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**Arbenigwyr mewn Busnes
Experts in Business**

FSB Wales' response to The Senedd Economy, Infrastructure and Skills Committee

Remote Working: Implications for Wales

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About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales, with around 10,000 members. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

Introduction

FSB Wales welcomes the opportunity to respond to the Economy Infrastructure and Skills Committee on its inquiry into remote working and the implications for Wales. Different firms work with different practices that best suit them and this is the case with remote working practice and processes. We recognise the opportunities that remote working brings and how it can allow for more flexible, agile firms to be more productive across many sectors, and that there is direct and intense experience of remote working that many SMEs have had to adopt in 2020 that provides new opportunities.

Remote working has the potential to be positive for employers and employees to maintain a better work-life balance, be more productive and can contribute to wider policy spin off benefits such as congestion and environment, or work life balance. Reaping the potential benefits will require a clear holistic strategy and action.

From a firm perspective, employers and managers will have had to bring in new and innovative processes and practices at speed, and develop new skills in 2020/21 to deal with home working arrangements. Where these have been successful, they can be harnessed for the future, and can contribute new ways of working and bring new business opportunities.

In 2020 and now in 2021, remote working has essentially been government-mandated home working. This is clearly radically different from a system that emphasises choice, and its use as a tool.

That home working *could* happen does not necessarily mean that it should happen after the pandemic era. For some working in the office, or a hybrid between the two, may be more suitable.

Any strategic approach needs to be based on empowering employers to use different modes of working that suit their organisations. It is important that the 30% ambition does not become a regulatory necessity or add to the burden of SMEs, as greater regulation affects SMEs disproportionately.

We recognise that the 30% works best as such a marker of ambition (rather than mandated target), and that Welsh government have emphasised this to be the case. It is therefore a useful strategic marker to look at policy holistically, including wider issues such as economic development and business, regional economy, transport and decarbonisation and so on. We would emphasise the importance of flexibility so that firms who best know their needs can use the processes and practices they have direct of experiences to their business planning best, and can open up new avenues of business.

Terminology and policy outcomes

There is a difference between home working (working from home) and remote working (working away from a central office).

- **Home working**: is working from one's own house –Risks include isolation and loneliness, and silo working. Cybersecurity within home broadband has been an issue during Covid-19 crisis.

- **Remote working**: working anywhere away from the office that is practicable. There are obvious limits around confidentiality/privacy in meetings and so on. However, this allows for more social settings (e.g. cafes, co-working hubs etc.), which may provide for different areas of trade to workers. The risks of silo working and cybersecurity can remain.

In practice, firms and employees may practice a mix across the working week or across different employee needs. There is an overlap – those who have asked for remote working in practice may do home working while also working in other areas. As such, home working is a subset of remote working practices, and the distinction should be maintained in order to look at ways to mitigate those risks and provide for clarity on the wider benefits.

Mitigations for home working in terms of issues such as mental health, isolation and loneliness are different to those of working remotely elsewhere. The wider potential policy opportunities are different in terms of where decentralised workforces are sited, and so where there are economic spin offs for smaller towns and community hubs, or new office spaces closer to home.

The Welsh translation is 'gweithio o bell', which literally means 'working from afar'. While not a strictly accurate translation of (one can work remotely within a few metres of the office), it does capture the aspect of new mobilities and place making that new ways of working may open up, and also their economic geography implications.

- **What do you think are the positive and negative impacts of Welsh Government's remote working proposals on the bullets outlined below, and what is the evidence and reasons for those impacts?**

The economy and business;

In any shift in the market, there will be winners and losers. Any remote working strategy needs to maximise opportunities, and mitigate risks and losses.
Welsh Government should not merely 'accentuate the positive' here, as it is important to take seriously the significant challenges to a large section of the Welsh economy and business and possible knock on effects of remote working practices beyond Wales, that may also effect businesses in Wales.

A decentralisation of the workforce can provide new opportunities, including new business opportunities in new areas. This has the potential to revitalise small towns in Wales, provides the means to retain and build wealth outside the current agglomeration urban centres, and to revitalise the rural economy. It provides the possibilities to build new sectoral skills in these places also, with location being less important for high skilled workers.

Services such as IT and cybersecurity, couriers etc., as well as other indirect services can also gain from the changes in ways of working. Many benefits (in particular retail) will need to be incentivised and planning needs to work in parallel and within any remote working strategy to maximise wider benefits.

It is to be noted that in general, there are likely to be wider knock-on benefits to communities in facilitating wider remote working rather than home working, as it is in essence the movement of economic activity from one location to another. Home working means a likely loss of such wider economic activity based around a current work location.

Agglomeration has been pursued by policy makers across the world for a number of years, indeed it is a key driver for the metro proposals in South and North Wales. However, agglomeration brings with it strong spatial choices, concentrating on growth focused on cities and large towns. Remote working provides an opportunity to rebalance some of this by creating further oppiortunities in areas generally considered to be on the periphery from an 'agglomeration' perspective. Conversely, there is danger of remote working leading to an atomised workforce, to silo working, to a lack of collaborative innovative spaces which are some of the presumed advantages of agglomeration. Moving forward, any approach would need to balance the two.

This has implications for innovation and it risks an increase in 'working in silos', posing challenges to team working and cross fertilisation of ideas. Any strategy needs to

mitigate these effects, or provide the skills and facilities to provide new arenas to promote them.

Town and city centres;

As with above, there are positives to be gained by remote working, but they will require planning. The shifting economies will require new spaces, and a 'build it and they will come' attitude is unlikely to be successful. Rather, it is important that we prime the capacities and capabilities of communities and towns locally to shape for the best possible outcomes.

A local property strategy, alongside empowering community authorities and actors to shape and deliver such as strategy would make for better spaces, fitting the needs of local businesses, would be helpful in this regard. It is vital that there is a feeling of ownership locally of any facilities, and that this encourages 'home workers' to work in local spaces, whether cafes, 'hot-desking', community hubs and/or office spaces. Decentralised work the public sector and anchor institutions can have benefits for the private sector in those areas where employees work remotely. Any 'spare' public sector spaces should be made available for SMEs and businesses. It is important that this be done in a way that does not warp the market provision in the area but can help address market failure in terms of premises for SMEs.

Generally, local government workers in community hubs dispersed across a local authority – especially in rural or semi-rural authorities - could provide better links to local communities and better intelligence, and informal links to community development. This would follow closer to the Molenwaard model of decentralised governance from the Netherlands district.[1]

Such community hubs can provide for new hubs for business, as well as new business services provision in those areas (from childcare at the hubs, to office, retail and food) With a significantly more scattered high skill workforce, agglomeration forces may become a less important determinant of regional productivity, a key factor that some think explain Wales' productivity gap with the rest of the UK[2]

Some businesses will lose out from a move from traditional office hubs (including retail, office supplies, and food) – there needs to be a strategy in place for managing the transition for those business, and opportunities taken to create new businesses in those premises.

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[1] From 2013, the Dutch Molenwaard example 'flips the typical local government model on its head. Rather than housing specialist civil servants at one central location and expecting citizens to travel, Molenwaard staff are spread throughout the district. Civil servants now visit citizens in their own villages bringing the city hall to them. The changes mean that staff must be flexible and able to answer cross-departmental questions, but early feedback is that citizens value being closer to government and find it more efficient to deal with just one official. A shift to e-Government is also occurring.'
[2] WGC – Home working

While the *actual* value of premises based on footfall and demand in such areas could change dramatically, the valuation cycle as it currently stands would mean that its reflection in rates would take far more time to keep up. Currently NDR valuations are on a five-year cycle, and the current cycle will in practice have been seven years.

The Welsh Government's reform agenda includes considering annual valuation, but is unlikely to be in place for some time. These changes would mean that further stopgap measures might be needed to mitigate the effect on what would already be SMEs' tightened margins in areas that have less footfall and so not lead to urban high streets becoming fallow. These could include rate reliefs and grants to ensure the longer-term viability of such centres, which remain important. In the long term, wider ideas around housing in city centres based on the 15-minute neighbourhood could provide a sustainable long term mitigation, by linking housing closer to city centres and so providing new regular footfall and opportunities.

<u>Issues affecting the workforce, and skills</u>

Firms will have put in place processes and procedures to deal with the enforced move to home working in 2020. This will be a useful in terms of changing the norms around remote working.

It is important to note that this experience has been built in a response to a crisis, and so will not have originally been strategic in approach, although many firms will likely have looked at it in strategic terms as time went.

Prior to Covid-19, many company managers did not support flexible working for staff. In the UK in a 2016 IDC survey, "More than two in five (43%) respondents stated that their leadership team does not believe in this mode of work".[3] However, such cultural norms will likely have dramatically shifted after the experience of decentralised working during 2020.

There is a danger in a crisis response becoming the 'new normal' if it there is no provision for necessary management skills and new ways of working. The best response to this is to provide training and resources on the best way forward and such a programme should form a basis of Business Wales' approach as part of any remote working strategy, fitting possibly within the Superfast Business Wales programme.

Decentralising the workforce can increase the pool of talent available, but can also reinforce current regional inequalities. Welsh firms could gain skilled employees from anywhere; but it is also possible that firms from richer areas can afford higher wages to employ Welsh skilled workers, without the financial burden of locating in Wales, creating

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[3] http://hrnews.co.uk/opposition-to-flexible-working/

new skill gaps. It is important to address such issues realistically to ensure that Welsh SMEs are able to compete for high skilled workers in this new environment.

Remote working has been seen as a desirable policy goal in its possible role in providing for better work-life balance, better flexibility with childcare, and in cutting office costs for employers, and commuting costs for employees. Some companies 'say they experience numerous benefits of flexible working including increased productivity and better overall engagement; in addition to talent attraction successes, higher staff retention, reduced absenteeism and improved customer service and innovation.'[4]

However, In general, SMEs do not have access to HR resources that larger companies or public sector employers do. This means, for example:

- o That managing change in this way is trickier without specialist departments.

- o Changes with IT and mitigation of cybersecurity risks may be trickier with a knowledge gap in terms of such issues around remote working.

- o Business support is vital to mitigate these, in providing knowledge, and access to development of new skills.

In general, *SMEs* are more agile and can be more flexible with staff, especially on conditions, with close relationships between owners and staff. This facilitates trust and ways of working that may help facilitate remote working, albeit often in informal ways.

As such, too-stringent governmental regulation may have perverse effects when applied to SMEs and this applies to remote working. Our 2019 'Small Business, Big Heart' UK report showed 39% of firms provided employees the offer to work from home before the pandemic. This will certainly be higher after 2020, without the need for regulation. It is worth noting that formalising the request to flexible working in 2014 created additional administrative burdens for small employers who were often already providing this informally. Flexible, agile firms with flexible informal practices may be better in long run, as the work practice links to better wider business management and is part of a holistic approach.

On skills, it is difficult to understand trends so early in the process. Change in dependency on location means it is potentially possible to keep skilled workers from university in the areas, which are useful for future entrepreneurship and in terms of building wealth and tax base. This allows retaining high skills in local areas, rather than requiring workers move toward agglomeration centres. This is potentially good for smaller towns and rural economies.

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[4] https://www.nigelwright.com/uk/changing-minds-a-key-step-towards-a-flexible-future

However, this also means that embedded firms compete for local talent with a wider pool of firms, including those in richer metropolitan centres who can poach talent with bigger wages. In this sense, remote working could exacerbate inequalities that exist already; meaning that Wales as low wage area becomes a 'remote' and virtual commuter belt, with few of the benefits that accrue from what would be an agglomeration centre where firms are physically sited together.

Health (physical and mental) and wellbeing;

This is an area where it is particularly difficult (and problematic) to work through from 2020 to the future. It is difficult to disentangle mental health due to forced restrictions, to the effect of remote working in 'normal times' on mental health.

We are aware that Employers have worked to try to ensure the safety and well-being of their employees. SMEs in general maintain a strong and close relation between employers and employees, and this has clearly been an important aspect of people's well-being.

However, clearly SMEs, as with all other groups in 2020, have had to respond to a crisis and put processes in place quickly, and often imperfectly. The danger is that quick responses and fixes become structural ways of working. Once again we view the response to Covid as a reset on skills and an opportunity for new learning, with provision of training to SMEs employers and employees, and this should take into account different forms of health and safety, cybersecurity, and the management of employees working remotely, including maximising their wellbeing and how to maintain social contact.

Inequalities between different groups and different parts of Wales (including those areas of with poor connectivity);

Many parts of Wales have low coverage of secure broadband and decent broadband speeds, limiting the scope for working from home in those areas. This also affects the prospects and potential for the provision of hubs and offices in new areas, especially insofar as using the remote working to stimulate rural economies.

It is therefore vitally important for wider economic development that Welsh and UK Government continue to work to ensure better, faster and more secure broadband provision to every area of Wales, including a strategy looking at future trends and competitive edge in areas such as 5G requirements, AI and back sourcing and agribusiness, as well as to facilitate new unknown potential avenues through remote working.

Government, industry and regulators should work together to remove barriers to deployment and installation of full fibre, in order to deliver full fibre connectivity to all premises by 2025. If that is not possible in some of the most remote areas, those

premises should be gigabit capable by 2025, which widens the scope of technologies available to achieve such a connection.

Government should provide more funding, or incentivise funding from telecoms providers, to provide full fibre or gigabit capable connections for the hardest to reach premises. Government, Ofcom, BT and KCOM should run public awareness campaigns about the Universal Service Obligation (USO). Government should make it mandatory for new build properties to have full fibre connectivity, or be gigabit capable in places where full fibre will not be a feasible solution, and business and industrial park owners should actively work with providers of full fibre to connect their premises.

<u>The environment and the transport network and infrastructure</u>

A clear potential from remote working would be the environmental benefits. A 30% figure would cut the number of commuters, and thus lowering congestion on roads, and on public transport substantially. Offices are high polluters, and in the UK they produce 40% of all emissions - more so even than cars.[5] So reducing office footprint helps in achieving climate goals, as well as reduction in car usage. How much Office pollution would then be transferred to the home and the linked energy bills is a question to explore.

There is a danger that bigger employers will be able to absorb the costs of home energy use and SMEs will not. This may exacerbate inequality and access to the market and skills. Support mechanisms to facilitate an equal playing field should be considered.

- **How can the benefits of remote working be maximised, and what can be done to mitigate any potential risks and negative impacts?**

It is important that spaces are available for remote working in different localities to maximise the benefits. Remote working does not minimise the need for decent premises for SMEs – to the contrary, a suite of options of office spaces, hubs and flexible ways of working remain vital.

To follow a decentralised workforce, a decentralised property strategy is needed, including giving towns themselves the levers to shape solutions that best suit their areas, and promotes ownership of community hubs to communities. Partnerships should be encouraged by promoting spaces tat allow cross-fertiliasation of ideas across government private and third sectors, including local anchor institutions and a focus on promoting spaces that bring together universities and innovative firms. It is important that logistical issues (such as contracts and liability), alongside commercial and confidentiality issues are taken into account.

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[5] https://www.agile.org.uk/2012/05/23/sustainagility-driver-for-change/

Identifying and mitigating the risks already noted would require a holistic remote working strategy that fits across the governmental departments.

- **Which parts of the Welsh economy or workforce would be particularly affected by remote working proposals, projects and initiatives?**

The size, sector and type of business will have an impact on the feasibility and ability of workforce to work from home or remotely. As such we would support a 'horses for courses' approach to this, as firms can address it according to their needs. This reinforces our view that strategic business planning in firms is the best level for enacting this policy in the private sector, given the variations involved.

Our surveys in May 2020's report 'New Horizons: How Small Firms are Navigating the Covid-19 Crisis' noted 30% of firms in our Covid survey had switched to working home, rising to 41% when only counting those SMEs not closed due to Covid-19.[6]

There are also many sectors and many businesses where remote working is clearly not a suitable arrangement, and many of those are clearer after the practical experience of Covid-19. It should also be noted that the experience of 2020, while in many cases illuminating on this issue, should be treated with caution as an example of new norms or 'the new normal'.

Whereas most jobs in corporate management, education, finance, and professional services could plausibly be performed at home, very few jobs in energy, agriculture, construction, hotels and restaurants, or retail could be. The support the government should be offering to employers and workers varies significantly by sector.[7]

- **How should Welsh Government work in partnership with the public sector, private sector and voluntary sector to deliver its remote working proposals?**

We would expect that the soft 30% target is a useful benchmark in linking with other parts of Welsh infrastructure strategy, such as broadband and transport strategy for the future. How this is measured needs clarification, and consistency in how it is measured across policy sectors is important.

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[6] New Horizons: How Small Firms are Navigating the Covid-19 Crisis (FSB: May 2020), available at https://www.fsb.org.uk/static/faba26f2-0c02-4b49-8d9e37d8468607cb/New-Horizons-How-Small-Firms-are-Navigating-the-COVID-19-Crisis.pdf

[7]

We welcome the fact that it is soft, and this acknowledges that it is firms and the market rather than governmental regulation and 'requirements' that will be the primary policy actors and drivers in the private sector in shifting to remote working . It is vital that firms are allowed to take advantage of the new ways of working used in 2020 to their own needs and strategy in future.

Following from this expectation and statement of intent and expectation on future trends, we welcome the onus on working with organisations. The discussion then becomes what are the needs in terms of business support, infrastructure and new management skills in dealing with decentralised workforce. As noted on hubs and offices there is room to look at how to best facilitate new partnerships working within spaces that takes account of privacy needs (such as commercial sensitivity), including informal spaces, as ways to mitigate against silo working and provide new spaces for sharing ideas and practice, whether these be seen as hubs or office spaces. This should also align with localist property strategies encouraging cross sectoral partnerships and hubs in towns, linking to needs across the public, private and voluntary sectors at the local town level, rather than presuming a 'one size fits all' approach.

Taking maximum advantage will be dependent on good engagement early in such processes, and a clear ownership of remote working agenda at local level, including spaces that are available too and provide the flexibility to SMEs and self-employed needs.

- **How should the success of measures to implement the remote working proposals be evaluated and monitored?**

It is important that the success be evaluated based on the policy outcomes a strategy would look to set. In other words, a measure of 'how many are working from home, and how often' is useful but does not necessarily constitute success. It is plausible that one could succeed in implementing remote working as a norm but it have undesirable outcomes, and so monitoring the 30% figure as a raw target would be insufficient and possibly problematic.

As such, examples of areas to monitor would be the causal link between a rise in remote working and environmental and congestion outcomes, rural economy effects, high street footfall (in different areas), loneliness and isolation, equality of access, and so on. A clear strategy would outline the co-dependencies across these fields and the evaluation and monitoring assessment criteria should follow.