

European Telework Status Report 1998: United Kingdom

This is an extract from the country summaries section of the European Commission's 1998 Status Report. The complete report is online at <http://www.eto.org.uk/twork/tw98> in a variety of formats, including Word, HTML pages and Acrobat .pdf files. Links to further information about telework in UK are in the UK national page at European Telework Online - <http://www.eto.org.uk>.

Summary

The UK is in a period of "active Government" following the general election of May 1997, when a left-of-centre Labour government won a landslide victory over the right-of-centre Conservatives, who had been in office for seventeen years. The new administration has confirmed and reinforced a commitment to rapid adoption of Information Society methods, especially by government itself and in government's dealings with citizens and industry.

UK has the highest penetration of Internet use among the major European economies and substantially the highest take up of teleworking, with estimates of between 1-2 million people teleworking on a full or part-time basis and in a variety of modes. It also has had the fastest rate of introduction of 'concentrative teleworking', as banks, insurance companies and other sectors switch from High Street presence to telephone-based sales and support.

Factors promoting the adoption of Information Society methods include the early liberalisation of telecommunications, which has led to price reductions and a proliferation of competition and new services, together with a lightly regulated labour market that presents few barriers to innovation. Telework adoption has been accelerated by Europe's most well-established telework association, which has positively influenced media coverage as well as providing information services to the public.

Telework background and take-up of ICTs

General background:

- Among Europe's major economies, UK has a relatively low per capita GDP but a relatively high level of investment in and take up of Information Society technologies. The level of personal/household use of ICTs is remarkably high when considering the UK citizen's relatively low earnings and spending power:

	Per capita GDP	IT investment as % of GDP	PCs per 100 population	Internet users per 1000 population*	Households with Internet access, per 100 households**	GDP per head in purchasing power parity (PPP)***
UK	18,849	3.24	21	95	7.9	71.4
Germany	27,604	2.1	19	65	7.0	74.4
France	24,973	2.41	16	26	3.5	77.9
Italy	19,021	1.44	9	24	2.2	73.6

* Based on data reported by IDC, January 1998

** EITO estimate for 1998

*** PPP is derived by considering GDP per head against the local prices of a standard basket of goods and services; the figures relate to USA = 100 (Source: EIU)

EITO forecasts that by 2001 the UK will have more than 12 million Internet users, providing both a platform for teleworking and an incentive for existing enterprises to adopt

- One weakness in Information Society preparedness is UK's relatively low usage of ISDN, especially by consumers. However, the incumbent telecommunications operator (BT) has been actively promoting ISDN to consumers in 1998 and is introducing a new, low-priced offering.

- The UK social and economic environment is lightly regulated and scores high on most measures of competitiveness, economic freedom and a positive environment for business. This, together with relatively low wages, taxes and social charges, has attracted a high level of inward investment by both European and other multinationals, and UK is the European entry point for many USA and Far East multinationals.

	Economic freedom index ranking*	Global competitiveness ranking	Business environment ranking
UK	7	7	2
Germany	20	25	10
France	31	23	13
Italy	36	39	29
Netherlands	9	12	3
* "Economic freedom" assesses ten indicators of how government intervention can restrict economic relations between individuals Source: EIU			

- There is controversy within the European Union about the merits and demerits of economic freedom, especially in the spheres of labour market regulation and social protection. The UK has within the EU been the main advocate of labour market flexibility. As well as reflecting the philosophy of particular administrations, this also reflects a strong national tradition of freedom of the individual; for example proposals for identity cards, taken for granted in most European countries, are hotly contested in the UK, where it's felt the government should have no knowledge of or interest in the whereabouts, activities etc of citizens. This general attitude is reflected in the high prevalence of informal telework arrangements (see below).
- The UK was the first major European country to liberalise telecommunications and privatise the state monopoly operator. The telecommunications regulator (OFTEL) was given objectives to encourage and facilitate investment by competitors and until very recently has restricted BT's freedom to reduce prices so as to allow scope for competitors to come in under the BT price levels while still making a profit. Even with these constraints, prices have fallen substantially; since 1984/5 the average cost of a BT daytime call to the USA has fallen by 89% in real terms. The regulator has also placed a high emphasis on easy access for new competitors to consumers and businesses, establishing stringent rules for competitor use of the BT network. This has led to a proliferation of new products and services and price competition from competitors who in some cases are reselling capacity rather than building infrastructure:

Vendor	Cheapest price in calls per minute from UK to:			
	USA	France	India	Ireland
BT	12	13	55	10
Cable & Wireless	9.6	11.6	70	8.8
First Telecom	6	12	54	12
High Street Shop	15	18	45	18
Swiftcall	9	14	50	10
Source: The Times Interface, 5 August 1998				

- There is some evidence that consumers have difficulty in understanding and capitalising on the bewildering array of alternative offers and pricing plans. The regulator is now focusing on how to ensure that consumers and businesses (especially small firms) have access to understandable information that will help them make better use of telecommunications.

Driving factors:

- There has been some Government endorsement of teleworking, notably in 1997 and 1998 through "National Car-Free Weeks". The Government as an employer has for many years taken a supportive line on teleworking, leaving it to individual Departments of State and often to local management to determine the use or otherwise of home-based teleworking by civil servants.
- Overall, UK enterprises have tended to take a relaxed rather than a formalised view of telework; for this reason it's thought there are more people teleworking through informal agreement between managers and staffs than in formal schemes. Informal teleworking appears to work well in the case of professional salaried employees and reflects the trend towards empowerment rather than supervision as a management style.
- Travel to work is becoming increasingly unattractive for many commuters. Roads are congested and recent announcements suggest a reduction rather than an increase in road building. Public transport is very variable in standards and rail services have come under increasing criticism for overcrowding, late running and cancelled services. The government is expected to introduce some road pricing measures and possibly workplace car parking taxes. All these factors will increase attention to telework as an alternative to commuting and other business travel.

The Prison Telecentre project has been in existence since 1993 and the telecentre itself was ready to operate from mid February 1996. The aim of the Telework Programme is to provide work and work experience for the female inmates. The Telecentre is an office, or an office-like environment, within the prison, which contains computer and telecommunications equipment.

The idea was that if women outside the prison could be trained to work from home this opportunity should also be given to women inmates. The concept developed to encompass more than just a training programme, but also to include a place where women could carry out skilled computer-based work. The inmates use all the equipment either for training or to carry out work for companies. Of the 20 women participating, 19 have obtained a certificate in teleworking, and were thereby better able to re-integrate into society after serving their sentence.

- UK enterprises are rapidly taking up telecommunications-based alternatives to both face to face and postal selling and support methods and there are now at least 2,500 phone-based call centres in the UK. Companies use some 90,000 linkline phone numbers. To date, with only some 8% of households having Internet access, there has been relatively little take up of online (Internet based rather than phone based) services, but several Banks and some supermarket chains are starting to offer or at least pilot such services. BT's more positive approach to marketing ISDN to consumers, together with continued growth in Internet use, will accelerate this trend.

Constraints:

- Even in the relatively liberalised UK social and economic environment, the TCA continues to identify fiscal and regulatory issues as significant barriers to the spread of organised teleworking. For employers, there are questions about how Health and Safety responsibilities can be managed when workers are based in their own homes, as well as uncertainties about the tax treatment of allowances or cost reimbursement. For employees there are concerns that the use of one's home as a place of work could lead to punitive local taxes if part of the premises are regarded as being for business as opposed to domestic use. These issues are exacerbated by the fact that many of them are dealt with by local authorities who may not interpret national laws and guidance in consistent ways; an employer cannot be expected to negotiate with many different local authorities where his commuting employees live before embarking on a telework programme.
- Corporate culture and management concerns also continue to feature as barriers to organised telework schemes, though these constraints are reducing as more managers become familiar with the technologies (for example email), as more people have their own PC at home or a company laptop, and as technology costs continue to fall relative to commuting and premises costs.
- Another important constraint on growth is the practical matter of suitable accommodation. For many of today's commuters it's not feasible to switch to home based working; houses are too small, there are two or more workers in each home, and there are social objections - many people see work as a break from home and home as a break from work. Significant investment in infrastructure in the

form of flexible working centres, distributed offices etc would be needed to allow teleworking to replace commuting on a mass scale.

- The trend for work to increasingly rely on computers and telecommunications both drives the opportunities for teleworking and raises some problems - notably the issue of technical support to widely distributed employees. Technological solutions should be forthcoming, but this also generates opportunities for new kinds of services targeting teleworkers and their employers.

Telework activities and results

- The UK has a very well established telework association, TCA. Originally the TeleCottages Association, it changed its name in 1997, becoming the Telework, Telecottage and Telecentre Association. This reflects increasing attention to employed teleworking and the potential role of shared telecentre facilities. TCA answers upwards of 5,000 calls a year from employers, the media and would-be teleworkers and has considerably influenced the development of teleworking.
- Also in 1997 TCA joined forces with other telework organisations to form a national Telework Platform, which (inter alia) lobbies Government.
- There is an annual conference, held in London during European Telework Week. An Internet Newsgroup (uk.business.telework) has replaced the UK telework discussion list formerly run at the Mailbase site.
- Government has begun collecting telework data as part of its routine Labour Force Survey. The spring 1997 survey (see panel) reported that 987,000 people (4% of those in employment) are teleworkers in their main job. 70% of these teleworkers are managers, administrators, professionals and associate professionals - telework is a middle class professional activity not primarily a clerical one.
- Another 1997 survey, for BT, found that while only 6% of organisations had any formal approach to teleworking, 49% have some kind of informal arrangements. 18% of organisations were likely to introduce some kind of scheme within the next five years. Among large organisations (employing more than 1,000 people) three-quarters now have some kind of flexible working in place - at home, on the move, or in non-conventional locations. Productivity gains, customer service improvements and cost savings are the key benefits seen by employers.
- Surveys confirm that about half of all UK teleworkers are self-employed, compared with about 13% of the total workforce in self-employment.
- There is a small but noticeable trickle of recruitment advertising that mentions that the job can be done on a telework basis or that specifically stipulates the need for teleworkers. The weekly TCA email newsletter now routinely carries a number of job opportunities. A website has been established that seeks to match telework job seekers with employers or customers.
- Direct marketing and support centres have brought significant numbers of new job opportunities, which tend to be concentrated in areas of relatively higher unemployment, but with large urban or suburban populations. Some of this employment replaces existing High Street jobs in both high and low unemployment areas, some of it represents real growth as the economic sectors concerned exploit the new product and services opportunities presented by more cost effective marketing methods. Some companies, especially in the insurance and financial services sector have completely abandoned face to face selling and support in favour of direct marketing from centres, backed in some case by home based teleworkers. In parallel with this, new financial service intermediaries have emerged, either competing with the direct organisations or offering added value through face to face and more visibly personalised services.

Conclusions

Attention to the Information Society in the UK will be further heightened in the coming year by the creation of a Scottish Parliament and a Welsh National Assembly, both of which are expected to embrace some aspects of "electronic democracy". Telework is expected to grow in a steady rather than a spectacular way; already it's commonplace for professionals in the UK to spend some time at home and some time at the office, often without any formal company scheme or policy. However, many companies now recognise that a more organised approach to telework will bring benefits and the proportion of employers with organised schemes is also expected to grow.

The telework community has been disappointed at the lack of attention to telework in the Government's White Paper on Transport (July 1998). However even without specific government attention a significantly reduced roads-building programme together with the possibility of roads pricing and car park taxation can be expected to encourage more people and companies to reduce commuting.

A practical barrier to telework is the proportion of homes that are appropriate (in terms of space or other constraints) as a place from regular as opposed to occasional working. The benefits of teleworking - especially in traffic congestion - would be more readily attainable if supported by investment in neighbourhood centres.