

# Megatrends and the West Midlands 2021: The ‘New Normal’ and ‘Building Back Better’: Changing City Centre Business Districts



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## Summary

There was an aspiration for city centres simply to 'get back to normal' after the Covid-19 pandemic, but the opportunity to do so may have gone. The trend for greater homeworking for people working in business, professional & financial services (BPFS) sectors was accelerated by the Covid-19 pandemic. This existing trend is likely to continue. BPFS workers will operate a more 'hybrid' working pattern with a mixture of remote and office-based working. The 'hybrid' working trend will have knock on effects for the wider city centre ecosystem. Alongside the decline in the traditional retail and office working, there will be a greater emphasis on residential and leisure uses of the city centre.

**To meet the changes facing the future city, there is an imperative to 'build back better'.** There will always be a demand for socialising and leisure in the future city centre. Yet there is risk that those working in leisure and hospitality jobs will continue to experience low-paid, insecure working hours and conditions. Further, as office spaces are reconfigured to meet the needs of hybrid, flexible working spaces, property investors can continue to extract wealth out of city centres.

There is an opportunity for large place-based anchor organisations, such as Business Improvement Districts (BIDs), universities, local councils, and business support providers to take a stake in the future city centre. They can use their scale and influence to invest in the office centres of the future and ensure that the wealth generated can make a difference to the people of the city. **The vision of the future city centre in Birmingham could look to become a 'real living wage place', where low paid work is eliminated. There is a particular emphasis on how place-based organisations such as universities, BIDs, and councils can look to make a stake in, and shape, a fertile inclusive economy in the Birmingham city centre of the future.**

## Key Policy Messages

- **Large place-based organisations, such as BIDs, councils, and universities to take a stake in the business space use of the future city centre.** These organisations can use their leverage to purchase and reconfigure office blocks to meet the demand for hybrid working in future. This allows workplaces to be modernised and to be owned by organisations with a commitment to people living, working, and visiting each place.
- UK Government has committed to an increase in the minimum wage and this could go further to reach a Real Living Wage rate for all workers. **BIDs and councils can commit to encouraging employers in a smaller geographical area, such as a city centre or BID area, to pay its employers a good wage with secure working hours, such as by paying the Real Living Wage.**
- Business support is required to provide training for businesses adapting their business models to meet demands of flexible working. **Shifts to remote working, flexible working patterns are to bring changes in business models, and training should be provided to enable as smooth a transition as possible.**
- **Business support provision may be needed for businesses looking to pay employees a Real Living Wage with secure contracts and hours.** Businesses, particularly in the retail,

hospitality, and leisure sectors, should be prioritised to help adapt their business models to encourage good quality work and pay rates for their employees.

## Introduction

**There are two predominant views on the future of city centre business districts after Covid-19 around: working with ‘the new normal’; and ‘building back better’.** The shift to increased remote working for professional services will continue beyond the Covid-19 pandemic and discussions around the future of work tend to refer to this shift as the ‘new normal’. As a result, the city centre will become more diverse with greater emphasis on a ‘playground’, rather than a ‘marketplace’ (Greater London Authority, 2021). There is expected to be a rise in leisure, entertainment, and residential function of city centres, alongside a decline of retail and office space use. The current dominant sectors in the city centre, BPFs and Retail, Hospitality & Leisure (RHL) sectors, will decline in size and those businesses that remain will have to adapt their business models in response to the changing trends (Renew Normal 2021).

There are opportunities for RHL to not only adapt to the changing city centre, but also ‘build back better’. There are two aspects to ‘building back better’ in the future city centre. **First, anchor organisations should take a stake in the future city centre to encourage greater circulation of wealth for the city. Second, there should be a commitment to providing good quality, secure work particularly for retail, hospitality, and leisure (RHL) workers.**

Moving towards ‘building back better’ is not just desirable but a necessity. **Influential place-based organisations such as BIDs, councils, universities, business support providers, and central government have a significant role to play in creating a landscape where ‘building back better’ is not only possible, but also achievable.**

## ‘Getting Back to Normal’ is Gone

### Adjusting Business Models

Before the Covid-19 pandemic, there was already a trend for increased homeworking in the Business, Professional, and Financial Services (BPFs) sector. The whole sector took a significant shift to almost exclusive homeworking from March 2020 with the UK Government’s ‘stay at home’ message, which was echoed by BPFs employers and governments across the Western world (ARUP, 2020). Looking to the future, hybrid working is likely to become the norm. This is where workers are in the city centre office for part of the week, and work remotely the rest of the week either at home or elsewhere. As a result, BPFs office workers will spend less time in the city centres (Centre for Cities, 2021). There will be a knock-on effect on RHL businesses with city centre outlets.

The city centre economy is a symbiosis of diverse BPFs and RHL sectors, and some residential areas. The RHL sector of the future city centre will continue providing convenience stores and takeaway food, to pubs and restaurants, as well as concerts, events, and festivals. Yet, with the trend in more homeworking of BPFs workers reducing footfall, city centres will have to adapt and provide a more bespoke and distinctive offer to attract people in (Arts Council England, 2017). This may lead to an increase in a smaller, but perhaps a more distinctive city centre and/or city centre quarters, with

each area harnessing its unique cultural and offering with more independent and local suppliers. Further, the land use of the city centre is also due to become more mixed, with an increase in residential properties, alongside leisure and entertainment purposes projected (Corfe 2020). RHL businesses will have to adapt their business models in response to the reduction in office workers and the trend to more city centre living.

The demographic of people likely to move to the city centre are young professionals and students, and this will fuel demand for a relational, experience-based economy (London First 2020). There is expected to be increased demand for leisure activities in the evenings and weekends from the increase in the number of people who live in the future city centre. On the days when 'hybrid' workers commute into the centre, they may want to concatenate their leisure time with their working day (ibid.). Even though the number of commuting days may fall, average dwell time, and spend on leisure activities could increase. The increase in demand for evening-time leisure activities has implications for the people who work in the RHL sectors, which are generally younger, female and with lower paid and more insecure hours.

### **Labour Market Polarisation**

The city centre labour market predominantly consists of workers in the BPFS and the RHL sectors (West Midlands Combined Authority 2020). Going 'back to normal' would continue the trend of polarisation between the generally higher paid, higher skilled workers in the BPFS sector and RHL sector workers who tend to earn less than a real living wage (Living Wage Foundation 2021a), and work uncertain hours (Baum, Mooney et al. 2020). The trend of low wage and uncertain hour contracts in RHL sectors would affect part-time, generally young, and generally female workers in the RHL sectors more than those in BPFS. The result would exacerbate existing inequalities in employment, health and wellbeing for those RHL workers (Chang and Travaglione 2012).

There is a risk that people working in the RHL sector may not see a material improvement in their pay, or job security, because of the trend in more leisure activities. The increase in demand for evening-time leisure activities, and the current insecure and low-paid work of this sector, would continue the trend of insecure work. Going 'back to normal' would mean city centres continuing as places that had marked labour market inequalities. This should not be allowed to continue to happen, and as such there should be explicit focus on 'building back better' to break out of the low-skills, low-wage trap (Green, Sissons et al. 2020). There should be a reinforced commitment to ensuring that people are fairly compensated for their work. Providing people with living wages and regular hours to gives security and good quality of life to the people working those jobs.

## **'Building Back Better' is Needed**

### **Having a Stake in the Future City Centre**

There is an opportunity to begin to 'build back better' in a way that ensures city centres function successfully for the people who live, work, and spend time there. In amongst the remote working of BPFS sectors, there is still a yearning for social interaction (BBC 2020). Office blocks in the city centres might shift towards being used increasingly as co-working, networking, and innovation hubs in the future. There may be a reconfiguration of office space in the city centres, with BPFS workers

choosing to go into the central office two/three times per week. City centre offices can evolve into co-working spaces where people can interact, but without the formal requirement of having to go to work every day, from 9am – 5pm.

A similar pattern in a shift to co-working and mixed-use spaces of city centres has already been evidenced in Berlin. Its economic and spatial restructuring of the city after the fall of the Berlin wall looked to reinvent the uses of property and space (Krätke 2004). Focusing on the mixed use of the city, with co-working commercial, modern residential, and open public spaces, has helped restructure Berlin into a vibrant modern city. Yet Berlin is not without its problems, including rapid gentrification of city centre neighbourhoods. There has been a trend of rentiers extracting wealth from city centres, as has been evident since the 1990s onwards (*ibid.*). The reconfiguration of office centres into co-working spaces and new residential areas in the future city may exacerbate this trend. Yet policy interventions can counter this. These interventions should take account of owners of, and investors in office and retail units have a stake in reshaping the future city through the reconfiguration of their properties to suit modern needs.

### **The ‘Good Work’ Imperative**

There is still a risk of continued polarisation of high-wage BPFs workers and precarious and low-pay work of RHL sectors in the future city. Over the last decade, there have been widening inequalities in incomes and health between those working in higher paid BPFs and those in lower paid RHL jobs (Renew Normal, 2021). The impact of precarious work has had an impact on health inequalities, exacerbated by Covid-19 (*ibid.*). There is a requirement for an alternative approach to work focusing on ‘good’ work, that has material impact on the health and wellbeing of workers (Living Wage Foundation, 2021a). ‘Building back better’ requires commitment for areas to be providing good real living wage and commitment for living hours and good working conditions. The ambition for having good quality worker environment only goes so far. There needs to be a business case to encourage employers to implement good working practices where staff have a real living wage in secure work. Providing real living wage and secure working hours has led to improved worker productivity, improved staff retention, improved wellbeing to truly make progress in ‘building back better’ (Heery 2017).

### **Finding Effective Interventions in the West Midlands**

The trend away from the predominantly city centre office based work in the BPFs sectors will have significant impact on the economy of the West Midlands, since one third (32%) of enterprises in the West Midlands are in the BPFs sectors (West Midlands Combined Authority, 2020). Generating the capital to adapt office and retail properties fit for the co-working and business incubator hubs of the future will be a challenge. Yet place-based anchor organisations such as universities, local councils and BIDs, but to name a few, do have the scale and scope to meet the demands of the reorganisation of the BPFs sector. Encouraging anchor organisations to purchase and redevelop of city centre properties can ensure that profits generated can be reinvested into the local area. The regulatory landscape should be conducive to encourage the wealth created in future growth is circulated in the local area. For example, if the University of Birmingham is to expand its presence in the city centre, as it has done with the Exchange Building (University of Birmingham, 2020), it could look to meet other demands for co-working and business incubator space in the city.

Councils should look to utilise local planning powers to require any large redevelopments, such as where offices are converted to other uses, to provide Employment and Skills Plans (ESPs) before going through building regulations or being granted planning permission. ESPs are to evidence how developers are to promote 'good work' through the construction process. In a large city centre, such as Birmingham, that is due to undergo a shift in its office space use, this could be an intervention that encourages good working practices through the shift to hybrid office working.

In the West Midlands, 16% of people are employed in the RHL sectors (West Midlands Combined Authority, 2020). There is a risk that the trend towards a polarised labour market in the city centre will continue. Particularly between lower paid, younger, and BAME workforce in RHL sectors, and the better paid, higher skilled BPFs jobs that are to be in the centres of the future. Birmingham has a greater proportion of younger and BAME population than other cities in the UK (ibid.), so interventions to support these groups could have significant impact in Birmingham. One such intervention is to designate a city centre of BID area as a Living Wage Place (Living Wage Foundation, 2021b), where businesses in that location look to provide jobs at a real living wage and regular number of working hours for their staff.

The business support landscape should be conducive to ensure that businesses looking to adjust their business models to providing the real living wage and secure hours for their staff are able to do so. BIDs, and large place-based organisations in the city centre, such as councils, universities, the NHS can champion benefits of good quality work on improving staff retention, productivity, and wellbeing to ensure that adapting to the trends of the future can help Birmingham build back better.

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