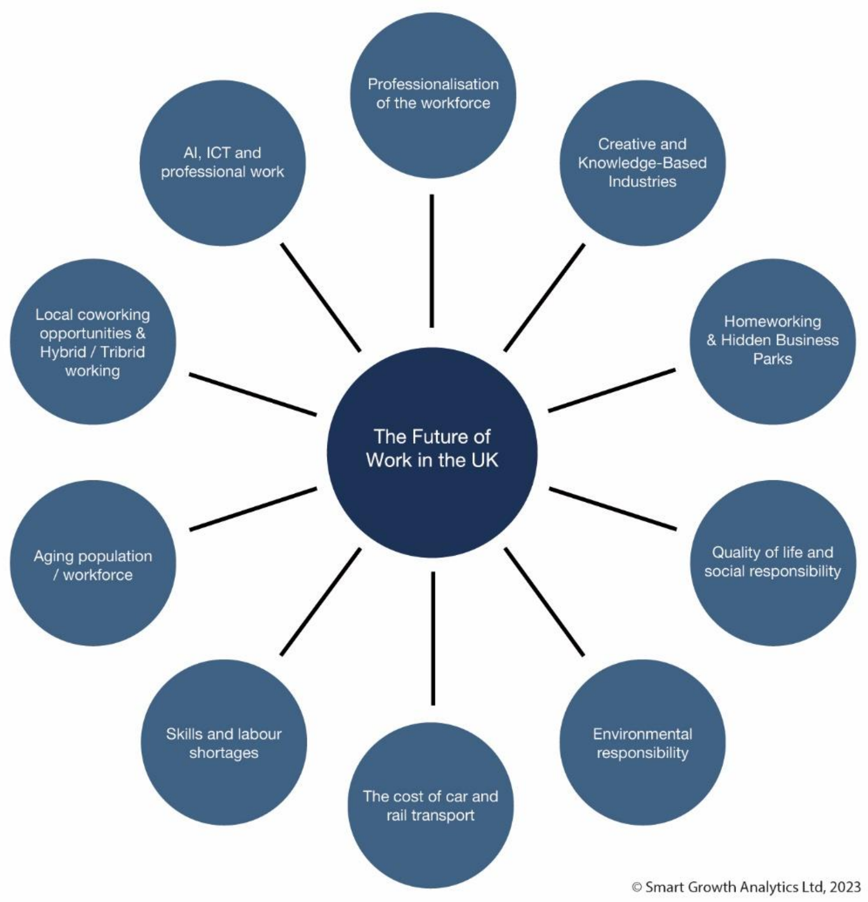
10 Key Drivers of Growth & Change in the Future of Work



May 2023

An Evidence-Based Insight from Smart Growth Analytics Limited

Economic Intelligence and Data Research Consultancy

jpc@smartgrowthanalytics.co.uk
https://www.sga-ltd.co.uk

Introduction

Here now, in the Spring of 2023, we find the UK economy and its two main sub-components of businesses and workers, have all largely settled from the severe disruption caused by the COVID-19 pandemic. It is only now perhaps that the important legacy of the pandemic on the world of work has become far clearer. At the same time, pre-pandemic longer-term trends/drivers have continued to evolve from where they were before the pandemic and several further, and sometimes new, key trends/drivers have emerged. Combined, these three trend/driver groups are shaping the future of work in the UK with an unprecedented and irrevocable speed and dynamism.

Understanding these trends and drivers, and their implications on the world of work, is essential for effective planning for housing, infrastructure, and sustainable economic development. In this short insight paper, Jim Plunkett-Cole of SGA identifies the 10 main driving trends which he believes will define the world of work going forward in the UK.

Where possible, we have tried to provide some data from official sources to help evidence the nature and extent of the driver. However, as this is a short paper we have kept this to a minimum (and we intend to further explore the evidence-base in further insight papers, along with an exploration of the implications of this insight into the future of work for planning and economic development).

Please also note that the 10 drivers have not been placed in any particular order. Some however have been grouped together, where appropriate.

10 Key Drivers of the Future of Work in the UK

1. The ongoing professionalisation of the UK workforce

*Well over one half of ALL workers in the UK is now a **professional***

The 'professionalisation' of the UK workforce is the ongoing process whereby professional jobs continue to grow their proportion of all jobs whilst at the same time the respective proportion of jobs in non-professional roles declines. For example, data from the ONS Annual Population Survey show that by 2022 over half of all workers in the UK, some 52% of workers, were now a professional compared to not far over one third of all workers almost 20 years ago (some 37%, in 2004).

2. The UK's Creative & Knowledge-Based Industries

*The UK's **Creative & Knowledge-Based Industries** drive the competitiveness of the entire UK economy*

The 'Creative & Knowledge-Based Industries' (C&KIs) include a diverse range of creative and/or knowledge-based activities[1]. They (only) account for around a quarter of all UK industry (24%), but account for more than two-thirds of the UK's crucial 'Tradables sector'. This is hugely important because it is the UK Tradables sector which is the main driver of UK productivity, growth and competitiveness.

[1] Computing services, Telecommunications, Media services, R&D, Business services (including professional business services), Higher Education, Arts & Cultural Industries, Energy, Pharmaceuticals, Electronics / Electrical, Machinery and equipment, Rubber / Plastics, Other.

3. The COVID-19 pandemic, homeworking & Hidden Business Parks

The legacy of the pandemic has been highly relevant to the future of work, and particularly the location of work; many of the 5 million professional workers who, almost overnight, started working from home in March 2020, have simply not, as yet, returned to working predominantly[2] in their traditional central office workspace. The latest figures for those working predominantly at home, for the first quarter of 2022, show around 31% of all workers were doing so. However a good many more, at least 5 percentage points more, are now working at least one day a week from home; in the most recent period for which official data is available (5 April to 16 April 2023) 37% of working adults reported having worked from home at some point in the past seven days. Furthermore, with one in six of all UK workers now a professional working predominantly from home (a 'HOP'- home office professional), many of the UK's streets / conurbations / towns / villages are akin to 'hidden business parks'.

> *Professionals working from home in the UK is now so prevalent that many of the UK's residential areas are akin to **'hidden business parks'***

4. Quality of life and increased social responsibility by businesses

The pandemic appears to have acted as a 'super-catalyst' in focusing the mind of the nation on the importance of quality of life and our physical and mental well-being. Many of those who were forced to work from home in the two years of the pandemic reported improvements in their personal and family quality of life and mental health through more family time, greater flexibility in dealing with personal/family affairs, and less stress and cost associated with commuting (amongst other benefits). In February 2021, the Royal Society for Public Health undertook a survey of people who switched to working from home as a result of COVID-19 and found that 'the vast majority of people didn't want to go back to working in an office full time, with nearly three quarters of people (74%) saying that they wanted to split their time between home working and working in an office'. The survey also found, however, that some groups of people were more positively impacted by working from home, than others, and that these needs to be addressed by employers. Examples of negative impacts included issues related to inappropriate homeworking settings and social isolation, amongst others.

> *Almost three-quarters of those workers who switched to working from home in the pandemic **didn't want to go back to working in an office full-time***

5. Environmental responsibility

Along similar lines to the social aspects of the world of work outlined above, our fifth trend/driver is societal concern about the environment (amongst people, communities, businesses). These concerns have never been higher than currently, largely as a result of better understanding and awareness of the impacts and consequences of climate change and environmental pollution (such as air and water pollution). Data from the ONS Opinions & Lifestyle survey for 5 to 16 April 2023 found that 64% of adults felt that 'climate change and the environment' was the one of the most important issue facing the UK today. Only 'the cost of living', 'the NHS', and 'the economy' were more commonly reported in the survey.

[2] Predominantly = 3 days a week or more

A reduction in commuting journeys by car through homeworking/hybrid working is obviously one of the main ways that many workers have, and will continue, to seek to reduce their personal carbon footprint. Supporting workers to work from home/remotely is also one of the main ways an employer can help improve its own environmental (and social) sustainability.

*In 2023, almost two thirds of all UK adults state that **climate change and the environment** is one of the most important issues facing the country*

6. The rising cost of commuting

A December 2022 YouGov online survey of 2,000 adults (almost half of which were currently working and commuting to work) established that workers spent an average £17.23 per day on commuting to/from work.[3] If it is considered that the average UK household (working and non-working households) spends an average £61 on transportation for all purposes (including work), then it becomes clear that commuters face severe economic disadvantage as a result of commuting to work.

*UK commuters spend an **ever-increasing amount of their income on commuting** to/from work*

These costs, and disadvantage, are fully expected to continue to rise in line with previous rises. For example, since the year 2000, costs of transport have risen by:

- 290% for bus & coach journeys
- 240% for rail
- 190% for motoring

The respective rises of bus & coach and rail have been above the 220% rise in the cost of living (RPI) over the same period whilst the rise of the cost of motoring has actually been somewhat lower. However, motoring is the largest component, by far, of average household transportation costs, which means that even though the rise is lower, the actual volume change in £ will actually be very high (and consequently quite painful for many).

At the time of writing, in April 2023, the UK was in the middle of the worst cost of living crisis seen for decades (since the 1970s). The ever-increasing costs of running a car and rail transport outlined above, at a time when households will be looking to cut costs wherever they can, represents a significant motivation for people to work locally and/or at home as much as possible.

7. Organisational adaptation to deal with skills and/or labour shortages

At the time of writing, skills/labour shortages in the UK were at unprecedented levels. This is evidenced by:

- Worker shortages - In November 2022, 13% of businesses surveyed by the ONS reported experiencing a shortage of workers, whilst in September-November 2022, there were 1.2 million vacancies in the UK

[3] It should be noted that this figure does not include maintenance, insurance or road tax for vehicles

- Skills shortages - In August 2022 the Federation of Small Businesses found that 80% of small firms faced difficulties recruiting applicants with suitable skills in the previous 12 months

The main reasons for these shortages are that, since the pandemic, the demand for labour from businesses and employers in the UK has recovered faster than the UK's labour supply. One reason labour supply is below pre-pandemic levels is because of a rise in economic inactivity due to the pandemic which saw, firstly, a rise in long-term illness (possibly a result of Long Covid) and, secondly, a rise in those who decided (and were able) to take early retirement. A further reason labour supply has not grown sufficiently in the UK is likely related to Brexit which, as the Bank of England reports, has slowed population growth due to lower net migration from the EU. It is highly unlikely that any of these constraining issues will be resolved in the shorter- to medium-terms, at least.

*Adaptive behaviours to overcome **skills and labour shortages will be a significant challenge** for all UK businesses and organisations for years to*

In light of these shortages businesses and organisations are adapting their working practices, by necessity. Adaptations include: working increased hours, pausing trading, recruiting temporary workers, increasing technology and automation, working at reduced capacity. Such adaptations have obvious and significant implications for the future of work in the UK. Skills and/or labour shortages, and adaptive behaviours by businesses and organisations, are likely to be fundamental feature of the UK labour market going forward.

8. Ageing population / workforce

Our rapidly ageing population and workforce is our 8th driver of the future of work in the UK. An ageing population/workforce can be viewed as a mixed blessing; on the one hand you have an increasingly economically inactive and dependent proportion of the population but on the other hand, if you can persuade people to work longer later into life, you have a larger economically active workforce.

'Persuading' people to work longer later into life is very much the point of the UK Government's ongoing adjustment of the State Pensionable Age (SPA), and people choosing to work in their 70s is now not uncommon in the UK. In 1991, for example, less than 4% of those aged 65+ were in employment. By 2021, the most recent Census, this proportion had risen to almost 11%. In fact, those aged 65+ now constitute 4.4% of all the 27 million people in employment in England & Wales of any age, thus representing an increasingly significant proportion of the UK workforce.

*A sustainable tribe has to have **sufficient active hunter-gatherers** to support the overall needs of the tribe*

We suggest that the proportion of those aged 65+ who are in employment will continue to grow in line with growth over the last 30 years, making an even more considerable economic contribution to UK employment and the UK economy than the already significant contribution they do currently. However, we also suggest that this will be through absolute necessity as there is a point at which the balance between the dependent population and the workforce becomes completely unsustainable…i.e., there are too few hunter-gatherers to support the tribe's overall needs!

9. Growth of local coworking opportunities & Hybrid / Tribrid working

Our penultimate driver of the future of work in the UK is the availability of coworking opportunities within the UK's fast-growing and fast-developing flexible office market.

'Coworking is short for collaborative working. It is an emerging style of working in an innovative environment, usually a shared work space, that is more flexible in its approach than traditional office environments. Coworking offers sharing of equipment, resources, ideas, and/or experiences among remote professionals. The co-working model is unique in that workers can choose to remain independent and self-directed, but can often find more opportunities for networking and socialising among like-minded individuals. This typically results in increased productivity, motivation, teamwork, creativity, and potential business opportunities for everyone from freelancers to small businesses and large corporations.'

Coworker.com, 2019

July 2022 research by The Instant Group conducted a review of the UK's flexible office market. It established that the flexible office market was 'growing and changing at a phenomenal rate ', and, as such, was leading the future of workspace in the UK.

***Coworking, flexible workspace and hybrid & tribrid working patterns** are leading the future of workspace in the UK*

We believe the pace of growth and change means that coworking will become a prevalent working practice amongst businesses and communities across the UK. This provides considerable opportunities for our cities but increasingly will also become mainstream in most towns and larger villages. Related to this, we also believe that 'tribrid' working patterns – where businesses support their workers to divide their time between the central office, the home and a local coworking centre – will also become a mainstream business employment practice in the UK (along with the already highly prevalent hybrid working).

10. Artificial Intelligence (AI), developments in Information & Communications Technology and professional work

AI is likely to revolutionise professional working across all industrial sectors in the UK, including the Creative & Knowledge-Based Industries shown earlier; one of the biggest questions currently being asked about the future of work concerns how AI will affect jobs in sectors ranging from law and accountancy through to programming, media and the arts.

Some commentators have suggested higher levels of application of AI (than currently) in professional and higher-skilled jobs could have a similar jobs-reduction impact (and jobs growth impact) as automation in production. They suggest that AI gives greater power to the individual professional, offering 'augmented intelligence' and the enhanced capabilities that accompany this.

At the time of writing the impact of AI on professional work and jobs in coming years is hugely uncertain. However, of all the drivers outlined here, AI is arguably the most dynamic and revolutionary, and is most certainly the driver to keep a keen eye upon. Our most informed prediction, at this 'AI-inspired turning point' in history, is that whilst there will doubtless be jobs lost as systems are automated through AI, there will also be jobs and business growth and productivity growth opportunities afforded through the application of AI. It is these opportunities that we believe will largely determine the future of professional work in the UK, and in turn, the future of the entire UK economy.

Along with developments in AI there will obviously be further major developments in Information & Communications Technology, and other tech, which will continue to shape and drive professional work in the UK. For example, online meetings and collaboration applications are fundamentally transforming the ways in which professionals communicate and collaborate, across the UK, and across the world.

AI will lead to job losses…but it will also lead to the business and productivity growth required for a sustainable economy

About Jim Plunkett-Cole

Jim is an economist and analyst who specialises in the future of work in the UK. He is the founder of SGA, a research and data intelligence consultancy that provides the hard evidence to inform sustainable economic development and associated planning and decision-making.