

## The second Corona wave is rolling: Restrict contacts now while actively shaping the future



CORONA - NEWSLETTER

**Coping with the coronavirus pandemic definitely requires staying power. The Economists of the Sparkassen-Finanzgruppe welcome the decision of the Federal Chancellor and the governors of Germany's regional states from 25 November 2020 to extend the "light lockdown" measures.**

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- Along with strict compliance with the Distance/Hygiene/Face Masks + Ventilation rules, restricting contacts remains the most effective means of fighting the pandemic at present. The official authorisation and distribution of effective vaccines should then mark another important milestone on the road to overcoming the pandemic. Early preparation for vaccinations, for example by setting up and coordinating nationwide vaccination centres, is now of great importance. The trajectory of the pandemic over the course of this year shows that resolute action is necessary in the current phase of the pandemic.
- On top of the economic-policy support for the current lockdown, involving extended bridging finance, monetary policymakers are also intent on making a further contribution to shoring up activity in the present difficult situation. Ahead of the Governing Council meeting scheduled for 10 December 2020, the ECB has announced a sizeable package entailing the recalibration of all its policy instruments. In our view no further key interest rate cuts are necessary and the expanding the size of the central bank's purchasing programs and extending their duration is acceptable. Necessary is the increasing of the tiering multiplier to compensate the increasing costs for liquidity holdings during the pandemic for banks.
- In addition, the European Reconstruction Fund remains indispensable to ensure a sustained recovery of the European economy. It must be clear to all countries in Europe that this mechanism involves a transfer of national sovereignty. The conditionalities established in this context safeguard national interests. Accordingly, now would be the time to abandon obstructive tactics on this score. The ultima ratio could be to consider forging an intergovernmental solution with the 25 countries that agree to the project, as was already the case with the ESM, and to leave open the possibility of the remaining states acceding later. In this way, the European project can continue to make progress in a multiple-speed and united manner – also for shaping our digital and sustainable future.

## Excursus

### Tackling and actively shaping change in the age of digitalisation and sustainability

As the coronavirus pandemic wears on, its long-term social and economic consequences are also becoming apparent. The Covid-19 pandemic has further accelerated the transformation of a post-industrial society into a society taking its bearings by digitalisation and sustainability. An important factor here is how value-added processes are to be managed in the future. After all, the disruptive changes induced by the new age are also being reflected in the dissolution of spatial boundaries.

In keeping with this, it is no longer necessary in the case of many value-added processes for all resources to be bundled in a single place. Creative and innovative products and services can also be evolved using decentralised solution methods. In this way, concentration movements in the direction of large cities and urban conurbations can be counteracted without a loss of value-added quality. Even stronger development of rural areas thus becomes possible. The precondition here, though, is nationwide infrastructure expansion. Thanks to digital support, there need be less commuting to work, and CO2 emissions can be reduced accordingly.

Greater home-office use is currently a central aspect of the debate about changing value-added processes. True, the trend towards mobile working is not new, but the coronavirus crisis may well prove to be a catalyst. For example, the experiences gained from working from home during the crisis should lead to more home office, at least on a daily or weekly basis.

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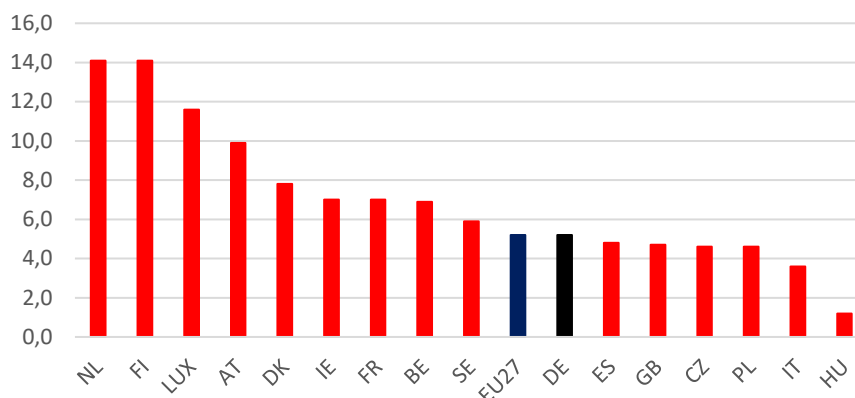
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*Mobile working protects the climate and supports development of rural areas*

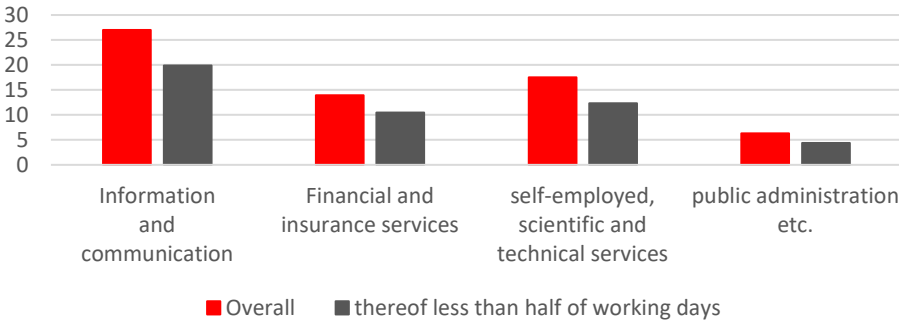
Employed persons in Home Office as international comparison 2019, Proportion as percentage



Sources: Eurostat, Helaba Economics/Research

Working in home office mode has advantages and disadvantages. The advantages of greater flexibility and the elimination of travel time which it confers are counterbalanced by the absence of direct contacts. What is more, not every house or apartment, let alone family situation, offers ideal conditions for working from home. In accordance with this, the decision about whether an office is to be located at the company or at home will, in most cases, not be a question of Either-Or but rather of Both-And. Increased use of private accommodation as a work space likewise raises questions about what proportion of the costs should be borne by employers. Tax aspects would also need to be clarified. What appears acceptable as inventive improvisation during the acute phase of the crisis could, as a permanent arrangement, collide with regulations such as the Workplace Ordinance.

Employed persons in Home Office by branches  
2018,  
Proportion as percentage



Sources: Statistisches Bundesamt, Helaba Economics/Research

This is where the old and the new world meet. What is now at stake is to smooth the transitions with the help of forward-looking agreements at company level. The most promising approach will be one which is as decentralised as possible while preserving the autonomy of collective bargaining.

What would definitely be wrong would be, for example, to tax mobile working in order to attempt to recoup losses from a lack of use of public infrastructure or from the consumption which took place during previous journeys to and from work but has now dropped out of the equation. On the contrary: mobility should be seen as a positive value-added factor in the work sphere as well. By reducing the number of trips to and from work, mobility helps to reduce external costs for society. It is only logical, then, that economic policymakers should, in principle, promote mobility concepts geared to the new world of work.

The increased acceptance of home-office work among many employees and managers is bound to have structural consequences. We too expect to see greater use of home-office concepts in the future as a result of the experience gained during the crisis. Admittedly, the extent of this paradigm shift is still difficult to estimate from today's perspective.

Increased use of mobile working may also lead to decreasing demand for office space and may thus have a structural impact on the real-estate market. Of course, countervailing effects from the pandemic are also conceivable, for example if greater distances between workplaces become the norm in future or if more shared space is provided for. In contrast to other countries, however, the ratio of per-capita office space is relatively high in Germany. Accordingly, this effect is likely to be less pronounced in Germany than, by way of example, in the USA or the UK.

However, the extent of the effects of increased mobile working on the office market will not only hinge on a certain mobile-working ratio. To date, the ratio in question is not particularly high in Germany by European standards. What is the most decisive factor is how companies react: a significant amount of space will only be saved if or when more employees in home-office mode are no longer assigned a fixed workstation, instead sharing it with colleagues.

In most cases, space can only be saved after a company moves location or after long-term rental contracts have expired. It should also be noted that it is not only per-capita space that counts on the office market, but also shifts in the overall number of employees. Once the crisis-related dent in the labour market has been ironed out, the number of office employees in prime locations could therefore rise significantly again over the coming years.

In the long term, increased mobile working may reduce the demand for office space. Countervailing effects such as changes in spatial planning or an overall rebound in employment are likely to prevent markedly negative market reactions in this domain as well. Even a ten percent decline in office-space requirements over a period of several years could be at least partially offset by a corresponding reaction on the supply side (a lower level of new construction activity, accelerated conversion of office properties).

The conclusion to be drawn is that the positive experiences we have gained with mobile working during the coronavirus pandemic are a good foundation for the future. Mobile working should be widely supported and more vigorously promoted.

# Disclaimer

The present position paper by the DSGVO economists does not necessarily reflect the position of DekaBank or the position of the respective Landesbank and savings banks. This paper was written as a collaboration of the following eight institutes:

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## **Note**

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