

Homeworking and the high street

How important is it for city centres that workers return to the office?

Valentine Quinio
June 2022



About Centre for Cities

Centre for Cities is a research and policy institute dedicated to improving the economic success of UK cities and large towns.

We are a charity that works with local authorities, business and Whitehall to develop and implement policy that supports the performance of urban economies. We do this through impartial research and knowledge exchange.

For more information, please visit www.centreforcities.org/about

About the author

Valentine Quinio, Analyst v.quinio@centreforcities.org

Partnerships

Centre for Cities is always keen to work in partnership with like-minded organisations who share our commitment to helping cities to thrive, and supporting policy makers to achieve that aim.

As a registered charity (No 1119841) we rely on external support to deliver our programme of quality research and events.

To find out more please visit: www.centreforcities.org/about/partnerships

00

How important is it for high streets and city centres that workers return to the office?

Before the pandemic, the vibrancy of the high street varied greatly across the country. Some, but not all, were doing well. Their performance was largely driven by the economic strength of the city centre they sat in, in part because the presence of highly productive, well-paid jobs underpinned demand for local businesses like shops, cafes and restaurants.

The strength of this relationship turned into a weakness when the pandemic hit and the ‘work-from-home revolution’ meant that a number of local businesses lost their customer base overnight.¹ As the economy has reopened, workers haven’t returned in the numbers we saw before the pandemic. This has raised questions about the repercussions homeworking is having on those high streets that rely on office workers the most.

This briefing looks at the impact homeworking is having on local businesses, how important it is for the high street that office workers return, and what prospects it faces if they don’t.

Box 1: Methodology and data used for this research

Cities and city centres definition

Centre for Cities' research focuses on the UK's 63 largest cities and towns, defined as primary urban areas (PUAs). Unless otherwise stated, Centre for Cities uses data for PUAs in its analysis – a measure of the built-up area of a large city or town, rather than individual local authority areas. You can find the full definitions and a methodological note at www.centreforcities.org/puas

This analysis focuses on city and town centres. To define these, a circle was drawn around the centre of a PUA and the radius varied according to population size. The radii used were:

- 2 miles for London
- 0.8 miles for cities with populations between 600,000 and 2.5 million
- 0.5 miles for cities with populations under 600,000

Weekday and weekend definition

In this research, weekdays are defined as Mondays to Thursdays (included) and weekends as Fridays to Sundays (included). The reason why Fridays were categorised as weekend is because including Friday evening trade as part of the weekday could have significantly skewed our understanding of the role played by office workers.

Data used for this research

Sales data is provided by Beauclair and is based on anonymised offline and online debit and credit card data from Britain's 62 largest city and town centres (note: data for Belfast is not available). This does not cover cash spending, household bills and services or financial transfers, and is for UK residents only. It is based on the location of the transaction.

The data has been adjusted to inflation in order to give an accurate estimate of the 'real' recovery to a pre-Covid baseline. To do so, a high street inflation index has been calculated for each place, based on consumer price index (CPI) detailed indices for different sectors and the composition of the spending basket pre-Covid.

This piece also uses footfall data from Locomiser, and vacancy rates data from the Local Data Company.

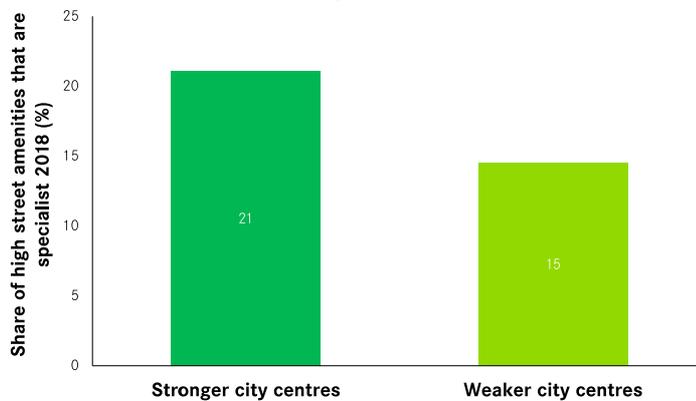
Before the pandemic, city centres with more workers had more successful high streets

The clearest impact of workers on a city centre high street would be higher levels of spend in city centres that had more jobs in them. Unfortunately, the data available doesn't allow us to look at this specifically but three proxy metrics all point to the fact that higher worker footfall increased the size of overall spend on the high street.

The first is that stronger city centres (see Box 2 for definition) had both more amenities and a wider range of them. The presence of office workers with money to spend in shops, cafes, and restaurants created a market for them to sell to. As a result, places with lots of workers could sustain a larger and more diverse amenity offer than weaker ones, where the lack of jobs (and well-paid jobs in particular) made it difficult to sustain more than the day-to-day amenities, like grocery shops. Figure 1 shows that the share of the high street taken up by specialist amenities (like high-end restaurants and bars) was much higher in stronger city centres than in weaker ones. In London, for instance, there were 17 specialist amenities for every 10,000 residents, while in Barnsley there were just four.

Figure 1: Stronger city centres had a better amenity offer than weaker places

Share of amenities on the high street that are specialist, 2018 (%)

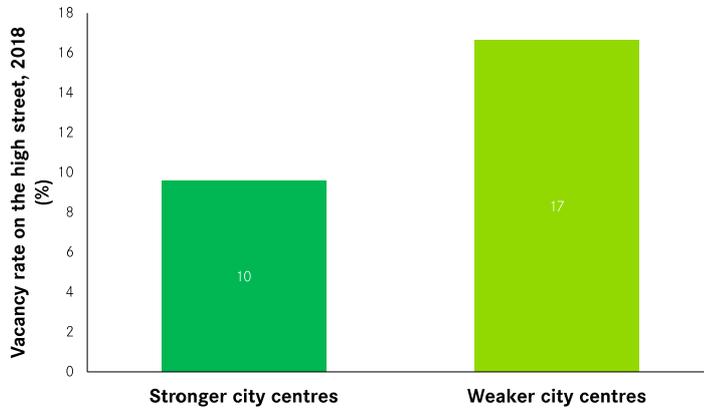


Source: Locomizer

Secondly, stronger city centres had fewer vacant units. Before Covid hit, less than 10 per cent of all units in stronger city centres stood empty, against nearly 17 per cent in weaker places (Figure 2).

Figure 2: Stronger city centres had fewer vacant units

Vacancy rate on the high street, 2018 (%)



Source: Local Data Company

The third, related to the points made above, is that these stronger city centres had more jobs in high street businesses. Having more office workers coming in every day and spending money on the high street required more jobs in the local services sector to sustain that demand. Take Wigan and Reading for instance: both cities are of similar population size, but the demand from high-skilled, high-paid workers in Reading city centre required lots more people to cater for them. As a result, in 2019, Reading city centre had more than three times as many jobs in the local services sector than Wigan did. ²

Box 2: How are stronger city centres defined?

In line with previous Centre for Cities research, stronger city centres are defined here as the ones with a higher-than-average share of exporting jobs that are high-skilled, while those below the average will be defined as “weaker”.³

The reason for this has to do with the benefits city centres offer to businesses, such as the access to a wider pool of workers and the potential of face-to-face interactions with collaborators, clients or competitors. These benefits explain why many businesses are willing to pay a premium to locate in city centres, particularly high-skilled ‘exporters’ and knowledge-based services activities, that sell beyond their local market and could in theory locate anywhere (like financial services, accounting or advertising). However, there is variation across city centres as to how successful they are in attracting these high-skilled businesses.

A total of 29 city centres are defined as stronger, 18 of which are located in the Greater South East and South West: Aldershot, Bournemouth, Brighton, Bristol, Cambridge, Crawley, Exeter, Gloucester, London, Milton Keynes, Norwich, Oxford, Plymouth, Reading, Slough, Southampton, Swindon, and Worthing. Others include large cities in the North and the Midlands like Birmingham, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield, Leeds, as well as Coventry, York, and Cardiff.

This is relevant in this research because most of these high-value, high-paid jobs in exporting businesses tend to be office jobs (which can more easily be done from home).

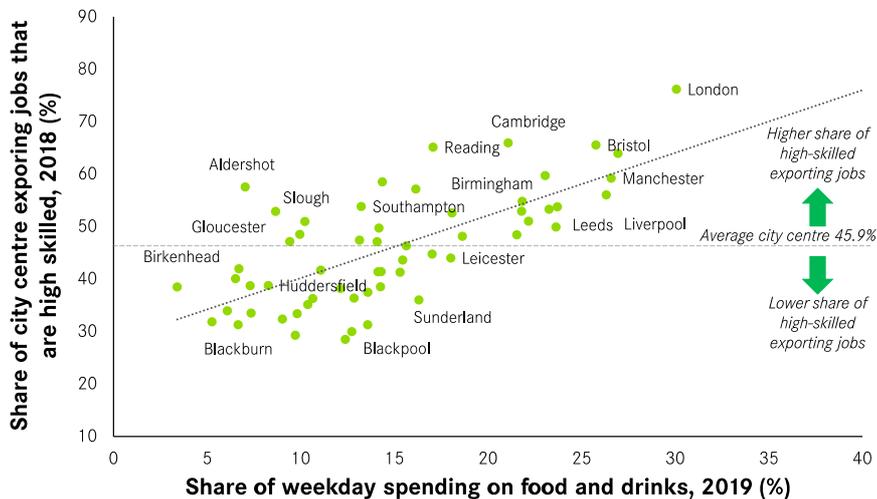
Demand from workers changed the make-up of the high streets, with more spent on food and drink

Workers also influenced the nature of the spend on the high street. The food and drinks sector appeared to directly benefit the most from daily inflows of office workers, as they spent money on lunchtime sandwiches or after-work drinks. This is shown in Figure 3: strong city centres like London, Bristol or Manchester, for instance, had a much higher share of weekday sales in the food and drinks sector than weaker city centres with fewer jobs like Blackburn or Birkenhead. In these places, overall spending was lower, and what was spent was more likely to be on essentials like groceries instead.

High streets adapted and evolved around these differences in the nature of demand. This is why a much higher share of shop units was taken up by food and drink amenities in stronger places, while most weaker places were more reliant on retail and essentials.⁴

Figure 3: Before Covid, worker spend was skewed towards food and drinks

Share of weekday spending on food and drinks and presence of high-skilled workers, 2018 and 2019 (%)

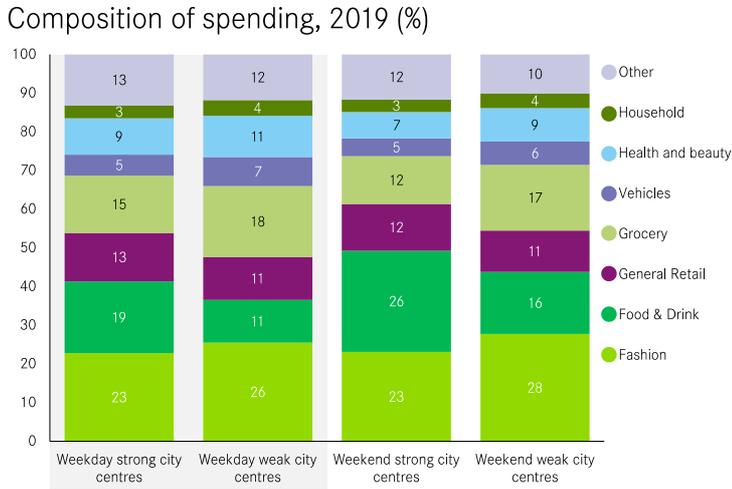


Source: Beauclair

Workers possibly also had an indirect impact on weekend spend

More weekday spending from workers fuelled demand for shops, cafes and restaurants, which improved the amenity offer, as shown above. This, in turn, was likely to make stronger city centres more attractive leisure destinations and may explain why stronger city centre economies also had a larger share of spending on food and drinks on weekends (26 per cent against 16 per cent, see Figure 4).

Figure 4: Stronger city centres saw more spending on non-essentials, including on weekends



Source: Beauclair

This means that on the eve of the pandemic, the presence of high-skilled, high-paid workers coming into the city centre was essential for the high street: it formed a core, affluent customer base with money to spend on a daily basis in local businesses, influenced their location decisions, and improved the amenity offer for weekend shoppers. It also made the high street more vibrant and created jobs in the local services sector.

Box 3: What was the split between weekday and weekend spend pre-pandemic?

Credit and debit card data for 2019 across the UK’s 63 largest city centres shows that about half of all sales were made on the weekend, in just three days between Fridays and Sundays. However, with the other half made between Monday and Thursdays, weekday trade also played a significant role.

This pattern was fairly consistent across the country, with no major difference between places. The share of sales made on weekdays went from more than 60 per cent in London (likely to be driven by daily inflows of workers) to about 40 per cent in Bournemouth, Brighton and Cambridge (where the presence of visitors and tourists on weekends were likely to tip the scale the other way). Aside from these few outliers, the differences between places were much more muted, and pretty evenly split between weekdays and weekends.

Successive lockdowns during the pandemic hit high streets in stronger city centres harder

Then Covid hit and, at least temporarily, it altered this relationship by decoupling the jobs from the office and its surrounding high street. Successive lockdowns and forced temporary closures were imposed nationally, but those city centres with lots of office workers, whose jobs could be done from home, were more vulnerable to massive shifts towards remote-working, and suffered relatively more as a result. As Cities Outlook 2022 has shown, high street businesses in those strong city centres lost 33 weeks of sales between March 2020 and September 2021, against 22 for weaker ones.⁵ Sectors which relied a lot on office workers, like food and drinks, were the most exposed- and the hardest hit.

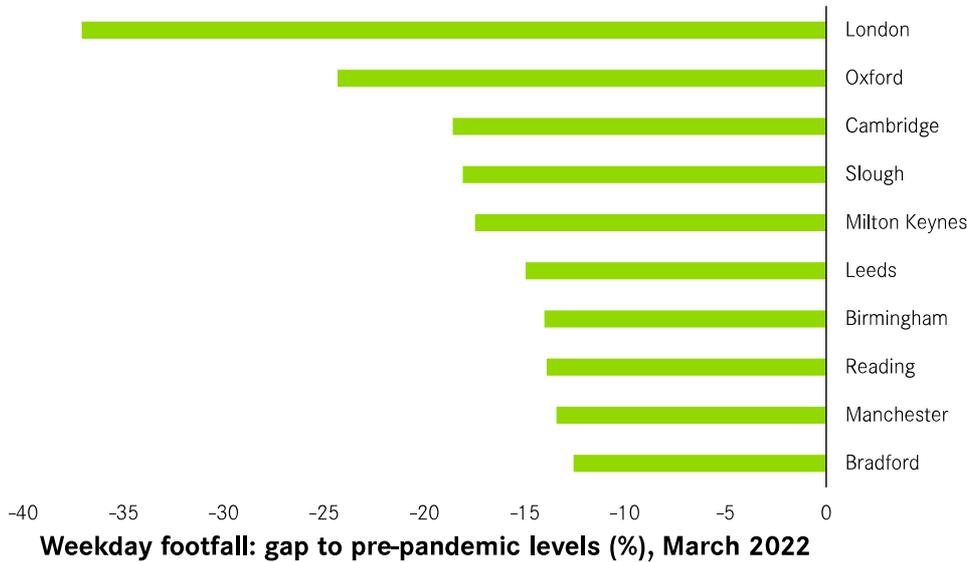
By spring 2022, some workers were still staying away from the office

Perhaps against what some predicted earlier on in the pandemic, the majority of office workers have progressively returned to the office since the remote-working guidance was first lifted in July 2021. That said, working patterns are clearly different from what they were pre-pandemic, with a greater number of people choosing either a hybrid pattern or to work fully remotely. Recent ONS figures have shown that nationally, about 40 per cent of people reported having embraced homeworking.⁶ There are differences across pay grades and sectors, with homeworking being most common among high earners, particularly in industries like information and communications, professional scientific activities, education and real estate activities.

Weekday footfall data in stronger city centres – where many of these jobs are likely to be located – reflects these trends. London has seen the slowest recovery of all city centres, with weekday footfall still nearly 40 per cent below its pre-pandemic baseline (see Figure 5). While less extreme, in places like Milton Keynes, Leeds and Birmingham, weekday footfall is still behind 2019 levels (between 15 and 20 per cent down on its pre-pandemic baseline).

Figure 5: Weekday footfall still isn't back in many city centres

Weekday footfall recovery (%), March 2022
Bottom 10 city centres



Source: Locomizer

While weekday daytime footfall is not just made up of workers – in some places like Oxford, tourists will play a role – the fact that it recovered the least in stronger places with lots of office jobs, given current work-from-home patterns, points to workers being the key missing factor. In contrast, in places like Sunderland, Barnsley and Burnley, where fewer jobs can be done from home and with fewer jobs in the city centre in general, weekday footfall bounced back to its (albeit low) 2019 levels much more rapidly.

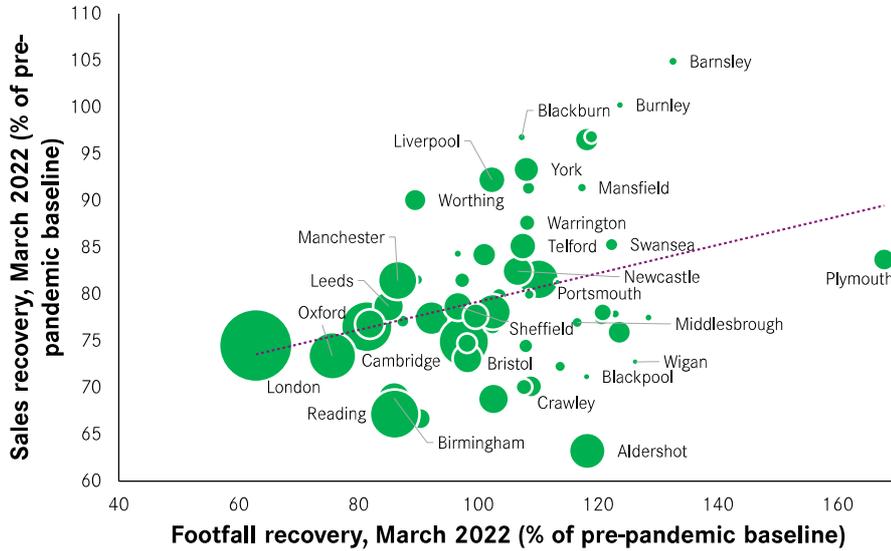
The absence of workers has hampered the high street recovery so far – particularly in the food and drinks sector

Unsurprisingly, the city centres that have seen the slowest recovery in high street sales are the ones where workers have stayed away from the office the most. This is true across all sectors: weekday sales are lower where weekday footfall is lower, in stronger city centres (Figure 6).

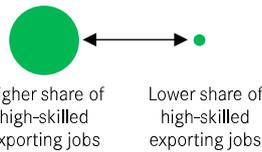
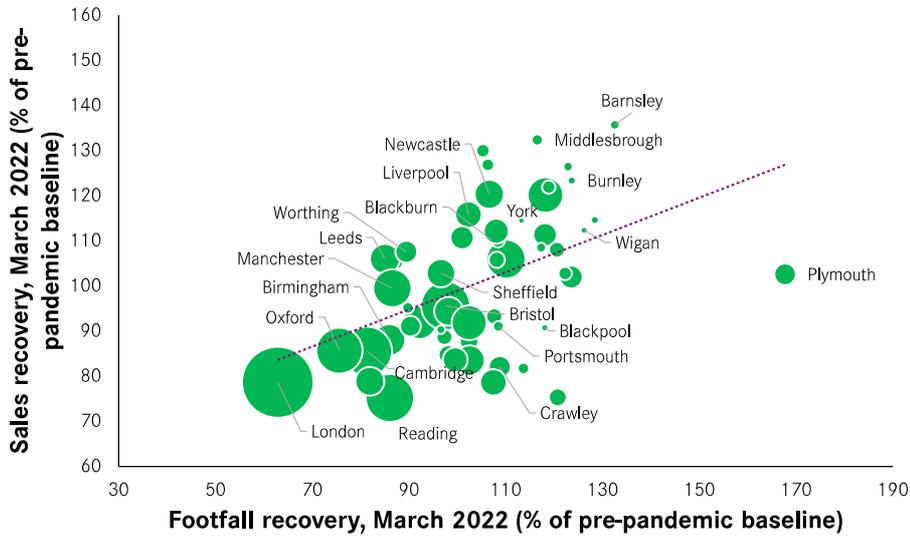
Reflecting pre-pandemic patterns, the food and drinks sector has been the most exposed to shifts to homeworking. The sector has taken a direct hit in places with lots of office workers: in the city centres of London, Reading and Milton Keynes for instance, weekday sales in the food and drinks sector are still 15 to 20 per cent down compared to their 2019 levels. At the other end of the spectrum, in places like Bradford, Burnley and Doncaster, sales have bounced back – even though the sector played a much smaller role (only about 10 per cent of sales as shown above).

Figure 6: Lower weekday footfall results in missing spend, especially in the food and drinks sector

Weekday footfall and sales recovery – all sales, March 2022 (%)



Weekday footfall and sales recovery – food and drinks, March 2022 (%)



Source: Beauclair, Locomizer.

This strongly contrasts with how the food and drinks sector is faring on weekends. Most of those places that are struggling to bounce back as places of work have actually seen customers return from Fridays to Sundays: in London and Reading for instance, sales in pubs and restaurants on the weekend are not just doing better than weekdays, but they're very close to where they were back in 2019. In Bristol, they're even above their pre-pandemic levels (Figure 7).

Table 1: Weekend food and drinks spending is higher than weekday

Top 5 city with highest share of high-skilled exporters	Weekday food and drinks recovery to baseline, March 2022 (%)	Weekend food and drinks recovery to baseline, March 2022 (%)
London	79	95
Cambridge	85	101
Bristol	96	120
Reading	75	96
Oxford	86	103

Source: Beauclair

This difference between weekdays and weekends is consistent across all sectors. On average, in stronger city centres, weekend spending was 10 per cent down on its 2019 levels, against 22 per cent for weekdays. The fact that weekend spending is doing better than weekdays, and in some cases is back to its 2019 levels suggest that city centres are quickly reclaiming their role as a leisure destination and that people are keen to spend money again in high street shops and restaurants. This further supports the suggestion that it is their sluggish recovery as places for work that is holding high street spending back.

Not all workers have returned, and this in many places has not been compensated either by people coming in and spending money on weekends, or by workers spending more than they did before (Box 4). The result, in all stronger city centres (except York and Liverpool), is that total Monday to Sunday sales still aren't back to their 2019 levels. By the end of March 2022, they were still 16 per cent down on their 2019 levels.

Box 4: Are people spending the same as they did before on the high street?

Figure 7 compares weekday sales to the recovery in customer numbers. These are different to footfall, as they're only made of people spending money on the high street. Not all workers spend money on the high street – and not all weekday customers are office workers – but the fact that weekday sales and customer numbers are lagging behind the most in stronger city centres (like London, Reading, Birmingham and Milton Keynes) again points to workers as being the missing factor.

Figure 7 also shows that customer recovery is below sales recovery everywhere, which means that the average spend per person is lower than before. In stronger city centres specifically (bottom left of the chart), the absence of office workers is compounded by the fact that those who have returned spend less than they did before, and this explains a larger shortfall to pre-Covid sales levels.

Averaged across all stronger city centres, 89 per cent of weekday customers are back, but they account for 78 per cent of weekday sales.

Figure 7: On average, people tend to spend less than they did before

Source: Beauclair, 2022

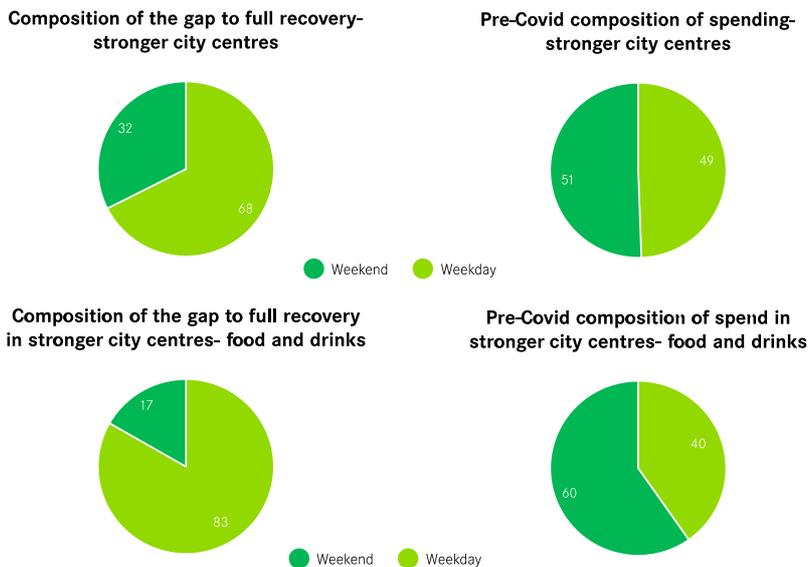
In stronger city centres, getting workers back is the biggest challenge for the high street

The sluggish return to the office explains the slower recovery of high street spending in stronger city centres. On average, weekday spend in these places accounted for 49 per cent of all spending pre-pandemic but nearly 70 per cent of the remaining gap to pre-Covid levels of spend is the result of missing weekday spend (Figure 8).

This highlights the importance of workers returning for the high street. That weekday share (out of the total gap to full recovery) is particularly high in cities like Sheffield (92 per cent), Leeds (87 per cent), Bristol (75 per cent) and London (74 per cent).

Echoing previous findings, the reliance on workers coming back is even higher for the food and drink sector alone: about 80 per cent of the total gap to recovery comes from weekdays, despite the fact that pre-Covid weekdays accounted for about 40 per cent of sales (Figure 8).

Figure 8: In stronger city centres, the distance to full recovery is disproportionately accounted for by slower weekday spending



Source: Beauclair.

Note: The chart for food and drinks is based on a smaller number of stronger city centres, including places like London, Milton Keynes, Reading and Cambridge. This is because in some stronger city centres like Bristol, Brighton or Birmingham, the missing weekday spend has been compensated by higher weekend spend.

What does this all mean for the future of high streets and city centres more generally?

Before Covid, the presence of office workers fuelled demand for local services and boosted spending on the high street. This was not the case everywhere, but particularly in city centres that had lots of jobs, and high-skilled jobs, in them. The food and drinks sector particularly benefited from daily inflows of office workers with money to spend on sandwiches and evening drinks. Shifts to homeworking and the sluggish return of workers have meant that not all spend has returned to the high street. Demand in places that rely the most on workers remains lower than before – particularly in the food and drinks sector.

In the short to medium term at least, this means that the fortune of many local businesses will be tied to the return of office workers. The ‘new normal’ way of working does not need to be a problem in the long term: high streets and city centres, especially those with strong economic fundamentals, can and will adapt to changes in the nature of demand. Many businesses, for instance, will adjust their business model towards weekend trade. However, the road to get there might be bumpy in the short term, as high street businesses like shops, cafes and restaurants have to adapt to a permanently reduced number of customers, with job losses a possibility.

Policymakers concerned about making their high streets vibrant will need to support better job creation in their city centre by making them a better place to do business and strengthening their role as places of work. This can be done for instance by investing in skills to improve attractiveness to businesses. Beyond this, the role of policy is also to help city centres grow and adapt to a reconfigured demand, support the repurposing of vacant units and provide greater flexibility as to how space is used – whether office, commercial or residential.

Finally, while the impact of homeworking is likely to be felt in some places more than others, it is not the only challenge high streets will have to face in the near future. The cost of living crisis is likely to make the next couple of years more difficult than otherwise in most places. Centre for Cities will look at this in greater detail in the next few weeks.

Endnotes

- 1 Cities Outlook 2022, London: Centre for Cities
- 2 This was widely documented in Centre for Cities' previous research at the city-wide level, often coined as "the multiplier effect". Centre for Cities' calculations have shown that for every 10 new jobs in the high-skilled exporting sector between 1995 and 2015, 17 were created in the local services industry. If workers didn't spend any money on the high street, then we wouldn't see this relationship so clearly.
- 3 Swinney, P and Mc Donald, R. (2019). City centres: past, present and future. London: Centre for Cities
- 4 Mc Donald, R; Ramuni, L; Tan, L (2019) What's in Store? How and why cities differ for consumers. London: Centre for Cities
- 5 Cities Outlook 2022. London: Centre for Cities
- 6 ONS, 2022. Is hybrid working here to stay?

© Centre for Cities 2022

Centre for Cities

9 Holyrood Street
Second Floor
London SE1 2EL

www.centreforcities.org

Centre for Cities is a registered charity (No 1119841) and a company limited by guarantee registered in England (No 6215397)