

HOME WORKS

WHY LONDON NEEDS TO
EXPAND HOMEWORKING



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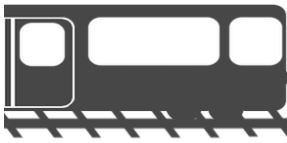
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HOME WORKING



Two ways to do the same thing, but

with the potential for massive savings



INTRODUCTION

The aim of this paper is to make the case for home working. It will explore what measures the Mayor and or the Government could introduce to help facilitate home working. It will look at the role of TfL and reflect on the extent to which it might be an enabler of home working.

It will consider the extent to which existing infrastructure is suited to home working and what changes might be made to improve it. It will consider how future infrastructure might be adapted to better suit home working. And it will look at how best to persuade more businesses, Government agencies and individuals of the benefits of working from home.

The history of capitalist progress has always rested on a relentless improvement in transport infrastructure. Yet whilst this clear coupling between economic progress and transport improvements has been a constant, it seems increasingly likely that this relationship is weakening. Therefore, although investing in transport infrastructure will continue to be desirable and necessary for the foreseeable future, the 21st century will see the decoupling of this relationship.

Nevertheless travel in London is currently booming as record numbers crowd onto trains, squeeze into the Tube and squash onto buses. Every Monday, there are over 3.4 Million journeys on the London Underground¹ and over 6 Million on London's buses.² The most recent census revealed that London's population has increased by 12% over the last 10 years to a total of 8.2 Million.³ The projections are that this will grow to 9 Million by 2018⁴.

Despite the massive increase in capacity that will be created by the tube upgrades and the building of Crossrail, London's transport infrastructure is already overcrowded and will remain so. Last year, the Olympic Games forced London to confront the problem of overcrowding and in so doing gave people a taste of some of the solutions which will become necessary in the longer term. These will include more walking and cycling, the greater efficiency and capacity of driverless, automated tube trains AND a sharp increase in home working and flexible working.

Currently, 15.2% of workers in the South East of England work from home for 3 or more days per week.⁵ Approximately an additional 20% regularly work from home for fewer than 3 days per week. Whilst it is clear that not all jobs are suitable for home working, there has been a 21% increase since

1. <http://creativetracktion.com/2012/11/16/cbs-digital-media-on-london-underground/>

2. <http://www.tfl.gov.uk/corporate/modesoftransport/1548.aspx>

3. <http://www.ons.gov.uk/ons/rel/mro/news-release/census-result-shows-increase-in-population-of-london-as-it-tops-8-million/censuslondonnr0712.html>

4. <http://www.london.gov.uk/sites/default/files/Update%2023-2012%20SNPP.pdf>

5. <http://www.flexibility.co.uk/flexwork/location/homeworking-statistics-2009.htm>

2001. If this trend is maintained, it will have a significant effect on London's transport needs. If it were to accelerate, the reductions made to London's transport costs would be huge.

The average Londoner faces a commute of 37.8 minutes each way every day.⁶ This adds up to 277 hours per year spent travelling to and from work. When the Government is planning to spend £34 billion on high speed rail – the case for which rests largely on the increase in capacity this will generate – the benefits of making it easier for people not to have to travel to work become increasingly apparent.

EVOLUTION OR REVOLUTION?

There is clearly a danger in taking the view that a new development in technology or infrastructure will certainly revolutionise the way in which people work. By this measure the personal computer, fax machines, the internet, teleconferencing and mobile phones might all have been expected to lead to a step change in home working and flexible working. Instead we have seen steady progress with an ever greater percentage of the UK's workforce becoming geographically mobile but without clear points where we can see a sudden radical change.

One explanation for this is that working practices are inherently more likely to be evolutionary than revolutionary, particularly in large companies. If success has been achieved by a particular way of working then it may not seem worth taking the risk to try doing something completely different.

Another possibility is that there is an inbuilt scepticism about home working and the extent to which those working away from an office - and therefore away from their manager's beady eye - will work productively. Indeed the Mayor of London, Boris Johnson, in the run-up to the Olympics was quoted as saying:

“Londoners should not use [the] Olympics as [an] excuse to stay home, skip work and open the fridge and hack off that bit of cheese.”⁷

That the Olympics were a huge test for home-working in London and the South East is a theme to which we will return later in this paper, but the Mayor's point is that home working risks reducing productivity. It would be wrong to say that this cannot happen and it is clearly the case that some jobs will be best done in an office. However there is evidence that this attitude is flawed and increasing numbers of employers and employees understand the virtues of working from home.

Consider the point that at the end of 2009, 12.8% of the UK's workforce (3.7 million people) worked mainly at or from home. This represented a 21% increase from 2001.⁸

The region with the highest level of home working is the South West, at 15.6%, followed by the South East (15.2%) and the East of England (14%). This is a significant difference from the areas with the lowest levels of home working – Scotland (9.8%), the North East of England (10.1%) and the North West and Northern Ireland (11%).⁹

The rise in the levels of home working - 20% over the decade - is a significant indicator of wider

6. <http://www.thisismoney.co.uk/money/news/article-2061409/The-average-worker-spends-weeks-year-commuting-statistics-reveal.html>

7. <http://www.telegraph.co.uk/sport/olympics/9371897/London-2012-Olympics-recorded-message-from-Boris-Johnson-to-warn-commuters-of-travel-chaos.html>

8. <http://www.flexibility.co.uk/flexwork/location/homeworking-statistics-2009.htm>

9. <http://www.flexibility.co.uk/flexwork/location/homeworking-statistics-2009.htm>

changes taking place in the world of work. 1 in 8 people in work now works mostly at or from home. A further 20% do so for fewer than 3 days per week.

Over 25% of the UK workforce sometimes works from home. However the number of people working mainly at home is only 2.5% of the workforce (681,000 people) - though that is almost a doubling of the number who did so in 1981 (346,000 people). Clearly home working is on the rise and yet it is still a long way from meeting its potential.

WHY SHOULD WE CARE IF MORE PEOPLE WORK FROM HOME?

There is a view that politicians should not take a position on where people work or how they choose to travel. The laissez faire perspective would posit that our focus should be simply to ensure that commuters can travel from A to B as quickly, safely and cheaply as possible on whatever transport mode they find most convenient. Alternatively there are those who would insist that it is reasonable to be prescriptive on how people travel, whilst also maintaining a focus on increasing capacity.

Both those approaches are, to some extent, problematic and the greatest problem is the inevitable lack of funds that would be necessary if Britain were to build all the transport infrastructure that we might wish to build. To be absolutely clear, the need to expand capacity will not disappear: London will still need to invest significant sums into transport infrastructure, but it will not and cannot be enough.

By standard economic thinking, this is a major problem as it has long been held that economic growth rests on the expansion of transport infrastructure. If this is the case then the state would be advised to divert as great a percentage of its funds as possible into improving transport. However this ignores the need to invest in other growth-boosting infrastructure such as, for example, high speed broadband. Instead of focussing on moving more and more people from A to B as quickly as possible, would it not make more sense to focus the state's limited funds on helping ensure that people are given the support to be as productive as possible when they arrive at their destination?

Well sadly it's not that simple. Many people will always need to commute to work so it is simply not feasible or sensible to divert funds away from transport infrastructure. Nevertheless by seeking to support those who choose to work from home and making the case to employers that home working may well be to their benefit, the state can lower the potential demand for new infrastructure.

WHAT ARE THE ADVANTAGES OF HOME WORKING?

There are at least 7 major reasons why an increase in home working would be beneficial:

1. There is clearly a financial incentive for individuals to work from home. In London an annual Zones 1-6 Travelcard currently costs £2224.¹⁰ Many people who work in London travel from much further afield. An annual season ticket from Brighton to London Victoria costs £3860.¹¹ Given that these travel expenses must be paid from taxed income this is a significant outlay. Home working gives employees the opportunity to significantly reduce their transportation costs.

10. <http://www.tfl.gov.uk/tickets/14416.aspx>

11. <http://www.southernrailway.com/tickets-and-fares/season-tickets/>

However, as our system is currently constituted, there is a problem. It is not possible to buy a 3-day a week Travelcard or a 3 day-a-week season ticket. Commuters cannot get a discount for buying a Monday to Wednesday or a Tuesday to Thursday ticket. This lack of flexibility is not a problem for those who work from home full-time or, indeed, those who only work from home for a couple of days a month. There will be a great many people who need to commute to work regularly, but who would be able to rationalise all their meetings so that they all took place on 2 or 3 days of the week. Those people would be able to work from home for half the week and, if they drive or have a short commute, they should have a financial saving from doing so. Conversely if they have a longer commute by train or if they have a Travelcard they would be unlikely to gain any financial saving by working from home. If we are to encourage home working then this is a major issue.

2. The Department for Transport and Transport for London are both investing heavily in public transport. In London, the building of Crossrail and upgrades to existing Tube Lines are crucial in increasing London's transport capacity and ensuring that ever more people can be transported from A to B. There are a number of worthwhile projects with a strong business case that we very much hope will be given the green light as soon as possible. However this will not be enough. It will not be possible for the Government or Transport for London to find the money to build enough new transport infrastructure to meet the increase in demand unless working practices adapt. This is not mere supposition. The Mayor's Transport Strategy makes clear there will be an emerging gap between London's public transport capacity and demand over the coming years.¹²

It would be easy to pretend that money is no object and simply spend our time calling for any and every possible piece of new transport infrastructure. Our political opponents often seem to play that game. However whilst it can gain short-term headlines, it fails the public both by keeping up the pretence that specific proposals are affordable and by leading to a failure to engage with reality and consider which changes are feasible. The Conservative Group understands that we are living in austere times and there is not the money to pay for all the projects that would be desirable. There is no realistic chance that London can build the infrastructure necessary to transport an extra 800,000 people per day by 2018. An increase in home working represents a chance to cover that gap.

3. There is also a significant potential saving for business and for the public sector if home working were to increase. The Westminster Sustainable Business Forum published a report in February 2011 entitled 'Leaner and Greener: Delivering Effective Estate Management', which estimated that the Government could save £15 billion per year by increased use of flexible working and home working.¹³ This sum is reached by assuming a relatively modest 5% increase in the number of public sector workers working from home or flexibly and suggests a £7 billion saving from property costs and an £8 billion increase in productivity. Clearly it's much easier to measure the former than the latter, but considering that the private sector employs approximately 5 times as many people as the public sector, if a small increase in home working could save £7 billion from property costs then a similar increase across the private sector would have the potential to save far more.

If we stick to looking at the private sector, then the example of O2's Home Working Trial in February this year is instructive. O2 employ 3000 people at their headquarters in Slough. On 8th February 2012, over 2500 of those staff – all but 125 of those who were due to work that day – worked from home.¹⁴ The advantages for O2 were, in some ways, obvious. They discovered that their electricity bill was considerably reduced, they needed a fraction of the office space and their carbon dioxide emissions were down. However interestingly – although understandably – their heating costs

12. [http://www.tfl.gov.uk/assets/downloads/businessandpartners/delivering-the-mayors-transport-strategy-tfls-hlos2-recommendations-final\(1\).pdf](http://www.tfl.gov.uk/assets/downloads/businessandpartners/delivering-the-mayors-transport-strategy-tfls-hlos2-recommendations-final(1).pdf)

13. <http://www.policyconnect.org.uk/wsbfrationalising-local-government-sustainable-estate-management>

14. <http://news.o2.co.uk/?press-release=o2-releases-the-results-of-the-uks-biggest-ever-flexible-working-pilot>

increased as the building's central heating had to cover the loss of 2500 people's body heat. We hasten to add that this is clearly a by-product of this being a single day long experiment. A company that decided to increase the number of employees working from home on a full-time basis would be more likely to move to a building more suited to the number of employees who need to regularly work there.

4. A fourth major benefit of home working is the time saving for those who no longer have to commute. The average UK worker faces a 30 minute commute each way every day. The average Londoner's commute is longer as they travel 37.8 minutes each way every day.¹⁵ This means Londoners spend 277 hours per year spent travelling to and from work. Many commuters will travel considerably further than that.

The O2 workers saved themselves £9000 in commuting costs and 2000 hours of commuting time. 1000 of these hours were spent on extra work, with the remainder of the time saved. The evidence from the trial was that the vast majority of those working from home were either as productive, or more productive than when they worked in the office. 36% claimed to be more productive and 88% were at least as productive.

5. As well as providing benefits for the existing workforce, home working also has the potential to expand the workforce. At the time of writing the Government intends to spend £34 billion building a high speed rail line from London to Birmingham. Whilst this is not the place to analyse the pros and cons of that decision, one of the stated reasons for building it is to narrow the North/South divide. The argument is that by reducing the time taken to travel between London and the North of England, London's prosperity will spread. Businesses that need to be close to London will suddenly find that they can base themselves in Birmingham and still be close to London. Commuters who cannot afford to live in London could base themselves in Birmingham and still enjoy a manageable commute. There is a vast bubble around London within which people regularly commute to work in the capital. High Speed 2 would expand that bubble.

Contrastingly, home working has the potential to pop the bubble. If people have to commute to work they need to live close enough to make commuting practical and affordable. If instead they can work from home, then they can live practically anywhere. This is clearly an advantage for employees, who can benefit from living in an area with cheaper housing, more open spaces, better schools or that better suits their partner's job. It is also an advantage for employers. Home working radically expands the catchment area of potential employees. Instead of employing the best applicant who currently lives or is able to move within commuting distance, home working means that an employer can simply employ the best of an expanded pool of applicants.

There is a further connected point worth making. There are some parts of the country where the private sector is very weak and it is incredibly difficult to find employment. Home working would not be a silver bullet to solve this issue, but the more jobs that are not tied to a geographical location there are, the less that geographical location will force unemployment on people who wish to work.

6. Location isn't the only factor that stops people from working. There are plenty of people who, for any number of reasons, are unable to commit to working set hours at a fixed location. Some people would be able to work fairly standard hours, but need to be at home. Others can commit to working a full working week in terms of the total hours they work, but are unable to commit to fitting those hours into 5 8-hour chunks. Home working and flexible working offers those people the possibility

¹⁵ <http://www.thisismoney.co.uk/money/news/article-2061409/The-average-worker-spends-weeks-year-commuting-statistics-reveal.html#axzz2JfDduGzI>

of employment.

7. Finally home working offers clear environmental benefits. Viewed objectively the environmental cost of transporting millions of people from A to B on a daily basis by road or rail is immense. There is significant scope for a reduction in particulates and CO2 emissions if fewer people had to travel to get to work. In the medium to long term there are further advantages in reducing the wear and tear on vehicles, and thus extending their lifespan.

WHAT'S HAPPENING ALREADY?

Home working is not a new phenomenon. Some companies, such as BT, have been encouraging their employees to work from home since the 1980s. It's worth considering the point that the tools which enable home working have developed apace since then. Today BT has 65,000 flexible workers with 10,000 working permanently from home. BT believe that those 10,000 permanent home workers are on average 20% more productive than their office-based counterparts.¹⁶ Similarly, the AA found that when it based call-centre staff at home, their productivity increased by over a third.¹⁷

There is plenty of evidence that home working can represent an improvement for employers, but this raises the question, why has home working not become more widespread? Well, although not all companies have gone as far as BT, a 2008 survey by the CBI showed that 46% of businesses allowed staff to sometimes work from home. This was an increase from 11% in 2004.¹⁸ So there is some degree of competing statistics: there has been a step change in the number of businesses willing and able to allow some of their staff to work from home sometimes, whilst the overall percentage of the workforce working from home has increased relatively slowly and steadily.

This suggests a possible pattern of businesses expecting their staff to work from an office but being flexible and adaptable enough to allow occasional home working when necessary with relatively few businesses reversing that set up. The 'Holy Grail' from this perspective would be businesses expecting employees to work from home unless it was necessary for them to come into the office. However businesses will not and should not expand home working because politicians tell them that it's a good idea. Rather home working should expand because it is a good idea. In order for expansion to happen it will be necessary for businesses to be persuaded of the merits and benefits of introducing more flexible work practices. For many businesses, the Olympics represented a taste of how this would work.

During the Olympics London Underground broke its own records for carrying passengers and yet there were rarely unacceptable queues. Part of the reason for this was that the familiar pattern of millions using the network during the morning and evening rush hours, with quieter but still busy off-peak periods throughout the rest of the day, changed significantly.

During the Olympics demand was more evenly spread throughout the day, albeit with very busy peak hours. The system would have been unable to cope with the huge influx of Olympic visitors had it not been for the fact that historic numbers of Londoners were given permission – or even instructed – to work from home. Many more people were given the chance to work more flexibly, shifting their hours to avoid the peak. Our hope is that Transport for London and the Department for Transport will study the effectiveness of this month long experiment in home working and look at ways of helping businesses to turn it into a permanent fixture. The Olympics pushed vast numbers

16. <http://www.guardian.co.uk/money/2010/aug/03/rise-working-from-home>

17. <http://www.guardian.co.uk/money/2010/aug/03/rise-working-from-home>

18. <http://www.guardian.co.uk/money/2010/aug/03/rise-working-from-home>

of individuals and businesses to reject the status quo on a short-term basis. In so doing it created the possibility for a major expansion of home working and flexible working being the greatest legacy of the Olympics.

WHAT SHOULD BE DONE?

The GLA Conservative Group's approach is centred on choice. Fundamentally we believe that Londoners should be free to make their own decisions to as great a degree as possible. This is a key reason why we are such strong supporters of lowering council tax and the Mayor's precept as doing so allows Londoners to keep more of their money so that they can choose to spend it as they wish. Similarly, our position on the use of road space is simple: we oppose the concept of a modal hierarchy of road users as we believe that roads should be thoroughfares enabling all users to travel as swiftly and safely as possible to wherever they need to go. Essentially, TfL should operate in the same way.

Currently TfL tends to measure their success by carrying ever greater numbers of people on London's bus and tube networks. As London's population swells to 9 million people by 2018 the likelihood is that this upward trend will continue, even as tube upgrades, the building of Crossrail and further expansion of the London Tramlink and the DLR continue apace.

TfL should aim to facilitate travel in London, ensuring that people can travel as swiftly and safely as possible to wherever they need to go. Simultaneously the rise of home working, which has seen a 21% increase since 2001, should be encouraged. Clearly home working will not be suitable for everybody and individuals and businesses should not be pressured to change their working practices. Nevertheless TfL should think carefully about how to ensure that the way they operate – for example in terms of their ticketing policy – makes home working and more flexible working financially viable for Londoners.

To this end:

- 1) **London needs a ticketing policy fit for the 21st century. TfL, ATOC and the DfT should work together to introduce Travelcards which ensure that there are real savings to be made by commuters who consistently work from home for some of their working week. On 27th November 2012, Michael Roberts of ATOC told the London Assembly Transport Committee that there should be a 3-day per week Travelcard available within 2 years. Whilst we applaud this commitment, it is crucial that Transport for London accepts the logic of this approach and works to ensure delivery. Currently commuters who buy a Zone 1-6 Travelcard season ticket pay £2224 regardless of how many days they travel. A 3-day per week season ticket would give commuters the right to travel for any 3 weekdays every week.**
- 2) **An alternative way to achieve the same benefits would be for commuters to pay for their season ticket and then receive a rebate for every day that they choose not to travel. If we start from the assumption that a full-time worker buying an annual season ticket would expect to work 225 days per year, then a Zone 6 commuter pays approximately £9.88 per day for their travel ticket. It would make sense to set the rebate at less than £9.88, say somewhere between £5 and £7 per day. So a Zone 6 commuter, who worked from home for 50 of those days, could expect to receive a rebate**

of between £250 and £350.

- 3) TfL should give a specific person responsibility for increasing home working in London. If home working is just a nice idea then little is likely to happen. Therefore home working needs a specific person driving it forward within TfL. Given the potential savings to the public purse of expanding home working, this would be a fiscally sensible development.**

- 4) It should go without saying that London will still need Crossrail, Crossrail 2, longer trains on mainline rail, tube line upgrades, driverless trains, a new airport, improved river transport, better cycling facilities and a hundred other transport improvements. Without compromising on safety, Transport for London and the Department for Transport should, of course, strive to deliver these projects as cheaply and efficiently as possible.**



FEEDBACK

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