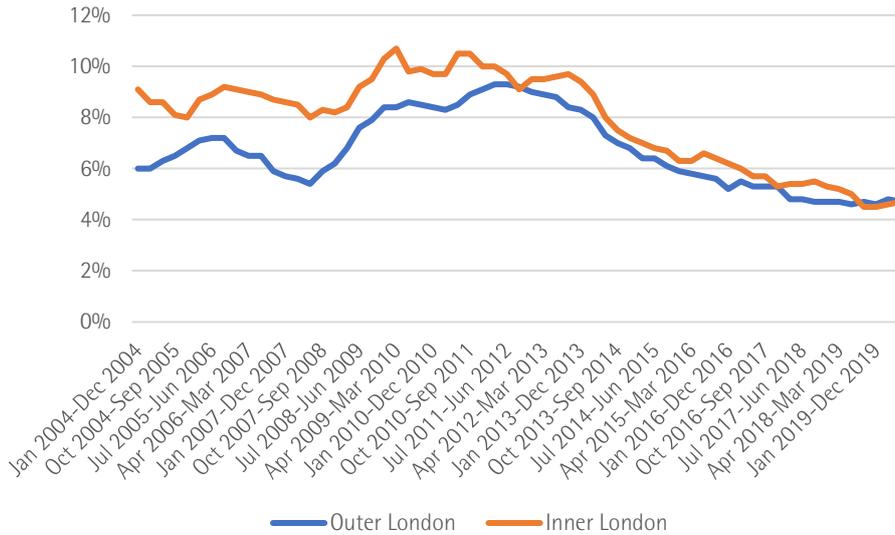
January 2019= 100



Source: DWP Stat-Explore

The unemployment rate in London, like the UK, has trended downwards since the early 1990s. Traditional unemployment rates within London differ, with higher rates in inner London. However, rates started to converge after the last downturn and since around 2013 have effectively been the same.

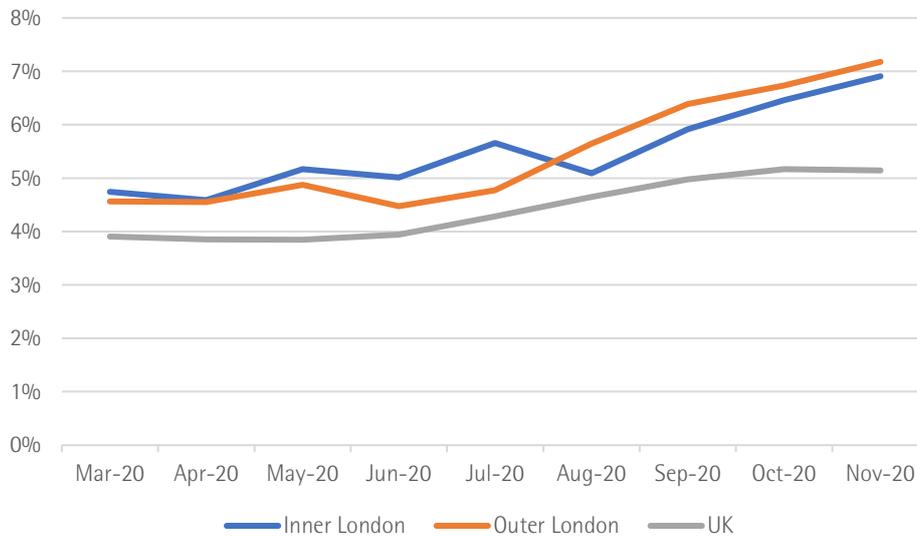
Unemployment rates in London, 2004-2019



Source: NOMIS, ONS Labour Force Survey

The pandemic has seen unemployment rates rise in London from 4.3% at the end of 2019 to around 7.0% a year later. Since Covid, unemployment rates have continued to be similar in outer and inner London and much higher in the capital than the UK average. Indeed, the OBR’s March 2021 economic forecast predicted that unemployment would peak around at 6.5% towards the end of 2021 – in London at that time the rate was already in excess of that figure.¹⁵

Unemployment rate in 2020, not seasonally adjusted



Source: Smith Institute analysis of ONS, Quarterly Labour Force Survey

This recession is unlike others. One significant difference is the support government has given through the furlough scheme to people unable to work, and who in previous recessions would have become unemployed. This means the unemployment rates do not provide the full picture of the challenges that people or the labour market has faced.

Again, from the available data the furlough rates have been similar between inner and outer London with rates higher across London compared with the rest of the country.

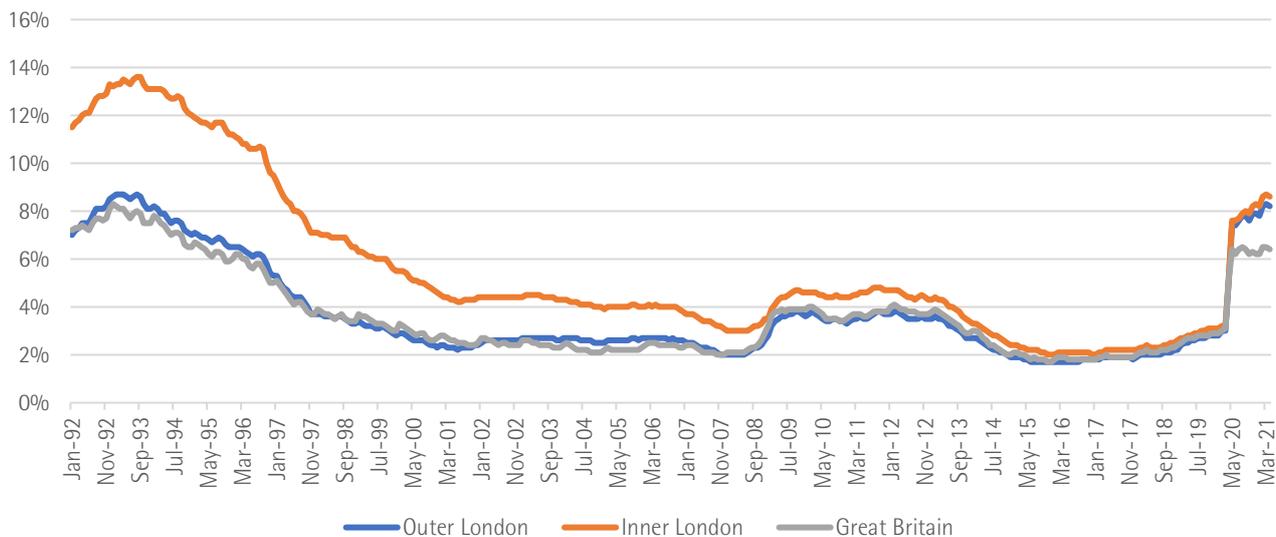
Percentage of employments furloughed

	31 July 2020	31 August 2020	30 September 2020	31 October 2020
Inner London	20%	15%	12%	10%
Outer London	19%	15%	12%	10%
UK	18%	13%	9%	8%

Source: HMRC, Coronavirus Job Retention Scheme (CJRS) Statistics: December 2020

The claimant count, which captures out of work benefit claims, has also traced a similar trajectory with convergence between inner and outer London and significant spike since the pandemic.¹⁶ Here the evidence suggests that inner London has improved but with outer London tracking the UK, except for the recent pandemic.

Claimant count rate



Source: Nomis

The pandemic has also seen a drop in hours for those in more precarious forms of work.

The data in the table below shows the difference between usual hours and actual hours worked the week previously in someone's main job. Those self-employed have seen average hours fall fastest, with London impacted more than the rest of the UK.

Proportion of actual hours to usual hours: self-employed and employee

	Self-employed		Employee	
	2020	2019	2020	2019
Outer London	73%	82%	85%	88%
Inner London	77%	87%	87%	88%
UK	78%	85%	85%	86%

Source: Author's analysis of the Quarterly Labour Force Survey, September–November 2020

The change in working hours also appears to have impacted those working part-time more - and within the category all of employees - lower skilled workers seem to have experienced a fall in hours.

Proportion of actual hours to usual hours: Semi-routine and routine occupations

	2020	2019
Outer London	81%	90%
Inner London	79%	93%
UK	82%	87%

Source: Author's analysis of the Labour Force Survey, September–November 2020

Alongside labour market changes, there has also been changes in the way poorer outer Londoners have been affected by the welfare reforms. There has been a sharp increase, for example, in the number of people subject to benefit caps, many of whom were in outer London.¹⁷

In the interviews concerns were also raised about the two-child limit on benefits. Examining Labour Force Survey data suggests that the policy could disproportionately affect Londoners, and especially those within outer London. As was noted, the two-child limit not only affected overall rates of poverty but also pushed people far below the poverty line into extreme poverty.

Proportion of UC claims that have 3 or more dependent children in household

Inner London	19%
Outer London	22%
UK	12%

Source: Author's analysis of the household LFS, July–September 2020

Who is impacted within outer London?

The impact of unemployment is not experienced equally between outer Londoners. Historically, for instance, younger people are much more likely to bear the brunt of increased unemployment during downturns. The data for outer London suggests this is now certainly the case. For those aged under 30 the unemployment rate is around 15% compared with under 6% for other age groups.¹⁸

Unemployment levels in outer London (2019 and 2020)

		16-29	30-39	40-49	50-59	60+
2019	Unemployed numbers	61,500	24,000	11,400	19,000	17,000
	95% confidence interval	±10,900	±6,800	±4,700	±6,000	±5,700
2020	Unemployed numbers	97,400	35,800	37,900	25,200	16,800
	95% confidence interval	±13,700	±8,300	±8,500	±7,000	±5,700

Source: Analysis of Labour Force Survey, October – December 2020

In absolute terms the increase appears to be felt most acutely by younger cohorts. With around 100,000 younger outer Londoners out of work – up by around a third since 2019.

The rates appear to be much worse for the very youngest cohort of workers. The unemployment rate for 16–24-year-olds, for instance, at the end of 2020 was around 25%. This would put it at similar levels in London to what it was in 2012/13 after the last recession.¹⁹

The data shows that unemployment rates in outer London are similar for men and women. By ethnicity, the data suggests that black/African/Caribbean/black British residents are far more likely to be unemployed than white residents. Unemployment rates for this group are over 10%, compared with 6% of white outer Londoners. The rate of unemployment is also higher for outer Londoners with a disability. Unemployment rates amongst those classed as disabled under the Equality Act was around 13% in September–November 2020. A year earlier it was around 8%.

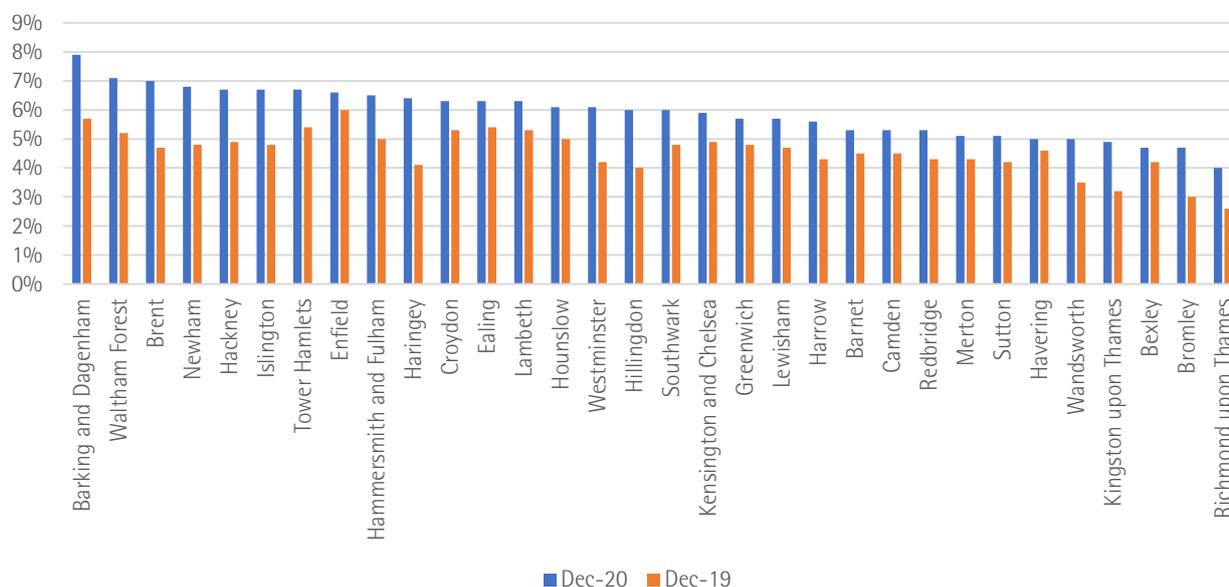
Which boroughs are most affected??

The employment impacts will be different in different places. Current forecasts suggest the economic impact of the downturn will be greater for outer London boroughs. Modelling by Oxford Economics for the West London Alliance, for example, predicts boroughs such as Hillingdon, Ealing and Barking and Dagenham will see their GVA drop by 10% or more.²⁰

The impact is also likely to affect sectors in different ways. Outer London boroughs are more exposed, especially in sectors such as wholesale and retail where furloughs have been higher as a result of lockdown measures. Specific centres of employment in outer London are also badly affected. In the interviews specific mention was made about the impact of the pandemic on Heathrow and the ripple effect on jobs at the airport and in the wider supply chain.

Most recent labour market data suggests a strong exit from the recession but the downturn could cast a shadow in terms of long-term unemployment as well as the damage done to household finances during the various lockdowns. Unemployment data also shows that some outer London boroughs now have the highest levels of unemployment in London. It also highlights the differences between outer London boroughs between Barking and Dagenham (7.9%) and Richmond (4.0%)

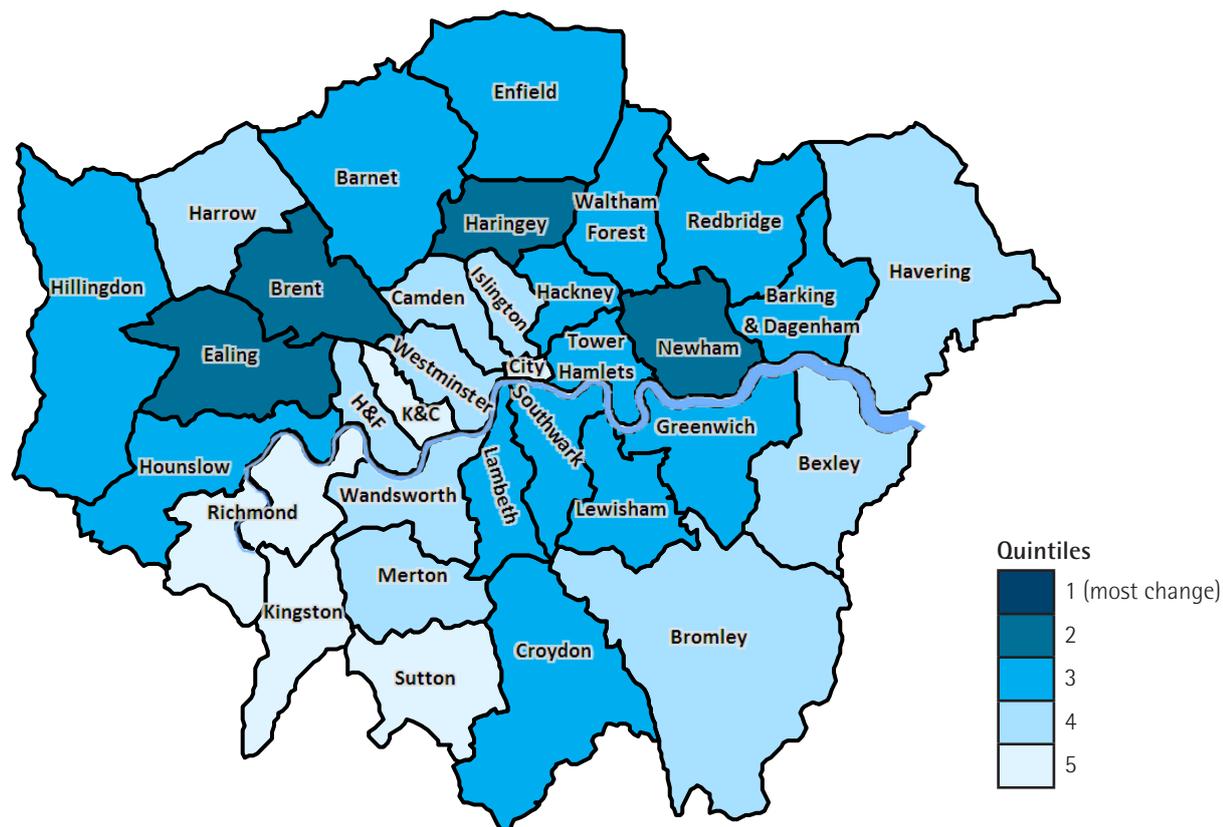
Unemployment rates by borough, December 2020 and December 2019



Source: Nomis, ONS model-based estimates of unemployment (2021)

The map below illustrates the claimant count rate by borough. The lower rates are in the south west and south east of the capital.

Claimant count change (absolute increase), January 2020 to January 2021



Source: Analysis of data from Nomis

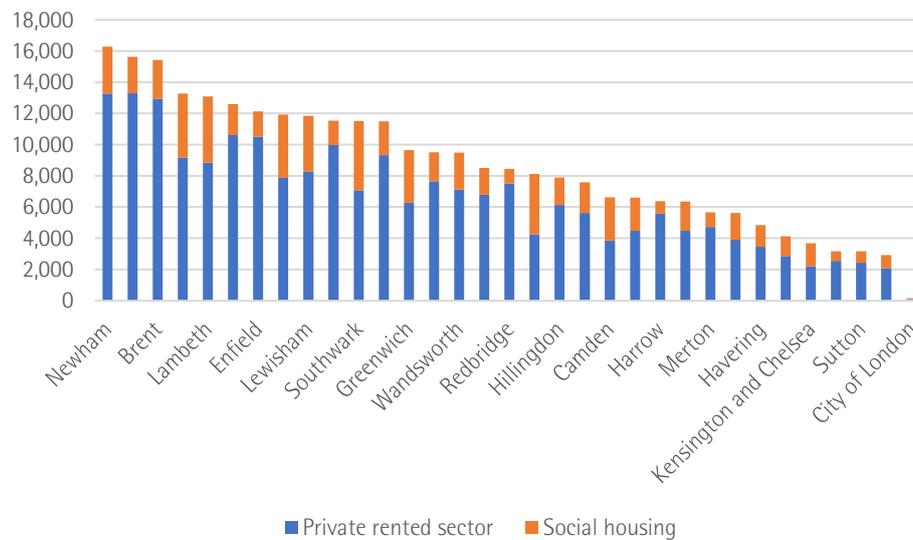
While the claimant count has risen rapidly across both in inner and outer London, the data suggests that specific outer London boroughs – such as Newham, Haringey, Redbridge and Brent – have fared worst.

The housing crisis

The shock of the pandemic has been particularly tough on renters. Surveys have shown it is those renting who have struggled to pay their bills, including their housing costs.²¹ The pan-London data on the housing element of Universal Credit (UC) claims, for example, shows a sharp rise since the pandemic – up 144% from November 2019 to November 2020. Around 60% of that increase is explained by rising levels within outer London.²²

This increase is roughly in line with the proportion of households within outer London (e.g. around 60% of households live in outer London). However, a specific challenge facing outer London is the number of poorer households living within the private rented sector (PRS), where rents are higher and tenancies less secure. The absolute rise in households claiming housing element of UC has increased most rapidly amongst those in the PRS – 75% of the increase has been to households renting privately and the proportion is higher in outer London.²³

Increase in households claiming housing element of Universal Credit by tenure (November 2019 to November 2020)



Source: DWP, Stat-Xplore

As the table below illustrates, housing support for those renting privately is dominated by outer London boroughs where over 70% of PRS housing support claims are made. Although much of the data on households within the PRS are estimates from 2018 it does highlight that in some areas the PRS predominately caters for those on lower incomes. As a result, rents are higher for those in outer rather than inner London. Average housing benefit claims in inner London, for example, are £156 per week. In outer London that figure rises to £167.²⁴

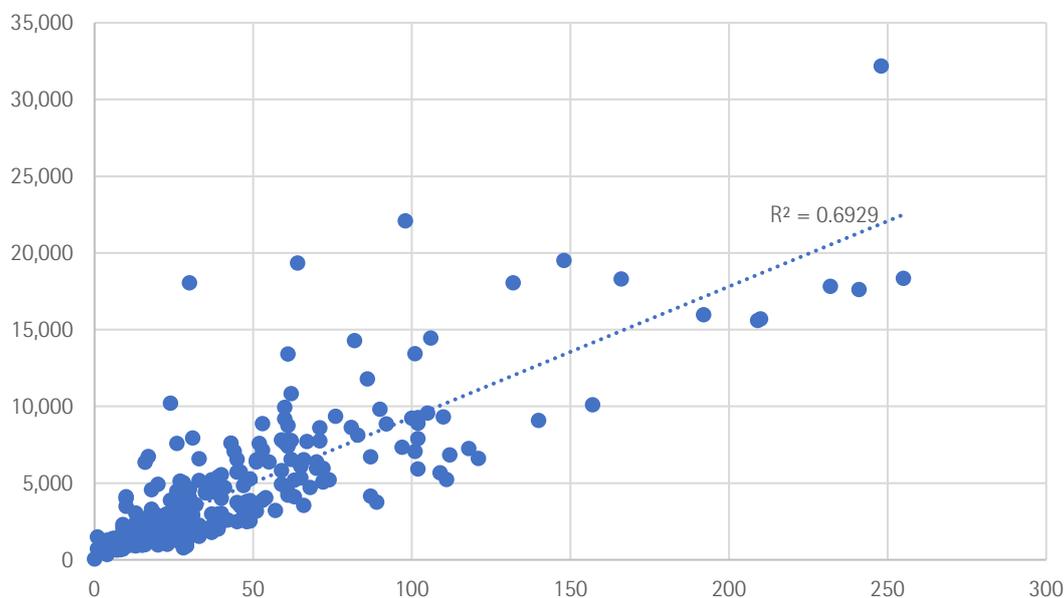
Housing support claims for those in the PRS by borough (November 2021) and households living in the PRS

	UC (housing element) or HB claimants in the PRS	Households in the PRS, 2018		UC (housing element) or HB claimants in the PRS	Households in the PRS, 2018
Enfield	30,150	32,800	Wandsworth	12,485	40,300
Brent	28,079	29,700	Barking and Dagenham	11,821	14,900
Barnet	26,067	36,500	Greenwich	11,238	22,700
Newham	25,498	36,700	Merton	10,589	21,200
Haringey	24,742	30,400	Southwark	10,546	32,600
Ealing	24,314	31,700	Bromley	8,516	26,100
Croydon	22,590	28,200	Westminster	8,498	38,100
Redbridge	17,388	31,400	Havering	8,441	14,300
Lewisham	16,434	28,000	Hammersmith and Fulham	7,684	21,900
Waltham Forest	15,994	19,600	Sutton	7,406	16,000
Hackney	15,583	28,400	Camden	7,281	31,400
Hounslow	15,359	22,900	Bexley	6,908	15,400
Lambeth	14,749	28,700	Islington	6,714	29,800
Harrow	14,343	24,700	Kingston upon Thames	6,112	17,700
Hillingdon	13,922	22,300	Richmond upon Thames	4,872	15,600
Tower Hamlets	13,579	43,900	Kensington and Chelsea	4,374	19,300

Source: DWP, Stat-Xplore, and GLA Datastore, Housing Tenure by Borough

Housing unaffordability is likely to create significant risks for poorer households. MHCLG data suggests that nationally 9% of PRS tenants are in arrears and that this rises to 18% for those claiming housing benefit.²⁵ With debts and rent arrears mounting up this ultimately could lead to a spike in evictions and homelessness. The data from before the pandemic demonstrated that there is a clear relationship between local authorities facing high levels of homelessness from those in the PRS (owed a prevention duty after end of assured shorthold tenancy in the PRS) and the level of housing welfare support.

Total owed a prevention duty after end of AST (October–December 2019) and levels of HB and UC housing element claims from households in the PRS (October to December 2019)



Source: Statutory homelessness: Detailed local authority-level tables - October to December 2019 (MHCLG) and DWP, Stat-Xplore

According to a recent Trust for London sponsored study of the PRS the numbers of households in rent arrears is now double normal levels. The authors note that landlords and tenants have managed during the eviction ban but that arrears have mounted up and the court system is unlikely to be able to cope. The impact is likely to result in increased demand for temporary accommodation.²⁶

Social tenants– who have more secure tenancies with not-for-profit social landlords who offer support services - are arguably in a much better position to manage rent arrears. However, for all struggling renters: "the big problem is really not so much formal evictions but all the months of insecurity, mental stress and hardship facing so many tenants and indeed landlords."²⁷

It was frequently commented during the research that the withdrawal of emergency support will intensify the incomes crisis, which in turn will increase debts and rent arrears. As one interviewee noted, "it feels like there is a looming cliff edge and things will get a lot worse." Another interviewee remarked that the £20 UC uplift was "holding poverty at the door and if it is whipped away it is anyone's guess what will happen".

The government's current Debt Respite Scheme (Breathing Space) will help relieve some of the pressure dealing with creditors, but it is not a payments holiday and does not cover Section 8 and 21 (if grounds are unrelated to rent arrears) eviction notices.

the fact that relatively larger numbers of outer Londoners (especially those on low incomes) work close to home; and that there are likely to high level of unemployment in outer London among younger people.

Recommendation 1: The poverty challenges facing outer London must be more fully understood and acknowledged by central government, the GLA, business and third sector organisations. This recognition will help deliver much needed extra support and advice.

Rent arrears

The pandemic has left many households across outer London with significant rent arrears. A rise in unemployment will exacerbate the problem. It was mentioned there was already a 'bottleneck in [eviction] cases' and that evictions – mainly in the PRS – will go on for at least a year – leaving many tenants in limbo.

Addressing rent arrears is an urgent priority. Immediate measures should include additional funding to support people managing the arrears and maintaining tenancies, extra help with the provision of temporary accommodation and support for people to be rehoused. Discretionary Housing Payments (DHP) can support people who have seen their income drop due to the impact of coronavirus. However, it was noted that DHP grants to local authorities were about to be cut significantly and councils were already having to find funding from their own diminishing budgets to cope.

It was commented that the pandemic had exposed the poor-quality and under-funding of temporary accommodation in outer London. It was said that as the demand for temporary accommodation increased, attention should not slip from the need to improve standards. One quick solution could be for outer London boroughs (and housing associations) to bid for extra grant funding to buy and refurbish local properties in places where demand for emergency housing has increased.

If the housing market is experiencing a bubble, a future correction in house prices in outer London could provide the opportunity for increased local authority acquisitions of stressed PRS stock. Some boroughs are already buying homes (including former Right to Buy properties) to provide housing for homeless households. There is the opportunity to scale this up and offer purchased private housing for social rent.³⁰ The opportunities for such an approach are probably greater in outer London where the cost of acquisition is relatively lower.

Recommendation 2: The GLA and outer London boroughs should work together to prevent a surge in rent arrears and evictions in the private rented sector by identifying the scale of the challenge, and provide additional funding to sustain tenancies and prepare for a spike in temporary accommodation. New approaches are also needed, such as buying-up private properties for temporary accommodation and social rent.

Funding shortfall

To mitigate the fallout from the recession and support an equitable recovery requires extra resources for outer London. However, a consistent message from the interviews and roundtables was that London was all too often at the back of the queue for extra funding. Reference was made to the £4.8 billion 'Levelling Up Fund', announced at the 2021 Spending Review (aimed at supporting town centre and high street regeneration and local transport and heritage projects in deprived areas). It was noted that the boroughs across London – which have traditionally been categorised as some of the most deprived in the UK – were placed in lower tiers for funding.³¹ According to the Mayor London, "It beggars belief that the very bits of London needing levelling up have virtually been ignored from Government funding dedicated to tackling inequality. Our analysis shows that, based on levels of deprivation, 14 boroughs should have been given the highest priority for funding, yet only two have."³²

Beyond the challenges of securing individual pots of government funding, there were concerns about the impact of austerity on local government finances and the unwillingness of central government to acknowledge the financial constraints on boroughs – as demonstrated in the 2021 Budget.³³ London Councils estimates that the total financial impact of the virus on London boroughs this year will be £2.2 billion, half of which is additional spending and half of which is lost income. It claims that despite emergency funding the boroughs will face a shortfall of £300-400 million.³⁴ The gap could be even larger if borough incomes plummet as a consequence of a shift towards homeworking.

There were also concerns that the financial settlement for outer London boroughs has failed to reflect changing needs within their areas. The data presented in this report on unemployment and rent arrears certainly indicates that extra funding will be required. This will demand outer London boroughs being more vocal and more collaborative about bidding for additional funding.

Recommendation 3: Outer London boroughs face budget shortfalls. They should work together with the GLA to press for additional funding from central government to support the Covid recovery.

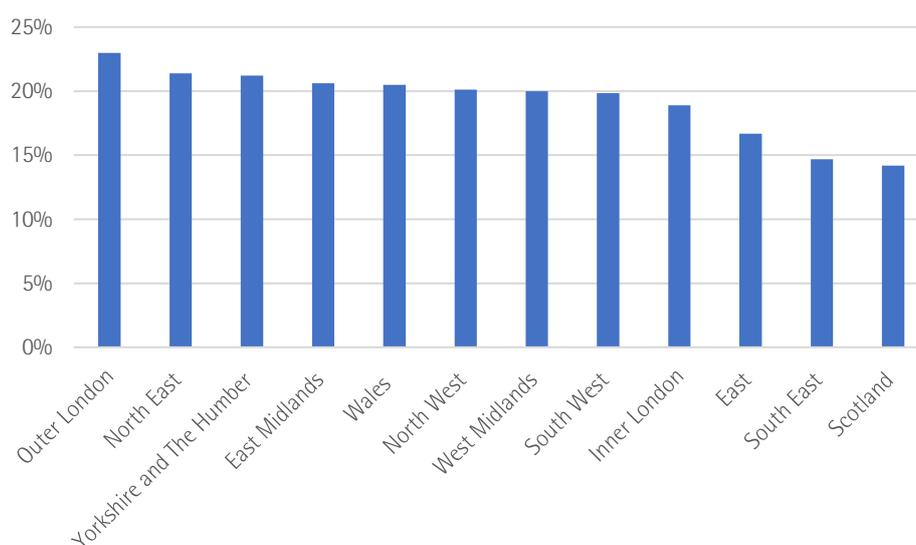
A wage-led recovery

A common theme amongst those spoken to as part of the research was that the pandemic had placed the spotlight on - and exposed - previous inequalities. This was particularly true of low paid, frontline workers who were risking their health to provide goods and services. And that it was also the case that those working in public facing roles were most likely to see a fall income due to being sick, having their hours reduced and or being made unemployed.³⁵

In the interviews some claimed that the pandemic had engendered a positive change in attitudes towards low pay, poverty and inequality.³⁶ However, it was said that "the danger is people will take their foot off" issues like in-work poverty and low pay because of higher unemployment".

Tackling unemployment will rightly be a major concern, but harnessing support for action on decent wages will be particularly important for outer London where low pay is widespread.

Proportion of jobs below Living Wage Foundation's Living Wage



Source: Analysis of ONS, Annual Survey of Hours and Earnings, 2020 (location by residential address)

The pandemic has strengthened the case for local public services in London to end poverty pay and ensure all staff are paid the London Living Wage (LLW).³⁷ There is a clear rationale for the NHS and healthcare employers, for example, to ensure decent pay that reduces the social risks of poor health.³⁸ Similarly, the pandemic has shone a light on the care home sector, where the workforce were particularly vulnerable to dying from Covid.³⁹ Here, local authorities have the opportunity to insist through procurement and commissioning that staff are paid at least the living wage.

Together around one in seven of outer Londoners paid below the London Living Wage work in the residential social care and human health activities.⁴⁰ Adding in those working within public administration, social work and the education sector, then around a third of outer Londoners paid below the London Living Wage work in public services (whether state delivered or not).

Increasing pay to the London Living Wage would potentially have beneficial impact on the local economy. Lower paid workers, for example, are likely to consume rather than save.⁴¹ There are also local productivity benefits. Indeed, there is a significant body of evidence that wage floors have not resulted in reduced hours (or higher prices) but broadly speaking raised productivity.⁴² Studies have found that better wages improve job commitment (efficiency wages),⁴³ retention of staff,⁴⁴ investment in training⁴⁵ and managers use their staff more effectively.⁴⁶ There has been some signs of reduced profits.⁴⁷ Tackling low pay should also be seen as an important way of supporting innovation (which tends to be incremental in high trust workplaces) and exit the low skills equilibrium.⁴⁸ As previous work by the Smith Institute for the Living Wage Foundation has shown, if more employers paid the Living Wage the net impact (after reductions in tax and benefits) is to boost local economies.⁴⁹

Local government does not have the powers to raise the minimum wage but can effectively do so in some sectors of the local economy through public procurement and helping to improve conditions (and standards) of work more broadly. Procurement (social) clauses can also be applied to wider aspects of 'good work', such as improved working conditions, workplace well-being; skills and progression and diversity and recruitment.⁵⁰ Requiring more contractors to meet the standard could help boost pay and drive-up employment standards.

The pandemic placed the spotlight on the problems around precarious employment and the how the welfare system often fails those in the gig economy. The issues are not new with fluctuating hours causing cashflow challenges but also issues with benefits being cut because the welfare system is not responsive enough to changing circumstances.⁵¹ It is therefore important that moves to boost wages come alongside better conditions (and standards) of work more broadly.

It was remarked in one interview that the GLA (and the GLA family of organisations, such as TFL and London Local Enterprise Partnership) are committed to the Mayor's Good Work Standard, but that more effort is needed to ensure these agencies use the procurement and commissioning powers they have to boost the LLW. The arguments for decent wages, good work and ending low pay are not new. However, there is an opportunity to tackle them now. An opportunity, which could significantly enhance outer London's economy and the lives of its low paid residents.

Recommendation 4: Paying the London Living Wage for all those working within public services should be a priority to 'building back better'. The boroughs should also seek to use their procurement and commissioning powers and place pressure on their public service partners to tackle poverty pay and insecure work.

A sectoral approach

A sectoral approach focused on lower paid sectors could – as part of the Good Work for Londoners Recovery Mission- help address outer London's low pay status. It was noted that outer London's low pay challenge is due to the sectors located within it. As the focus of attention for economic development is often on high-tech and tradable sector it means that outer London's economy is often overlooked and with it these low paid sectors.

The GLA could look to pooling funding to support key sectors (such as construction, green economy/retrofitting and care) to enhance investment and skills while also placing obligations on working standards. It was said in one interview that the GLA and London Local Enterprise Partnership have the powers and funding to do this. It was also mentioned that some boroughs were already using planning gain (CIL and Section 106 contributions) to support employment opportunities and training, although there is concern that this could be undermined by the government planning reforms.

It was reported that the recovery presented an opportunity to strengthen social partnerships between employers and trade unions and that improving the institutional architecture could help the boroughs shape policies to drive up standards, pay and productivity.

Recommendation 5: The GLA's Recovery Programme should take a more sectoral approach to low pay focused on where the boroughs and the GLA have a major role in delivering or commissioning services. These sector-wide bodies could leverage their funding streams and involve the social partners in a concerted effort to drive up employment standards and productivity.

It was noted in the interviews that the experience of coping with the pandemic had improved the relationships (and engendered new relationships) between the boroughs and local businesses, especially with often 'hard to reach' small firms. It was said that councils now had information about firms which could be used to drive up better employment standards. It was said that some businesses lack management skills, including around offering predictable hours.

Support and advice could therefore help businesses make straightforward changes to the benefit of employee and also employer through greater staff motivation and retention. This kind of support would do more to drive up standards and improve welfare of low paid workers than the current focus on post-Brexit regulation.

Recommendation 6: The GLA and local authorities should use their knowledge about businesses gained during the pandemic to focus their business support and advice on simple improvements to raise employment standards.

Section two: Longer-term implications of Covid – homeworking and planning for change

The short-term negative economic impacts of the pandemic are already plain to see, even if final outcomes are still not known. Rising levels of unemployment, reduced hours, falling incomes, and escalating debt levels are today's reality. These negative impacts have fallen hardest on the poorest outer London residents.

The longer-term implications for poverty, and specifically poverty in outer London, are hard to predict. However, one of the potential drivers of change with implications for poverty in London is the shift towards greater homeworking.

Homeworking has been concentrated amongst professional workers and those on higher earnings. It has been much less prevalent for lower paid workers, although it is more possible for some low-paid sectors such as call centre staff.⁵²

However, homeworking has potentially significant implications for the services demanded and where those goods and services are bought and consumed. This shift could shape the future labour market and skills requirements, the quality and types of jobs and how those in lower paid jobs can access those jobs if located in different areas. There are also implications for the housing market and whether homeworkers will trade proximity for space, which has implications for those on lower incomes and the housing costs they pay.

These trends could have lasting ramifications for poverty within London: on overall poverty levels, where poverty is concentrated and who is affected. These risks may also differ over time, including transitional risks as the economy adjusts. There are also opportunities examined in the final stages of the report to create new job opportunities and tackle poverty in outer London.

This section looks at what the evidence is telling us thus far and what the implications of a homeworking shift might mean for those on low incomes.

Homeworking and the spatial implications for poverty

The shift to homeworking brought about by the lockdown and people leaving densely populated areas during a pandemic have led to claims about the 'death of the city'.⁵³ Such pronouncements are not new and have yet to materialise. Indeed, globally urbanisation has continued to be a 'megatrend'⁵⁴ and London's population has grown rapidly since the 1980s.⁵⁵ Furthermore, many jobs cannot be done remotely and, people like living in large cities.

However, the pandemic induced switch to homeworking may have started to change things in ways we have yet to grasp and complicated by the pandemic, the recession, normal levels of population change and Brexit. There have been reports that suggest London's population has peaked and is now in decline.⁵⁶ Questions have been raised about whether there has been a drop (including because pre-pandemic estimates were too high)⁵⁷ and official data suggests the UK's population growth may have slowed rather than decreased.⁵⁸ Nevertheless, if there has been a slowing in population growth, it will impact on the course and nature of economic development within London. That in turn will affect the risks and opportunities of homeworking.

London's population growth is not linear (its population dropped by 10% in the 1970s) and inner and outer London have changed at different speeds.⁵⁹ Historical shifts in London's population levels have also shaped the location and nature of poverty in London. Slum clearance, new towns, new council estates in inner and outer London, private suburban developments of the interwar housing boom have determined where people live. The rise and fall of manufacturing and the advance of service economy have meanwhile changed where people work. And the spatial relationship between work and home has been shaped by train and tube investment and mass car ownership.

The ability to work from home remotely could herald a similar transport-induced transformation, with equally significant implications for London's transport systems, labour markets and leisure industries. Email, video calls and shared drives are of course far from new. However, as with previous disruptive innovations, it is not the invention of technology itself but the mass uptake that creates the change.⁶⁰

A sudden shift to homeworking

Prior to the pandemic, homeworking was on an upward trend but the pace of change was glacial and from a low base. Official data showed that those mainly working from home increased by only 0.8 percentage points between 2015 and 2019.⁶¹

Homeworking was also very much a 'minority sport' even amongst those who could. In 2019, just 5.1% of people mainly worked from home. Some 12.4% had worked at home the previous week when interviewed, and 26.7% had ever worked at home.⁶² This was considerably below estimates of the numbers of people who could work from home. The pandemic of course has radically changed these figures. Official data from April 2020 shows that just under half of those in employment (47%) were working from home. In London, that number was 10 percentage points higher (57%).⁶³

As mentioned, there are limits to remote working. A recent academic study, for example, estimated that just 40% of jobs in the UK could be performed at home.⁶⁴ These figures are below where Covid-peak but then some of those working from home were doing so sub-optimally – large-scale remote teaching for young children, for instance. The ILO reports slightly lower figures that home-based working could account for around 30% of the UK workforce, higher than in most EU countries.⁶⁵ Researchers suggest that this could increase to just under half when including smart or hybrid working.⁶⁶ A common figure used both regarding commuting reductions and around homeworking is that it one in five days work could be performed at home.⁶⁷

The experience of homeworkers

The experience of homeworkers appears to be mixed and differs between types of people. Most people working from home have not found it challenging. Surveys suggest that for most workers homeworking has improved their work-life balance (54%), the amount of time with friends and family (57%), and the amount of time on leisure activities (57%). The results also showed that large numbers would consider changing employer or employment circumstances to be able to increase the opportunity to work from home.⁶⁸ This work life balance and time with friends and family is perhaps unsurprising given the commuting times in London,⁶⁹ which pre-Covid were rising.⁷⁰

Nevertheless, some have found it challenging, especially younger people. Issues identified include the lack of suitable workspace and missing meeting and working in person with colleagues. Some also report difficulties maintaining work-life balance (as office and home merge) and issues with technology.⁷¹ A shift to homeworking could also be problematic for some families with small children, especially for those with little space to work.

Despite the downsides large numbers of workers wish to continue working from home. In a specially commissioned 'Understanding Society' survey people were asked about their experiences of the pandemic, with one wave asking about attitudes to homeworking. The survey showed that of those who had never worked from home until the pandemic, the vast majority wanted to continue do so after the crisis was over.⁷² Similarly, a YouGov survey showed that of those who had never worked from home until the pandemic, four in ten wanted to do so after the crisis was over which rose to over 90% for those who had worked from home before the crisis. The data for London showed more appetite for homeworking when the pandemic was over.⁷³

There is clearly a desire for working from home amongst those who were homeworking. However, this appetite is far from universal and many will simply not be able to work remotely. However, it does suggest post-pandemic that in all likelihood there will be increased demand from the workforce for homeworking. People may be more willing to switch job or employer to work from home.

The impact on productivity and attitudes of business

The future of homeworking will not be determined only by workers but also the attitudes of employers and the impact on productivity. Indeed, the potential welfare gains of less travel for instance will depend on homeworking's impact on productivity – if productivity falls and with it wages drop then it could reduce welfare gains.⁷⁴

The implications of homeworking on productivity and urban economics goes to the heart of debate about the benefits of agglomeration.⁷⁵ It is hard to judge at this stage, but some argue that homeworking will undermine the gains from business clusters, thick labour markets and industrial specialisation. Others argue the impact could also go the other way, with remote working and meetings driving innovation and widening the labour and skills pool. Prior to the pandemic there was already evidence questioning the scale of agglomeration benefits⁷⁶ and concerns that diseconomies of agglomeration were underplayed.⁷⁷

At a firm level some studies have shown enhanced productivity (largely due to more minutes worked) and a quieter working environment. However, the picture is mixed. The same study also found promotions of those working from home fell, suggesting downsides for homeworkers.⁷⁸ Nevertheless, research from America suggests that working from home could result in a "5 percent productivity boost in the post-pandemic economy due to re-optimized working arrangements." However, much of this will not be visible in productivity data with gains largely being in leisure time.⁷⁹

The views of workers on the issue of productivity is mixed, but overall positive.⁸⁰ One survey of employees found that the amount of work undertaken is similar or more than being at in the office, but also found difficulties around collaboration.⁸¹ Similar findings were made by Alan Felstead and Darja Reuschke. around the amount of work undertaken (41% of homeworkers reported in June 2020 doing as much work as they had done six months previously, 29% said they had got more done and 30% stated productivity had fallen). Interestingly two thirds (66%) of those reporting increased hourly productivity wanted to work mainly from home in the future. While those least productive wanted to return to the office. As the authors noted this could mean that those workers who are keenest to work from home are most productive while those least so return to the workplace.⁸²

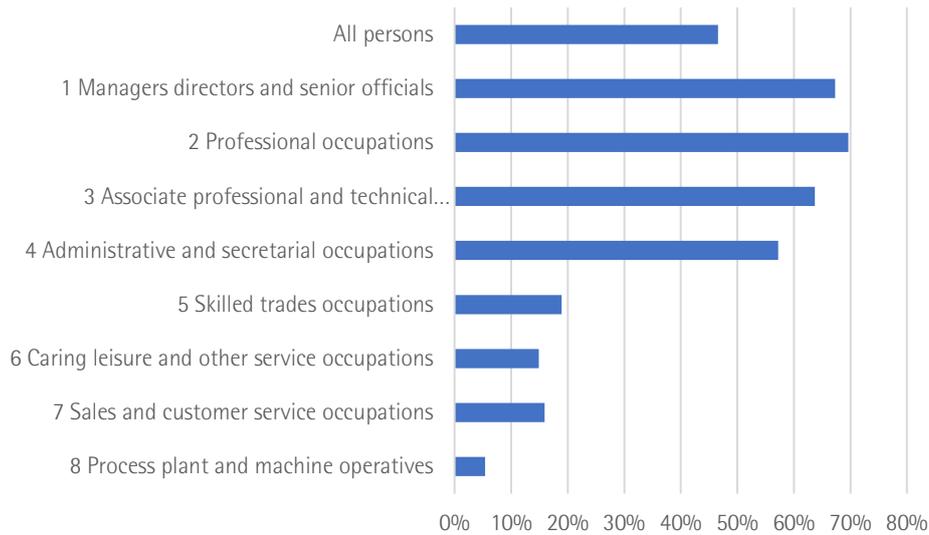
Employers also appear to be moving toward greater homeworking models. Several large employers, notably in financial services, have recently announced their intent to reduce their office space and move to hotdesking and hybrid forms of working. Some large firms, including in the banking sector, have also announced that they are downsizing the office footprint in central London – although this is not as yet a universal trend.⁸³

Another indicator of change could be the fall in demand for commercial office space. CBRE, for example, reported that demand for central London office space was down 72% in Q4 of 2020.⁸⁴ However, it is still too early to tell if the decisions of some firms to encourage people to work remotely will fundamentally begin to change the commercial property market in inner and outer London.⁸⁵

Who can and who is working from home?

As mentioned, an increase in homeworking will not impact workers evenly. During the first lockdown in April 2020, for example, there were few differences by gender and ethnicity (at least white compared with ethnic minorities) but a clear divide amongst occupational groups. For occupations requiring higher qualifications or more experience the rates of homeworking were much higher. While those in lower paying occupations the rates of homeworking were below one in five and as low as 5% for process plant and machine operatives.⁸⁶

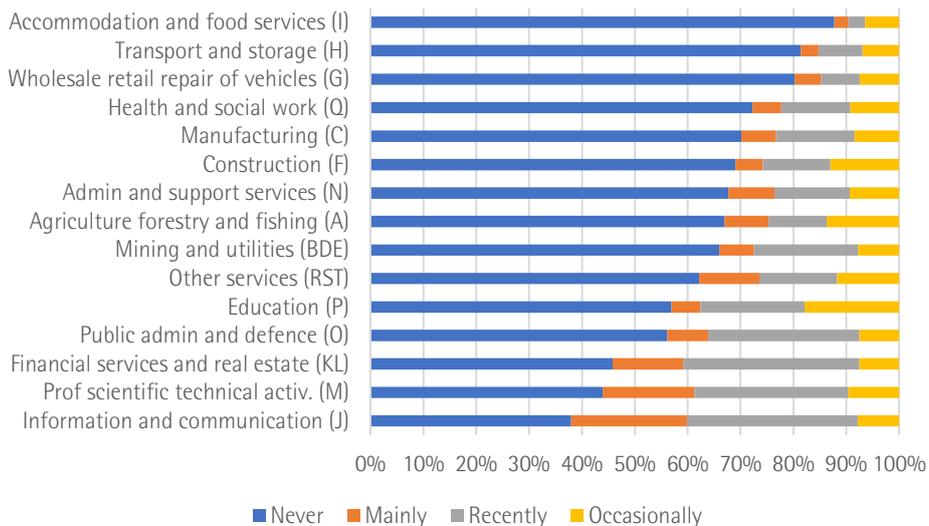
Homeworking by occupation



Source: ONS, Coronavirus and homeworking in the UK: April 2020, July 2020

Data covering the whole of 2020 (which will include pre-pandemic information) highlights lower homeworking rates in lower paid industrial sectors.

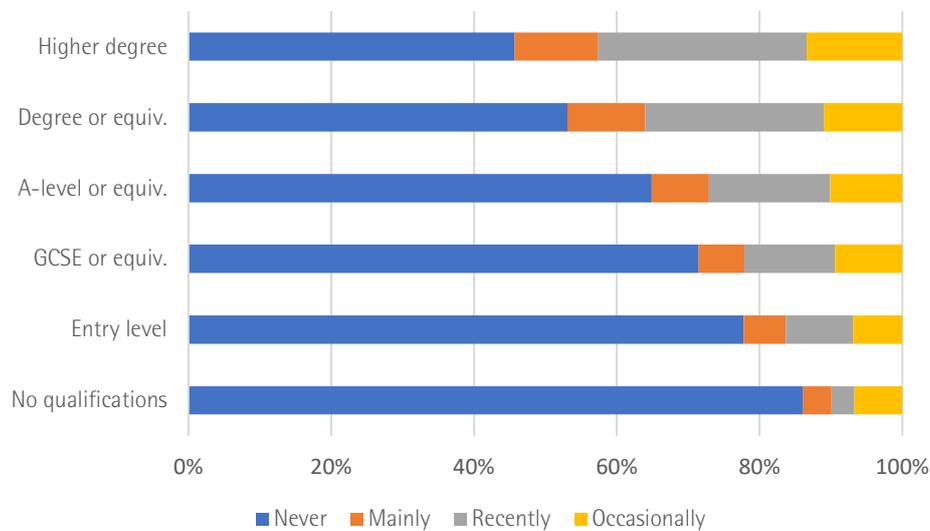
Homeworking by sector



Source: ONS, Homeworking hours, rewards and opportunities in the UK: 2011 to 2020 (2021)

It also shows the skills divide with those with lower qualifications least likely to work from home.

Highest qualification/trade apprenticeship attained, by work from home status (%), UK, 2020



Source: ONS, Homeworking hours, rewards and opportunities in the UK: 2011 to 2020 (2021)

The data suggests that those performing lower paid jobs are least likely to work for home. But, as discussed in the next section, this does not mean there are not significant employment and spatial implications which will affect for those on low pay.

Spatial implications of homeworking

There will no doubt be a further shift back into office working as the risks associated with the pandemic further subside, but there remains huge uncertainty. Mobility data for the City suggests a move towards normality in May 2021 compared to December 2020 when it was down by around 79%. Nevertheless, workplace movement was still down by 57%⁸⁷ and many firms have yet to decide or implement homeworking policies.

One scenario is that homeworking was just a short-term response to a global health emergency. After the threat of further outbreaks recedes the world returns to the 2019 status quo ante with no noticeable changes in the way we work, where we live and how we consume. However, the data appears to point to a very new and different scenario with a permanent upward shift in homeworking rates (evident in future preferences of employees and actions by large employers). In the interviews conducted for the report, this was the one area on homeworking where there was consensus. As one interviewee stated: "I don't expect to go back to the old normal."

Where there is a stronger difference in opinion is whether consumption patterns change (and to what extent) – whether people effectively save when at home and spend when in the city. Understanding how this translates into levels of economic activity in outer London will be critical to targeting anti-poverty interventions.

Work by Arup, Gerald Eve and LSE looking at the CAZ outline three main scenarios.⁸⁸ The first is a 'bounce-back to a new normal' with office workers and tourists returning to the CAZ. The second is 'widespread homeworking and reinvention'. This scenario would see homeworking remaining the norm for office-based workers (with opportunities for central London to reinvent itself). The third, the pessimistic/headwind scenario, is slow economic recovery, lower office attendance rates and a loss of face-to-face jobs driven by fewer workers (and tourists).

These scenarios will be determined by range of factors, including productivity gains, differences between sectors, differences between demographic groups wanting to work from home, differences in levels of working from home and in the office (including office offering something different, pressures from employers to return to the office, employers closing offices and potential career advantages from working in the office). The many moving parts make it hard to identify long term trends.

However, even under the bounce-back scenario the expectation is for lower office attendance, but retail and leisure spending to remain similar to what it is was because people continue to consume when they work in a centrally located office. Under the increased homeworking scenario, not only is there increased levels of homeworking but also consumption is closer to home even if some income is saved up at home and spent when working centrally. This would see a growth in orbital routes and decline in peak and radial transport use. Under the headwinds scenario there is increased homeworking and London becomes a less attractive place to work. Thus, under all three scenarios the expectation is that there will be increased homeworking.

While still speculative these scenarios focus on the implications for central London. However, the implications for outer London and outer Londoners are implicit. A shift of both work and consumption patterns that some scenarios envisage could mean more economic activity located where people live. While homeworking might be limited largely to those in higher paid jobs, there are knock-on impacts for lower paid jobs and where those on low incomes live. The shift could be significant, research from the US has tried to quantify the potential impact concluded that a 5-10% reduction in city centre spending was likely compared with pre-pandemic levels.⁸⁹

What are the spatial implications for low paid workers?

If the shift to working from home results in more local consumption then there could be implications for local economies. This could range from where workers eat at lunch, lunchtime and after work retail purchases, taxis to and from meetings, and the night-time economy (restaurants, cafes and pubs and bars) and leisure activities (from gyms to the arts). Certainly (and unsurprisingly) evidence on retail and recreation activity shows that central boroughs have been affected much more than outer London areas. According to data from Google, activity is down 95% in the city but only by around 50% in Havering, Redbridge and Barking and Dagenham.⁹⁰

One study looked at how many jobs could be undertaken from home and the implications for those working in locally consumed services. The researchers find that higher levels of residents within inner than outer London are able to work from home.⁹¹

However, as outer Londoners are more likely to commute in (than the reverse) this means the negative impact of homeworking on locally consumed services is likely to be greater on inner London. As the table below shows more outer Londoners commute out of the borough than those from outside outer London commute in. The picture is the reverse for inner London, which will include commuters from outside the M25. This is perhaps not surprising. However, it does mean that for outer London there are significant benefits in increased economic activity - including for lower paid sectors.

Commuting patterns, October-December 2019

	Outer London	Inner
Region of place of work	1,830,000	3,520,000
Workers resident in region	2,740,000	2,020,000
Net commuters out of region	910,000	-1,500,000

Source: Analysis of Quarterly Labour Force Survey

The story is not all positive, neither at an aggregate London or very local level. In the short run there could be market frictions in labour supply and also in capital availability to provide the goods and services demanded locally. This could create a loss of jobs within sectors as there is a demand-supply mismatch. At a smaller neighbourhood scale there are significant variations in the numbers working within locally consumed services, with the most deprived areas having a higher proportion of workers in these types of job. This could create unemployment in the short term while failing to provide more opportunities for more deprived areas in outer London over the longer-term.⁹²

Where outer Londoners work by weekly pay quintile, October-December 2019



Source: Smith Institute analysis of Quarterly Labour Force Survey, October-December 2019

However, many (70%) low paid outer Londoners already work in outer London and only 16% of outer Londoners in the bottom two pay quintiles work in central London. This would mean that outer Londoners may be sheltered from the shift to homeworking and more able to benefit from increased local service employment.

Even within the sectors most likely to be affected a relatively small numbers of outer Londoners work in these industries. The distribution, hotels and restaurant sector is likely to experience locational changes from greater homeworking. Before the pandemic around 15% of outer Londoners employed within the sector worked in central London, which equates to around 2% of workers.⁹³ There will be workers in other sectors that could be affected by a drop in demand from central London activity. This would inevitably impact most on central London but would have implications for on outer London.

Rise in logistics

The pandemic has boosted online shopping. The trend was already headed in that direction but accelerated owing to the lockdown rules prohibiting in store purchases and people's fears about catching covid-19. However, it could have sparked a step change in behaviour which continues, not least because homeworking itself can support online retail.

As such, online retail and e-commerce was seen as a growth sector in the interviews and with it logistics. Outer London already has a high level of logistics jobs – for example, 9.1% of jobs in outer London are in the transport and storage sector compared with 4.9% in Great Britain.⁹⁴ Outer London is also suited to providing logistics services given commercial space and proximity to outer and inner London consumers. Jobs in warehousing and deliveries are traditionally lower paid roles and more precarious, involving more self-employment and zero hours contracts.⁹⁵

The recent judgment regarding the status of Uber drivers⁹⁶ may be an important step in raising standards across the gig economy and in logistics. It was mentioned in the research that there was no reason why warehouse and delivery work should not offer people good employment opportunities and therefore local authorities should not seek to prevent firms locating within their borough. The issue was not the sector itself but the poor working conditions within it.

The level of risk but also potential benefits is varied not just between inner and outer London, but also between outer London areas. Examining the data of levels of homeworking within London shows that in some areas the benefits of homeworking may be minimal because relatively few residents are likely to do so. For example, in Barking and Dagenham and Havering one in five (22%) of employees worked from home in 2020. This is less than half the level that did so in Barnet (52%). However, overall the proportion of resident working from home is much higher in the wealthier, mostly inner London, boroughs.

Although the data is at a relatively large geographic scale it could suggest fewer benefits for areas with high levels of professional residents – even if it is also coupled with deprivation. It also raises questions about connectivity to wealthier neighbourhoods and how best to access new employment opportunities.

Proportion of residents working from home (WFH)

NUTS3 Area*	NUTS2 Area	Proportion of people WFH	NUTS3 Area	NUTS2 Area	Proportion of people WFH
Lambeth	Inner London - East	54%	Hackney and Newham	Inner London - East	42%
Wandsworth	Inner London- West	52%	Croydon	Outer London - South	41%
Barnet	Outer London - West and North West	52%	Ealing	Outer London - West and North West	41%
Hounslow and Richmond upon Thames	Outer London - West and North West	49%	Camden and City of London	Inner London- West	40%
Hammersmith and Fulham and Kensington and Chelsea	Inner London- West	49%	Brent	Outer London - West and North West	39%
Lewisham and Southwark	Inner London - East	48%	Tower Hamlets	Inner London - East	38%
Enfield	Outer London - East and North East	47%	Redbridge and Waltham Forest	Outer London - East and North East	36%
Haringey and Islington	Inner London - East	47%	Bexley and Greenwich	Outer London - East and North East	35%
Bromley	Outer London - South	46%	Harrow and Hillingdon	Outer London - West and North West	34%
Westminster	Inner London- West	45%	Barking Et Dagenham and Havering	Outer London - East and North East	22%
Merton, Kingston upon Thames and Sutton	Outer London - South	43%			

*The Nomenclature of Territorial Units for Statistics (NUTS) is a hierarchical classification of administrative areas. NUTS 2 refers to Counties/groups of counties and NUTS 3 to Counties/groups of unitary authorities

Source: ONS, Homeworking hours, rewards and opportunities in the UK: 2011 to 2020

Implications for housing

The consensus view amongst those spoken to as part of the research was that if there is a shift in homeworking some homeworkers will likely trade proximity for space. This could increase demand within outer London, which has higher concentrations of larger properties. However, others felt that there were risks for poorer outer London areas where services and amenities were less accessible locally. It was also mentioned that Londoners who wanted more space to work remotely may be attracted to moving to the home counties or other towns where house prices are lower.

There is evidence of this happening in American studies. Recent studies suggest that 'whiter and younger' populations in the US have fled connected city areas.⁹⁷ This combined with more remote working policies, reduced commuting and lockdown measures, raised the premium for space and low density.

This trend is evident in the bid-rent function (the relationship between rent or price and distance from the city centre). Researchers have found that around 80% of the rent premium associated with urban living had been reversed since the pandemic.⁹⁸

Rental data for the private sector in England is poor and firm conclusions are difficult to draw at this early stage. However, there is some evidence of rises in outer London areas.⁹⁹ Examining the same rental data showed mean inner London rents for a two bedroom home increasing by 1% between 2019 and 2020. In outer London it rose by 3%.¹⁰⁰ Looking at the same data by postcode suggests that while in 2019 an additional kilometre away from the centre (EC1) decreases monthly rent by £86.82. In 2020 that figure had decreased to £63.66.¹⁰¹ Suggesting again that prices in outer London could become relatively more expensive than many inner London areas. This, of course, would have an adverse effect on low income households in outer London.

However, a permanent shift to homeworking has the potential to reduce affordability pressures. By reversing the recent slowing in transport technology advances, which have been shown to have driven higher house prices, homeworking could increase the area where people can live and where homes can be developed.¹⁰² However, supply increases are constrained by developable land.¹⁰³

It is too early to draw firm conclusions and the data quality is too patchy to come to an understanding of what is happening in the shorter term. In theoretical terms a shift outward could increase pressures on outer London's stock but an overall fall in London's population (against trend increases) could reduce it. Certainly, a shift in population could ease the huge pressures on London's housing stock, with the number of households outstripping the number of homes.¹⁰⁴

Tackling outer London poverty in an age of homeworking

Local economies and the prospects for low-income outer Londoners are at a critical juncture. A consistent message from those we heard from was that there are significant risks associated with the removal of emergency support for employment, incomes, housing and debt. While the short-term challenges feel stark the longer-term picture is unknown. There are certainly risks associated with the transition to a different type of economy but also around those in poverty being displaced.

Despite these risks, the report is not a counsel of despair for outer London. There are significant opportunities to create jobs, reshape the economy and combat poverty in outer London. This section looks at how some of the risks can be mitigated and how the opportunities could be seized.

Post-covid opportunities and risks for poverty in outer London

	Jobs and skills	Housing and transport
Unknowns	Level of homeworking and consumption patterns impacting where jobs are located and what skills are needed to perform those jobs	Whether people trade proximity for space; Whether people move to outer London or beyond; Different commuting patterns (radial and orbital)
Opportunities	Rising long-term increase in activity, including around the high-street; Potential demand for office locations, and town centre work hubs; Results in increased in local job opportunities –benefitting lower skilled/paid local residents	Reduced demand on London's housing stock, focus on delivering 'genuinely' affordable housing (lower land values) and affordable work space; More outer London activity creates greater focus on orbital transport links
Risks	Reduced economic activity as people move outside of London/away from poorer outer London areas; Permitted development and lack of ownership means outer London cannot take advantage of opportunities; Focus on high-tech/tradable sectors at expense of outer London economy High levels of unemployment as enter recovery stage (as high as inner London); Skills and capital mismatches as location of work and types of work change: leading to unemployment and slower recovery; Focus on central London recovery	Higher housing pressures on London's suburban stock leading to displacement of lower income outer Londoners; More segregated places if premium placed on local amenities; Local Housing Allowance rates don't reflect changing local markets; Cuts make transport investment less viable (and still focus on radial routes) and subsidy withdrawn making access to work harder

Planning for a different economy

The pandemic may have long-term implications for poverty within London and create both risks and opportunities for outer London. The scale of change and implications are still speculative. However, this shouldn't preclude planning for a different economy and understanding the potential risks and opportunities for low-income outer Londoners.

Homeworking and a different vision for outer London

As mentioned, poverty has decentralised and converged in the capital. Across a number of employment indicators disadvantage is as prevalent in outer as inner London. Indeed, since the turn of the century jobs density – number of jobs per working age population – has remained the same in outer London. In inner London it has risen by 13% (with a 50% rise in job numbers).¹⁰⁵

House prices meanwhile have risen rapidly but fastest in inner London. In 2000, inner London was 20% more expensive than outer London. Today it is 33% more so.¹⁰⁶ With the levels of social housing failing to keep up with population growth, outer London has seen a rise of housing benefit claimants within the PRS.

These trends have created spatial mismatches between work and home. Outer Londoners are more likely to be unemployed when

holding for personal characteristics. And in our previous report on outer London, those on low incomes that we spoke to described how they had been displaced or “pushed out” from inner London.¹⁰⁷

The shift to homeworking potentially offers the opportunity for outer London to create more jobs closer to residents (although not the focus of the report, support for childcare and skills will also be vitally important). It may also be the chance to reassess growth within the capital. Just as the pandemic has placed the spotlight on the value of those providing frontline services, there is an opportunity to reassess what matters and what success looks like for the future of London.

Much of the focus of economic development has been on high-tech innovation and tradeable sectors and agglomeration benefits. Less attention has been given to the jobs that make London function. Jobs in public services, in the service sector and in supporting the physical infrastructure are all labour intensive, and the types of jobs often found in outer London. A shift of attention towards these sectors supported by greater levels of homeworking could help deliver the London Mayor's agenda around 'good growth'.

Homeworking has the potential to be welfare enhancing and improve people's quality of life – for some potentially having the same impact on leisure time as a four-day week. There are possible productivity advantages of working from home, reduced commuting costs, less congestion and pollution, and cheaper commercial rents, which could support new businesses. It could also reduce housing pressures if it expands London's travel to work area. If location comes at less of a premium, rents could drop but this may be offset by the desire for space.¹⁰⁸ However, as low-income households tend not to work from home they could benefit from more affordable accommodation.

The interest around the implications of homeworking have so far been concentrated on central London areas. Reports, such as Arup's on the CAZ, seek not only to lay out scenarios but also set the agenda for supporting central London as the economy evolves. A similar approach is required for outer London as part of a pan London assessment of what homeworking could mean. This should look at the opportunities for homeworking for outer London and how it can help deliver a fairer London.

The benefits of homeworking also come with risks. Employees may end up working longer hours with new forms of workplace risk,¹⁰⁹ working practices and technology may not necessarily enable productivity gains. Greater homeworking could also undermine the local tax base. There are also legal, tax and regulatory questions about homeworking that may affect people in different ways. It is not inconceivable that a tax or tariff could at some point be placed on homeworking, perhaps on the employer or paid by the homeworker. Government may also want to better clarify the tax and employment status of homeworkers, especially if homeworkers are encouraged to become self-employed and work as freelance contractors.

Too often discussions about the shift to homeworking say little, if anything, about inequalities. Indeed, a critique of the discussions about remote working and the so-called '15-minute city' (an idea which emerged during the pandemic and popularised in Paris) is that it does not address inequalities. It was mentioned at the roundtable events that policy-makers need to be alert to the risk that by retreating to our neighbourhoods spatial inequalities could in fact worsen.

These risks could be a result of wealthier people placing a higher premium on place as they are working from home more and wanting better quality environment, infrastructure and local amenities. This could result in wealthier households pricing out those on lower incomes which becomes self-reinforcing as wealthier areas see more private investment and greater demand for high-quality private amenities. This would mean those on lower incomes live further away from wealthier areas where jobs are created in services. In areas which face decline the opposite process could occur. This could lead to neighbourhoods becoming segregated rather than integrated or mixed. In interviews for the report, fears were raised about some less attractive areas seeing populations fall and the urban fabric deteriorating.

The shift to homeworking could also create growing resentment about the gains if it results in much more leisure time for wealthier Londoners. Ensuring this is not the case demands a new co-ordinated approach to economic development – growing local economies and balancing jobs and growth across the capital.

Homeworking certainly offers the opportunity to look beyond city centralism. Whilst economies of agglomeration will keep central London as an economic powerhouse, there is an opportunity to reduce the diseconomies of agglomeration (long commutes, pollution and extremely high land values and rents). These diseconomies often fall hardest on those on low incomes (for example, while wealthier Londoners can buy a home and see the value of their home rise as London becomes more attractive it is poorer Londoners who see their rents rise).

Supporting balanced growth and avoiding new divides will require intervention and a stronger policy emphasis on maximising the benefits of homeworking and supporting those sectors with low paid workers.

Recommendation 7: *The GLA and outer London boroughs should scenario plan for greater levels of homeworking. These plans should include how to maximise jobs and growth and tackle poverty and inequality.*

Recommendation 8: *To ensure the benefits of homeworking are not captured only by wealthier Londoners and the costs borne by poorer Londoners, planning and economic development should concentrate more on lower paid sectors and understanding the distributional impacts of homeworking.*

Managing uncertainty

The future is always uncertain, but sometimes it is more uncertain than others. Prior to 2020 homeworking had been increasing, but very slowly and from a low base. In scenarios and models of future growth it may have featured as a talking point but was not generally central to the discussion. This is not the case now.

However, whether people and employers want to increase homeworking over the longer term, at what scale and what the implications are for services are still far from clear. As such it will be critical that as the picture regarding homeworking evolves detailed evidence should be gathered about what change is happening, particularly given that businesses and individual employees will be experimenting with different approaches to homeworking.

It was remarked that because things are so speculative local authorities should be speaking to residents and their employers about homeworking and office location. This would help raise awareness and guide decision making. It could also help attract businesses into the area to support job creation and drive productivity improvements. This co-operative approach would seek to deliver strategic collaboration and coordination between private sector and government to discover problems, designing interventions and learning from mistakes.¹¹⁰

Discussions should not be focused only on business or economic growth but have at the heart improved living standards and tackling poverty and involve residents and the voluntary and community sector. This will help build trust and improve decision making.

Some of those we heard from spoke of new more open relationships being forged between local government and a range of stakeholders. These relationships should be built on as local authorities seek to understand the poverty implications of a shift to homeworking and drive forward solutions around good work and fair pay. They will also enable local authorities to have more timely, granular and detailed information about managing change.

Given this uncertainty gaining information and analysing trends will be essential to making timely policy interventions. The research for this report suggested four key issues for consideration:

- Labour market: where jobs are located, including by sector?
- Skills – what skills are needed as the economy changes?
- Accessing work – spatial mismatches and transport links and issues around childcare
- Housing – costs of housing by place, neighbourhood segregation

Uncertainty should not preclude policy innovation. Indeed, it was remarked at the roundtable events that change demanded more policy innovation and experimentation. Local authorities should, therefore, have space for failure to spur new and improved ways of approaching different challenges. If there is more innovation, then it becomes more critical that local authorities and the GLA evaluate what is working well and helping them to meet strategic objectives, including around poverty reduction.

Recommendation 9: *It is recommended that local authorities and the GLA have regular conversations with residents and their employers about the location of work and what would support more jobs, decent work and higher productivity within outer London.*

Recommendation 10: *Local authorities should seek to experiment to find ways of attracting firms and supporting homeworking in their areas and measure the success they have. One measure of success must be the creation of well paid, secure jobs.*

Recommendation 11: *The GLA should pay close attention to the location of poverty, including at a neighbourhood level, to understand whether more homeworking is leading to greater spatial segregation or a more integrated, inclusive city.*

Managing transitional risks

While there are potential opportunities of greater homeworking there are considerable transitional risks. A shift could lead to capital and skills mismatches. This would mean while demand for local services for homeworkers increases there is not the capital investment to meet the demand or the appropriate skills. That would impact on productivity and could result in unemployment during this transition.

Similarly, if we see economic activity moving from central areas to residential places it does not necessarily follow that there will be the same types of activities demanded by those moving to homeworking.

Certainly, Covid has changed how we consume and what we consume, even if we don't know whether that will continue longer term. As the Bank of England's Monetary Policy notes: "Some of the sectors hardest hit by the pandemic employ lots of young and low-skilled workers who may find it difficult to move between sectors."¹¹¹ The Bank of England's analysis is relatively sanguine. They state that even if consumption patterns were to remain unchanged from the third quarter of 2020 (an extreme scenario) the impact of task reallocation would be higher than usual but not as severe as the 1980s and early 1990s because of the nature of the reallocation.¹¹²

There may also be a spatial dimension to the demand and supply of skills. The Bank of England outlines how homeworking could mean capital is in the wrong place if economic activity moves from city centres. This might also be true of workers. In aggregate the number of jobs in retail and leisure could remain the same but the location could shift. This could create supply shortages if people are unwilling to commute.

Supporting people into work is an essential component of recovery plans. However, the large uncertainties about where economic activity will take place and what that activity will be at an intra-city level means gathering intelligence about changes at a local level to tailor support.

Recommendation 12: Increased effort will be needed to support people into work. The location and nature of economic activity is very uncertain and requires that the boroughs and the GLA track changes and tailor skills and employment support to meet changes which might be at a very local level.

Supporting local jobs and growth

More homeworking could generate additional economic activity in outer London, create jobs and help tackle poverty. The level of these benefits will depend to an extent on how local areas can make the most of the opportunities.

Local job opportunities support residents into work. As mentioned, much of the evidence shows that those that are lower paid work closer to their home. Previous research by the Smith Institute showed that low paid workers did not consider commuting to central London as a viable option given the costs and time involved. And that when holding for personal characteristics unemployment is higher in outer London – where job density is substantially lower (jobs per working age population is 0.64 in outer London compared with 0.87 in Great Britain and 1.51 in inner London).¹¹³

Making the most of the opportunities that home and flexible working could afford entails attracting businesses to outer London areas, but also supporting office workers now working from home onto the high street. This increased activity could support a range of jobs in local services, helping to tackle the immediate jobs crisis and supporting local efforts to reduce poverty.

The importance of local jobs

Where jobs are located and undertaken will have implications for poorer Londoners. Indeed, the local labour market is far more important for lower skilled and paid workers than for those on higher incomes. Commuting patterns, for instance, show those on low incomes are far more likely to work in their own borough (see figure on page 30). Outer Londoners in less skilled occupations tend to work in outer London just as inner Londoners predominantly work in inner London.

This behaviour has implications for outer London given that jobs growth was rapidly increasing in inner London and stagnating on a per capita basis in outer London. Indeed, unemployment rates, which had historically been considerably higher in inner London, had converged. The qualitative research the Smith Institute conducted with poorer outer Londoners, for previous work (*The unspoken decline of outer London*, 2018) suggested that local employment opportunities was a primary concern. Outer Londoners heavily discounted travelling to work in central London because of travel costs and the time it takes. As low paid workers are more likely to work part-time, commuting is an even less attractive proposition for poorer workers. Commuting long distances was also problematic for those with children and for whom childcare beyond school hours was an expensive option. Good local job opportunities were seen essential to their financial wellbeing rather than improved commuting options.

Some argue that regional labour markets are integrated: that when we hold for personal characteristics, such as skills, gender, ethnicity and age, then rates of unemployment are similar within areas, including London. This would point to focusing exclusively on tackling the barriers to labour market participation rather than place-based policy solutions. However, analysis of Labour Force Survey data from 2019 and 2020 suggests that place plays an important role. Holding for a range of personal characteristics the analysis for this report suggests that place is statistically significant and outer Londoners were consistently more likely to be unemployed than those in inner London. In the quarter with the least impact, living in outer London increased the chances of unemployment by around 25%-50%.

Chances of unemployment for outer Londoners

	Jan-Mar 2019	Apr-June 2019	Jul-Sept 2019	Oct-Dec 2019	Jan-Mar 2020	Apr-June 2020	Jul-Sept 2020
Increased chance of unemployment for outer London residents	1.26***	1.64***	1.55***	1.59***	1.28***	1.13***	1.26***

Note: alongside inner or outer London the analysis holds for age band; disability; sex; ethnicity; marital status; religion; tenure; and highest qualification. Nagelkerke R square for respective months is: 0.203, 0.197; 0.221; 0.219; 0.155; 0.190; 0.202. Analysis of Labour Force Survey quarterly data

The results suggest that place matters. When looking at these findings together - unemployment data, job density, commuting patterns and qualitative research - access to local jobs for lower skilled workers appears to be important. Place-based approaches will play an important role in supporting those on lower incomes within (not just between) cities. It also has implications if working from home shifts the location of economic activity and demand for housing. This could help create employment opportunities. Equally if the city becomes more spatially segregated it could increase unemployment, especially for those in poorer areas and furthest from employment opportunities.

Reviving the high street

The diminution of the high street predates the pandemic.¹¹⁴ However, Covid has quickened the pace of change. Concerns were raised at the roundtable events about the future of the high street and how the relaxation of local planning rules - permitted development rights - was removing the ability of councils to protect commercial space (there was more sympathy for greater freedom between commercial use classes).

One option was for councils to buy up strategic high street sites, some of which could be developed for affordable live-work space. Having control of properties was also said to give the council greater control over efforts to secure decent work and living wages among business tenants.

It was noted that there has been a sharp drop in commercial property investment¹¹⁵ and that high street development was far from risk free.¹¹⁶ Nevertheless, we heard from outer London councils who stated that while the numbers had to add up, with low-cost Public Works Loan Board financing alongside due diligence, things were going ahead.

The impact of online retail on the high street might be most pronounced in wealthier outer London areas. This could have knock-on effects on employment and poverty in poorer neighbouring areas.¹¹⁷ As such, the GLA and boroughs should examine the effects of changing spending patterns to identify what funding and support might help.

Recommendation 13: The boroughs should consider acquiring strategically important parts of the high street in their areas and use their leverage as a landlord to support local growth and good work.

Recommendation 14: There is growing concern that permitted development will erode high streets and town centres and hamper the economic recovery. Central government should urgently review the situation.

Supporting the high street would be helped if there is increased footfall from office workers. The data suggests that attracting higher paid workers into city centres has supported spend in those areas.¹¹⁸ This is likely to be much more effective than the usual calls for cuts to business rates which undermine the local tax base (which is required to ensure a high-quality high streets and fund business support) and will result in business rates being capitalised into higher rents (landlords will raise rents if a tax is cut).

The shift to working from home may spur increased demand for work hubs and office space/office hubs. In the interviews it was noted that businesses would "discover by doing" and that many were in an "incomplete period of experimentation". Nevertheless, it was reported that more organisations were exploring using flexible working hubs and co-work spaces. Survey data on expectations for non-central office space and thought leadership reports from estate agents suggest some movement of office space to suburban hubs and secondary business districts.¹¹⁹ Data from the office company IWG, for example, showed that more London employers are looking for local workspace for employees to work remotely. They claim the highest levels of demand for 'hub and spoke' workplaces is in outer London locations, such as Chiswick, Barking and Harrow and Uxbridge. IWG note that the high demand in outer London contrasts with a fall in demand in inner London.¹²⁰

There may also be increased demand for workspace for those wishing to avoid the commute but struggle to work from home. The evidence shows that young people and those on lower incomes working from home often struggle because of the lack of space. For others, homeworking can feel isolating. Affordable work hubs could thus support the local economy and lower paid homeworkers. Indeed, it may provide lower paid homeworkers with much greater employment opportunities than they have now, including roles with greater prospects for progression. Ensuring that work hubs are both affordable and suitable will therefore be a critical component of forward planning.

One way to scale up office space is to repurpose existing local authority properties and other public buildings. This is something some councils are already considering, including around hotdesking options. Councils are also looking at affordable workspace provision more broadly to support both those working flexibly and start-ups. As part of such reviews local authorities should consider the location of space and whether it is feasible to tilt provision to less prosperous areas to generate local economic activity.

This approach could fit within plans for town centres. One of the ideas that the erstwhile Outer London Commission (OLC) was established to explore was growth hubs and town centre intensification. It recommended that boroughs develop realistic visions for town centres and work in partnership on programme for renewal and need for improved orbital transport links.¹²¹ It was remarked in the research that this idea of large growth hubs floundered because few areas wanted to become a secondary business district. However, new thinking around increased capacity may become more important and compelling (it was remarked some places may not have the luxury this time) if there is demand for additional office space and a more polycentric growth model that homeworking engenders.

Recommendation 15: The boroughs should extend business advice and support in light of the evidence on home/local working. This support should also include provision of information and advice on affordable work space and good working practices.

Recommendation 16: The GLA and boroughs should look to scale up affordable work hubs and office space for those wishing to work locally. Encouragement should be given to locating affordable work hubs in poorer areas.

Recommendation 17: The GLA and boroughs should re-visit their plans for town centres and business hubs in light of the shift towards homeworking.

Meeting housing pressures

Beyond the immediate housing pressures around rent arrears caused by the pandemic, there are longer-term concerns for many struggling renters concerning benefit entitlements and eligibility. These will have direct effects on poverty rates. Further benefit cuts (or freezes, such as to the Local Housing Allowance) will hit outer Londoners most because of the large numbers of those on low incomes that live in the PRS.¹²²

During the pandemic LHA was uprated to the 30th percentile. The Treasury revealed this change supported households by an average of £600 a year – highlighting the income households had lost during austerity. However, the change is temporary. The LHA will remain at 2020/21 levels and future increases would be revisited annually as part of the uprating review.¹²³ This is assumed to increase at inflation (Consumer Price Index) but could result in real term cuts if frozen or if outer London rents rise above national inflation rates. Such an increase could be driven by an increase in homeworking.

Ensuring housing is affordable, secure and of a decent standard will depend on major policy changes, not least a much larger social housebuilding programme. However, Supply-side solutions will take time and there is a growing backlog of housing need. Achieving affordability will therefore require more immediate interventions in the existing housing market.

The roundtable events discussed the possibility of rent stabilisation policies alongside measures to improve housing conditions. It was feared that given the lack of genuinely affordable housing increases in demand (and consequently higher rents) could risk pushing lower income households in insecure tenancies out of their local area.

Rent controls remain unpopular amongst some policymakers.¹²⁴ However, it is far from clear that modern forms of rent control limit rent rises between tenancies (2nd generation controls) and within tenancies (third generation) would result in less supply, poorer standards or inefficient use of property.¹²⁵ Disinvestment in quality may be hard in the short term – especially for those landlords that do not invest at all in their properties. Empirical evidence from the ending of rent control in Massachusetts suggests there was little impact on residential construction.¹²⁶ There also appears to be evidence that only a minority would not be able to absorb lower rents.¹²⁷

Without forms of rent stabilisation there is a real risk that the gains from increased growth activity in residential areas from homeworking would result in displacement of those on lower incomes. This could be more pronounced in outer London because a higher proportion of housing is private.

Rent control would not be on the government's agenda. However, abolishing Section 21 ('no fault evictions') under a promised Renters Reform Bill could provide a mechanism to limit rent rises within tenancies, so a rent hike is not used as a de facto means of engendering a no-fault eviction.

Use of licensing, and a strategic borough-wide approach¹²⁸ to the PRS could also drive up standards. Indeed, improving knowledge about the sector and having strategic objectives will be critical as we exit the pandemic with looming evictions crisis (some of which may prove illegal) and longer term to improve the housing quality of tenants.

Recommendation 18: Government needs to urgently increase support for more social and affordable homes in outer London and grant the GLA powers to allow the boroughs to introduce rent control.

Recommendation 19: The GLA and boroughs should pressure government to introduce the long-awaited Renters Reform Bill which supports increased security, sustainability and affordability of tenancies.

Recommendation 20: Data on private rents needs to be examined closely to ensure that homeworking does not cause displacement and ensure that LHA rates cover housing costs and reflect local market prices.

A voice and vision for outer London

The outer London boroughs are doing their best to tackle the pandemic and prepare for the recovery. But it is clear from the research for this report that extra help is urgently needed to address the deep-rooted poverty issues facing the boroughs, especially around incomes, employment and housing.

Making the case for change and amplifying the collective voice of outer London's boroughs was discussed at the roundtables. It was said that plans and pressure for resources are often at a local authority level or at most focus on collaboration between a small set of geographically close boroughs. This means the distinct challenges facing outer London may be easily overlooked. It was noted in a number of discussions during the research that there was a more unified message from inner London, which had a more coherent message and set of asks – for example around the future of the Central Activity Zone.

There was some scepticism around whether the outer London boroughs were too disparate to have a single agenda. It was observed though that although there are significant differences between the boroughs, not least in the rates of poverty, the same could also be said of inner London boroughs. The case for a clearer voice and greater collaboration rested on what more the outer London boroughs could achieve together and how experience and solutions could be shared.

Although outer London is distinct in its lower job and housing densities, its boroughs face similar challenges, including around the shift to homeworking. It was reported in the research that having a vision and voice for outer London was particularly needed now as there was a clear rationale for London to have a more polycentric approach to development. As one interviewee remarked, "I can see the polycentric city as having a chance of happening."

A stronger outer London voice is particularly important in efforts to combat poverty and inequality. As mentioned, outer London has fared as badly across a range of metrics of poverty since the start of the pandemic and there have been longer standing trends around the decentralisation of poverty. Outer London also faces distinct poverty challenges because of the reliance on the PRS, the prevalence of low pay, and the low levels of local jobs available to residents.

Recommendation 21: The GLA should establish an Outer London Covid Recovery Taskforce. This could inform and advise on the challenges ahead, including on how to maximise the benefits of a shift to homeworking and ensure that 'good growth' reduces poverty and inequality.

Conclusion

The rather depressing conclusion from what we have all experienced over the past year and more is that deprived areas with the poorest residents have borne the highest costs of the pandemic. Covid death rates, for example, have exposed health inequalities and highlighted pre-existing funding and capacity gaps in health and social care. Those in lowest paid sectors have faced higher risks of dying from Covid and were most likely to have lost hours or been furloughed. At the same time, struggling renters, notably in the PRS, have incurred rent arrears and face an uncertain future.

The data shows that London as a whole has suffered more than any other region. London has also experienced the largest number of Covid-related job losses in the UK, with particularly worrying increases in youth and long-term unemployment. These problems have come on the back of a prolonged period of stagnant wage growth, spending cuts and persistent poverty.

This report has shown, that from a pan-London perspective, what marks this recession from others is how outer London has been affected as much as inner London. This highlights a pre-existing trend of convergence across a range of poverty indicators as well as a longer-term decentralisation of poverty. This observation is important as London prepares for the recovery and responds to the poverty challenges ahead, not least in the changing labour market.

The causes of poverty and inequality are often similar wherever they are located. However, there are some unique characteristics in outer London. This includes specific issues around low pay, fewer local jobs, and the reliance among lower income household on the PRS. There are also challenges for areas where the social infrastructure has traditionally been weaker as rates of poverty have been traditionally lower.

The outer London boroughs have been doing their best to cope, but now face a period of funding uncertainty. A combination of Covid-related extra spending and the loss of tax and other income will make it hard for some boroughs to balance their books. Outer London has benefited from emergency funding, but it is clear from our research that additional financial support will be necessary to meet local needs and plan for 'good growth'.

As this report has demonstrated, outer London faces distinct challenges. However, inner and outer London boroughs – the GLA and pan London representative bodies and public agencies – will need to work together to achieve the Mayor's strategic vision outlined in the new London Plan. Reducing poverty and inequality in outer London must be at the heart of that collaboration. Placing too much of the emphasis on supporting central London risks downplaying the need for bolder interventions in outer London and is ultimately counter-productive.

The pandemic could be the midwife of a 'homeworking revolution' with lasting changes to where and how we live and work. However, the extent and pace of remote working will continue for a while to be speculative. For outer London, homeworking could – under one scenario – help generate additional local economic activity and create local jobs for residents. The benefits though are not unalloyed, and as this report outlines, there are significant risks, especially for those on low incomes.

Navigating successfully through the changing world of work will be essential both for the prosperity of local economies but also in efforts to tackle poverty in outer London. As the report shows, the fast-changing environment and unknowns around the impact of homeworking on jobs, skills, housing and transport demand that the boroughs and the GLA fully understand the needs, impacts and aspirations of residents and employers.

Uncertainty means caution is needed about future planning. However, it should not preclude examining how a more polycentric city can be delivered which reduces poverty and inequality. As this report illustrates, there are major challenges ahead and policymakers need to think carefully about the evidence-based interventions that make for a fairer future.

Greater homeworking or working closer to home can be welfare enhancing. Surveys show that homeworking can offer more leisure time and a better work-life balance. However, it will be essential that these benefits to lifestyles and leisure time do not simply accrue to the wealthiest, while the transitional costs of unemployment are borne by the poorest.

It is vital that politicians and policy makers – at all levels – fully comprehend the challenges facing outer London. A new Covid recovery taskforce would help raise awareness and give the boroughs a collective voice and help craft a common vision. As mentioned, inner London attracts a lot more attention and has a clearer focus and sense of purpose about its future than outer London.

Immediate interventions, as suggested in this report, are necessary to reduce and prevent poverty increasing. But there is also a need for longer-term solution and the funding and capability to make them happen. The report has shown that there are dangers and risks ahead for outer London, not least from a shift to homeworking. However, there are also major opportunities to 'build back better' which could transform outer London. Grasping those opportunities must first and foremost benefit those in poverty and most at risk.

List of recommendations

Recommendation 1: The poverty challenges facing outer London must be more fully understood and acknowledged by central government, the GLA, business and third sector organisations. This recognition will help deliver much needed extra support and advice.

Recommendation 2: The GLA and outer London boroughs should work together to prevent a surge in rent arrears and evictions in the private rented sector by identifying the scale of the challenge, and provide additional funding to sustain tenancies and prepare for a spike in temporary accommodation. New approaches are also needed, such as buying-up private properties for temporary accommodation and social rent.

Recommendation 3: Outer London boroughs face budget shortfalls. They should work together with the GLA to press for additional funding from central government to support the Covid recovery.

Recommendation 4: Paying the London Living Wage for all those working within public services should be a priority to 'building back better'. The boroughs should also seek to use their procurement and commissioning powers and place pressure on their public service partners to tackle poverty pay and insecure work.

Recommendation 5: The GLA's Recovery Programme should take a more sectoral approach to low pay focused on where the boroughs and the GLA have a major role in delivering or commissioning services. These sector-wide bodies could leverage their funding streams and involve the social partners in a concerted effort to drive up employment standards and productivity.

Recommendation 6: The GLA and local authorities should use their knowledge about businesses gained during the pandemic to focus their business support and advice on simple improvements to raise employment standards.

Recommendation 7: The GLA and outer London boroughs should scenario plan for greater levels of homeworking. These plans should include how to maximise jobs and growth and tackle poverty and inequality.

Recommendation 8: To ensure the benefits of homeworking are not captured only by wealthier Londoners and the costs borne by poorer Londoners, planning and economic development should concentrate more on lower paid sectors and understanding the distributional impacts of homeworking.

Recommendation 9: It is recommended that local authorities and the GLA have regular conversations with residents and their employers about the location of work and what would support more jobs, decent work and higher productivity within outer London.

Recommendation 10: Local authorities should seek to experiment to find ways of attracting firms and supporting homeworking in their areas and measure the success they have. One measure of success must be the creation of well paid, secure jobs.

Recommendation 11: The GLA should pay close attention to the location of poverty, including at a neighbourhood level, to understand whether more homeworking is leading to greater spatial segregation or a more integrated, inclusive city.

Recommendation 12: Increased effort will be needed to support people into work. The location and nature of economic activity is very uncertain and requires that the boroughs and the GLA track changes and tailor skills and employment support to meet changes which might be at a very local level.

Recommendation 13: The boroughs should consider acquiring strategically important parts of the high street in their areas and use their leverage as a landlord to support local growth and good work.

Recommendation 14: There is growing concern that permitted development will erode high streets and town centres and hamper the economic recovery. Central government should urgently review the situation.

Recommendation 15: The boroughs should extend business advice and support in light of the evidence on home/local working. This support should also include provision of information and advice on affordable work space and good working practices.

Recommendation 16: The GLA and boroughs should look to scale up affordable work hubs and office space for those wishing to work locally. Encouragement should be given to locating affordable work hubs in poorer areas.

Recommendation 17: The GLA and boroughs should re-visit their plans for town centres and business hubs in light of the shift towards homeworking.

Recommendation 18: Government needs to urgently increase support for more social and affordable homes in outer London and grant the GLA powers to allow the boroughs to introduce rent control.

Recommendation 19: The GLA and boroughs should pressure government to introduce the long-awaited Renters Reform Bill which supports increased security, sustainability and affordability of tenancies.

Recommendation 20: Data on private rents needs to be examined closely to ensure that homeworking does not cause displacement and ensure that LHA rates cover housing costs and reflect local market prices.

Recommendation 21: The GLA should establish an Outer London Covid Recovery Taskforce. This could inform and advise on the challenges ahead, including on how to maximise the benefits of a shift to homeworking and ensure that 'good growth' reduces poverty and inequality.

Endnotes

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