



The changing workplace

Executive Summary

Office space has traditionally been seen as an inevitable and costly overhead, but economic pressures have forced businesses to review all costs, with 'property' being scrutinised as never before. Simultaneously technological advances have enabled employees to work remotely. The use of part-time workers has increased and flexible working hours have led to greater efficiency of office space. The working population is changing with more women seeking employment, and the ageing population is producing increasing numbers of post-retirement individuals looking for work.

Companies have been able to downsize premises or increase employee density within existing space.

Offices managed on a third-party basis are no longer a niche for small companies or branch offices. They now offer a viable alternative to property leases for large corporate businesses who are attracted by the flexible accommodation and contractual options they can deliver.



About the author

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Introduction

In the past commercial property costs have been relatively fixed, and therefore accepted as inevitable. For most businesses the only options have been to own property or to sign long, inflexible leases. The result of property's low profile has meant the true cost of property was poorly understood.^(a)

Leading economist, Roger Bootle, drew attention to the fact that UK business was wasting up to £18bn a year on inefficient use of space. He said, "There is a fundamental change taking place in the way which office space is used and managed. A change driven by technology-enabled organisational transformations. More and more occupiers are introducing flexible working styles to improve efficiency and effectiveness, allowing staff to become highly mobile and to make work-life choices."^(b)

According to the British Council for Offices (BCO) the economy and employment regulations are the key drivers for office occupiers to implement new flexible working practices. The BCO found key drivers behind flexible working included:

- Business risk with travel disruption, health scares and terrorist attacks all contribute to occupiers making their space more flexible.
- Efficiency – in reduced space and reduced absenteeism leading to improved team-working
- Environmental concerns reduce an occupier's carbon footprint
- Personal benefits to improve employees' work-life balance and reduce travel time and costs.^(c)

"Ten years ago, maybe space wasn't considered important," says John Hughes, principle of the consultancy firm, Applied Research Group Steelcase. "Managers are increasingly recognizing space-management as a way of reducing costs, increasing effectiveness and changing work culture and behavior. Space has become a strategic concern."^(d)

Occupiers are looking for flexibility because real estate costs are the second largest operating expense for many companies, after staffing. Many companies adopt spatial planning strategies to use space more efficiently and open plan offices are widely sought.^(a)

Flexible space is not the only issue for cost-effective business models. Occupiers require flexible lease structures in order to allow their activities to expand and contract. As power has shifted to the occupier, especially during the recession, owners agree to more flexible terms such as short leases, break clauses, and rent-free periods.^(a)

Furthermore, an alternative property solution that combines space and infrastructure (environment, IT and telephony) on a managed service basis has emerged. Termed, Managed Office Solutions (MOS), it is the provision of accommodation configured to the exact requirements of the occupier at a location of their choice, comprising completely managed facilities with a fixed price per workstation during the contract length, with no capital expenditure or risk carried by the occupier.^(x)

The service sector, which has become the most prosperous sector in the developed world and employs the largest number of staff of any sectors in the economy, currently

requires face-to-face communication. The service sector is likely to demand more office space as business activities grow nationally and expand globally.^(a)

The role technology and communications in driving change

Information technology has led to dramatic changes in how we work, where we work and even when we work.^(c)

Thanks to a range of technology, the arrival of flexible working has a number of potential benefits, including:

- **Paper reduction:** through accessing documents online.
- **Shrinking electronics:** flat screens, wireless keyboards, wireless mice and wireless printer technology frees up space.
- **Time and attendance:** employees working remotely or from home can use a website to log on so their employer is aware they have started and finished work.
- **Connectivity:** technology is available for remote access to PCs.
- **Security:** remote access to computers can be password controlled.
- **Location tracking:** once logged in, systems can wirelessly track employees.
- **Telephone:** calls to work numbers can be re-routed to the employee regardless of location.
- **Mobile phone communications:** allows staff to access emails and messages on the move.^(o)
- **Video conferencing:** is a useful tool to engage with staff and customers.^(m)

Technology enablers are seen as central to the success of flexible working. 80% see access to devices and applications enabling mobility as being important to productivity. A further 16% state that this is not important now but will become more important.^(p)

Cloud-based telephony does not require onsite equipment or ongoing maintenance costs. Supervisors can effectively monitor staff regardless of their location and have the flexibility to add or remove users as the business demands.^(w)

Rob Lovell, Chief Executive of ThinkGrid, believes businesses should use hosted IT tools to facilitate home and mobile working. "By giving employees cloud computing services such as hosted desktops and phones that can be accessed from anywhere in the world, organisations can ensure that workers can continue to work, even when they can't get to the office."^(w)

The speed at which wireless technology has been adopted by occupiers is quite staggering, and if combined with innovations such as cloud computing, has the potential to revolutionise our perception of what makes up an office. With no need for cables or servers, spaces never before considered practical are now economically viable as offices.^(z)

Virtual business

Only 18% of UK respondents believe they need to be in the office and interact with colleagues face-to-face all the time in order to get things done. 31% say they can be as productive when working remotely, and 23% say this flexibility is now embedded in their working practices. For one third of UK respondents, more than 50% of face-to-face meetings could be held online with only 42% still

believing that physical co-location remains essential to every case. 17% have installed web conferencing to improve productivity and cut travel costs.^(a)

Work-life balance

In 1998, the Lloyds TSB Group conducted research with employees, which led to the design and introduction of "Work Options," allowing staff access to a better work-life balance.^(b)

Research shows that people are more productive and less stressed when they control the hours they work. Flexible working generates cost savings too. Traditional work patterns usually involve work between 9am and 5 p.m. Work beyond these hours has been paid at overtime rates, driving up staff costs. By introducing flexibility, Lloyds TSB has been able to extend staff cover at no added cost while delivering a more complete service to customers.^(b)

The changing workplace – the 'portfolio' worker

Technological developments have reduced the need for employees to assemble in a permanent place of work. Along with globalization this has encouraged the mobility of workers who may work, live and spend time across international borders.^(d)

Part-time working, and multiple jobs held by individuals are an increasing feature of the labour market. Standard hours are being replaced by flexible hours, compressed working weeks and diverse shift arrangements.^(d)

"The infrastructure of the office is having to modify itself to appeal to the work ethic of younger people," says Erol Aziz, head of space management at accounting firm KPMG. "People are not attracted to the idea of an office desk – it is more like a library or a student campus."^(z)

Changing patterns of work can help to improve efficiency, job satisfaction and motivation and can attract recruits unable or unwilling to work at standard times. Organisations should determine the effects of any changes to work patterns on payment systems, work schedules, productivity, staffing, absence levels and employee terms and conditions.^(e)

In the 1980s the management thinker Charles Handy envisaged the idea of the "Portfolio Worker." The concept was a freelance engaging in varied work with different clients. Handy believed that this pattern of work would increase. There is growth in all types of part-time work and in the current recession it is increasing further. The media has called the growth in part-time work "underemployment". Portfolio working gives employees and employers flexibility and is likely to continue. It's also likely to increase with more people working beyond the normal retirement age.^(f)

Types of flexible working

Common types of flexible working are:

- **Flexitime:** choosing when to work (usually within a core period)
- **Annualize hours:** your hours are worked out over a year (often set shifts with individuals deciding when to work the other hours)
- **Compressed hours:** working agreed hours over fewer days
- **Staggered hours:** different starting, break and finishing times for employees in the same workplace
- **Job sharing:** sharing a job with one or more persons
- **Homeworking:** working from home.^(g)
- **Teleworking:** permits employees to spend time at a location remote from employers' workplaces. Teleworking can reduce costs by saving on office space and other facilities. Teleworking reduces or eliminates travel time, lowers absence and staff turnover rates.^(e)

According to Citrix Online, responding to growing regulatory, social and environmental pressures, almost half of UK businesses (47%) have seen an increase in workforce mobility over the past five years. The survey of 3,000 public and private sector organisations, found the increasing availability of devices and applications designed to enhance employee productivity on the go, is also driving greater workforce flexibility.⁽ⁿ⁾

77% of UK respondents said that their organisation



provided the technology to enable effective mobile working, with mobile computing devices such as laptops or Notebooks the most popular (77%), followed by smartphones (44%). 68% of UK companies are actively encouraging their staff in adopting more mobile working across all parts of their organisation.^(d)

Generally, UK organisations reflected the most positive attitude towards enabling a more effective workforce, as 30% actively encourage all staff to adopt mobile/remote working, with a further 38% supporting mobile/remote working across departments where it is necessary for the job. Companies everywhere clearly recognise the need for change, as only 6% of UK organisations now actively discourage mobile/remote working.^(d)

Flexible patterns of work can help employers to:

- Maximise available labour
- Improve customer service
- Increase productivity
- Reduce absenteeism, sickness and stress
- Attract a wider range of candidates
- Retain valued employees
- Increase employee commitment and loyalty
- Increase the organisation's ability to deal with change through innovation and creativity.^(e)

The development of flexible working

Cost-savings for employers (fewer desks means smaller offices and lower overheads) coupled with growing evidence of greater productivity and improved job satisfaction for remote working staff have combined to increase its popularity. Office of National Statistic figures show there were 3.3 million remote workers in the UK in 2009, 12% of the workforce – up from 8% in 2005.^(f)

Managers need to know how to police remote working effectively, starting with the understanding that it's about output rather than presenteeism. Managers have to trust their people.^(g)

Remote workers need to keep their finger on the pulse of corporate culture. Collaborative technologies and corporate networking tools can help, but there is no substitute for at least some shared time together.^(h)

This year the number of those in part-time work has reached its highest level since the Office of National Statistics began its employment series records in 1992. 8 million people are now working less than full-time hours. That accounts for 27% of all those in employment in the UK.⁽ⁱ⁾

The surge of experience-rich candidates is changing the "face" of part-time work and the possibilities of what you can do with a role. "Part-time" is no longer just for positions of low skill and low reliability. Increasing numbers of HR departments are hiring in £60,000 candidates for £30,000 or £40,000 candidates for £20,000 and so on. By thinking through the structure of a brand new vacancy, and considering if is possible to advertise it 2.5 days rather than 5, you widen its appeal. In 2009, many businesses saw "part-time recruitment" as a recessionary, short-term measure. Now it is part of HR strategy.^(j)

Seth Shaw, VP sales and marketing at technology company Logmein, said, "Employees should be encouraged to work from home and be given the tools that enable them to stay productive when out of the office – from communications to remote computer access. This can not only minimise the impact of adverse weather, but can actually allow companies to be more flexible in their approach to any disruption."^(k)

With inclement weather likely to increase, due to climate change, there are obvious benefits in allowing employees to work from home. Insurance firm RSA estimated the bad weather cost the British economy up to £1.2bn a day.^(l)

Considerations when looking at flexible working

Remote working is not suitable for all types of job. Providing suitable technology can be expensive and some people may feel socially isolated. Despite improvements in technology, managers may find it difficult to communicate with and manage remote workers. Career development and training may suffer, and health and safety issues and the recording of working time may also be problematic.^(m)

Legislation

In the March 2011 budget the Chancellor outlined the Government's intention to introduce legislation making it easier to change the use of disused offices into residential. This could have an impact upon redundant office complexes.

In April 2003 the Employment Act introduced the right for certain employees to apply for flexible working arrangements. Employers have a duty to consider requests and to refuse them, only on clear business reasons.⁽ⁿ⁾

The part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 came into force on 1 July 2000. The regulations cover rights on pay, pensions, training and holidays and extend to homeworkers and agency workers.^(o)

The Health and Safety at Work Act 1974 applies to home-based working as do the Health and Safety (Display Screen Equipment) Regulations and the Provision of Use of Work Equipment Regulations 1992(8).^(p)

The ageing population

The workforce is ageing and by 2020 almost a third will be over the age of 50. Life expectancy is now 77 years. Employers face an ageing customer base as well as their workforce. Allowing employees to stay on beyond an arbitrary maximum age is essential. A man reaching 65 today can hope to live for a further 22 years.^(q)

The idea where employees stop work one day and go into retirement the next is seen as outdated. For those with high-grade professional skills, they can go into consulting or other work. Given that almost half of UK adults will be over 50 by 2026, firms will become more reliant on older workers.^(r)

The health and fitness of older people is improving and their rate of short-term absence is lower. Age should not be a sign of capability and does not determine an employee's physical ability to do the job. As the number of younger employees shrinks with the declining birth rate, the skills and loyalty of older workers are likely to be in more demand, although a change in the attitude of some employers will be needed.^(s)



In 2006, the Oxford institute of Ageing found that age-related cognitive decline in thinking, memory, learning, attention span and use of language is gradual so that the impact on those of working age – up to 65 or 70 – may be limited. Yet the 'Ready, Willing and Able' report published by the TUC in 2006, revealed that more than a million workers from Britain's post-war baby boom generation are struggling to find employment because of their age.^(g)

Workplace alternatives

Managed or serviced offices provide an alternative to the tradition of buying or leasing office space. "With property constituting more than 40 percent of the total assets of many of the world's leading corporations, businesses are increasingly looking at office space requirements as a strategic component of their business plan."⁽ⁱ⁾ Companies can maintain flexibility through minimising the expense associated with leasing, equipping and staffing their office space.

Types of managed workspace

- **Serviced offices** are a well accepted concept of accommodation provision whereby an occupier can meet its space infrastructure requirements on a per-month, per workstation license agreement. This solution typically suits smaller organizations or provides larger organizations the opportunity to accommodate a branch office without all the acquisition costs or a long-term commitment. Whilst serviced offices offer the greatest level of flexibility in terms of space and term, they are limited in the choice of location, which is typically within a city centre. They can also attract a heavy price premium once certain parameters such as number of workstation and length of stay have been reached; therefore they are less suitable for organisations wanting to accommodate larger numbers of staff on flexible terms.

- **Managed Office Solutions (MOS)** is a similar concept that offers typically larger businesses fully functional office space for a fixed monthly cost. However with MOS the equipment needs and office design can be bespoke to the business's needs and requirements. The key characteristics of MOS are twofold; firstly, there is more choice in terms of influencing the location and design of the office space, to ensure that it fulfils all of the business needs including using the occupier's own branding and secondly there is more flexibility within the contract to increase or decrease workstation requirements as business demands change.

At first, managed workspace appears to be more expensive than traditional office space, but costs, including time sorting out telephone or internet connections, utility suppliers and dealing with all the other marketing calls add up.^(u)

The flexible nature of serviced/managed offices means that clients are rarely left paying for space they no longer need. With conventional space, occupiers are typically tied into a 3 or 5 year term, but a services office client can sign for several months. The combination of flexible terms and the need for serviced office operators to retain their

clients, means that occupiers have a much stronger negotiating hand throughout the life time of the contract. With office space accounting for approx 20% of company's costs, this greater flexibility can give serviced office users the competitive edge.^(v)

Workplace efficiency

Today, not only are workstations space-planned more intensively, but they are also utilized more intensively. More people share desks, and so greater numbers of people are supported by a given building, at a given time.^(w)

Traditional office layouts are, typically, half empty for most of the time, and many organisations have introduced hot desking, desk sharing and alternative work styles to improve utilization. Such initiatives allow a building to support more people in the same amount of space, often reducing an organisation's appetite for space by around 10%-30%, now widely referred to as, "spaceless growth."^(x)

Growing numbers of organisations are changing the way in which they occupy their buildings. Part of the drive is economic and part of the drive is organizational as they transform their work processes to respond to new operational pressures. Offices are becoming more dynamic work environments in which team work, collaboration and meeting space occupy far greater proportions of space.^(y)

Evidence suggests that space per person does not affect employee satisfaction within the office. This is not to say that one can force space per person ever higher. Perhaps it gives some confidence that less generous floorspace allocations within the current range can be perfectly acceptable.^(z)

Women in the workplace

Female employment in the UK has grown by almost a third over the last 25 years and now almost half of the UK's workforce is women.^(l) About a quarter of employees in Britain work part-time and over 80% of them are women.^(e)

Organisations that provide greater flexibility to women in the workplace and offer a work-life balance enjoy increased productivity, improved staff retention and recruitment, enhanced corporate reputation and reduced overheads.^(k)

'The data in Women and Work: the facts', a report published by Women in the Workplace outlines just how important childcare considerations are to working women:

- Four of five employees state that work-life balance considerations play a crucial role in deciding whether to stay with or leave their current employer
- 87% of executive candidates reject a job on a basis of work-life balance considerations
- 49% of employers have reported an increase in productivity following the implementation of work-life balance options.^(l)

Examples of impact of changes in work patterns upon conventional workspace

Of the 100,000 people employed by BT in the UK, 35,000 are flexible workers, of which 14,000 work from home. This has reduced physical occupation of property

and will save £75m in operating and office costs over the next five years. ^(m)

Yell's head of property, Simon Taylor says: "The move to more flexible working took us from using 225,000 sq ft to around 155,000 sq ft in our new building." ^(z)

Green issues and energy efficiency

The head of Climate Change for the CBI, Rhian Kelly, said, "looking at the environmental side, working from home isn't always better," she said. "From a pure perspective of emissions, the research doesn't always stack up, the evidence just isn't conclusive." ^(w)

New research has highlighted that energy savings could be made if more UK employers adopted flexible working

practices. According to managing director Andrew Mawson, flexible working could reduce office space needed by most organisations by up to 30%. "Businesses are running offices with a typical occupancy of only 50%." In fact, he says occupancy is much lower than 50% if weekends and evenings are taken into account. ⁽ⁱⁱ⁾

Conclusion

The workplace has changed dramatically as technology has enabled different working patterns. The demographics of the workforce has altered, with far more women and older people and more individuals seeking part-time and flexible work to fit their life-styles. These trends have continued during the recession and it is likely, in the longer term, that flexible working will continue to increase to the benefit of both employers and employees.

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