The future of work and workplace

October 2016
In the last five years the workplace has gone through significant change, with the traditional office model becoming redundant to many organisations. Mobility and technology are evolving at such a rapid rate that new workplace models are moving from the periphery into core corporate real estate strategy. Activity based working (ABW) was considered pioneering 10 years ago, yet today is the current model of choice. Models such as hub & spoke, office clubs, co-working, pro-working and on-demand space are set to yield even greater benefits to organisations and their employees in the future. However, the question companies face is not only which workplace model is right for my culture and brand, but how do I build an endearing workplace experience for my people that use this space? In this paper we will explore new workplace models and their associated benefits, how to create a compelling employee workplace proposition and finally what is the future of work, and how this will impact on workplace design.
Workers Today

- Australia has 3.7 million freelancers currently making up 30% of the workforce.
- Only 30% of people prefer to work traditional business hours.
- 18% of Australians love their work.
- 75% of Australians are emotionally detached from their employer and therefore only do the bare minimum.
- Average employment tenure in Australia is 3.3 years.

The Workplace

- 78% of co-workers are under 40.
- 90% of employees admit that their attitude to work is adversely affected by the quality of their work environments.
- 36% of working adults have considered leaving or have left their job because it wasn’t flexible enough. This jumps to 47% of working adults aged 18-34.

Workers Tomorrow

- 50% of the workforce will be contractors, freelancers and solopreneurs by 2020.
- Almost 40% of Australian jobs (including highly skilled roles) could be redundant in 10 to 15 years.
- The population aged 75 years+ is expected to rise by 4 million from 2012 to 2060.
- Gen Y now makes up 34% of the Australian workforce, expected to be 50% by 2020.

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4. Average employment tenure in Australia is 3.3 years.
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6. 18% of Australians love their work.
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9. 36% of working adults have considered leaving or have left their job because it wasn’t flexible enough. This jumps to 47% of working adults aged 18-34.
10. Almost 40% of Australian jobs (including highly skilled roles) could be redundant in 10 to 15 years.
11. The population aged 75 years+ is expected to rise by 4 million from 2012 to 2060.
12. Gen Y now makes up 34% of the Australian workforce, expected to be 50% by 2020.
Workplace models

Workplace has taken on new meaning, as it now refers to workplaces both within and outside of a company’s portfolio of leased or owned properties. Now that mobile working has become the norm, a whole new range of workplace opportunities open up. These emerging models are challenging the mainstream office environment.

Co-working

ABW has proven that we are living and working in a world where location no longer matters as much. Technology allows us to connect talent, skills, resources, opportunities and ideas no matter where they are located. The concept of co-working was first coined in 2005 in San Francisco which today continues to be a co-working hub. Today the number of co-working spaces worldwide is approaching 8,000 and is growing at a rapid rate, almost doubling every year. In the last two years there has been an explosion in co-working spaces with locations being established as far and wide as Myanmar, Serbia and Seoul. Co-working is much more than just the physical space, it is about bringing like-minded businesses together and creating connections and ideas, something that can’t be done at home working alone.

There has been a flurry of development of these specific co-working spaces that have an engaging design, range of work settings, meeting rooms, high-speed technology and all the office equipment one would expect in a traditional office. Participants are not from the same company, but come together around a common interest, being charged a daily, monthly or annual rental per desk. Originally seen as a channel for freelancers and sole traders to build their network and business, corporates are now realising co-working can act as an incubator for innovation, product development and provide specialised resources that are lacking inside the organisation. It also is an attractive proposition to employees, allowing them access to diversity of ideas, technology, colleagues and work environments.

To date it has been independent operators that have set-up co-working environments, making the location choice, fit-out decisions and setting the commercial terms. Co-working locations have tended to be clustered in inner-city suburbs, in high-traffic positions and have a strong orientation towards collaboration settings.

One of the fastest-growing co-working spaces, WeWork, in 113 locations, in 33 cities across the globe and added 25,000 members in 2015 alone. The concept of co-working is growing and lucrative, as indicated by WeWork’s $16 billion valuation and this is expected to grow with forecasts predicting freelancers are expected to make up 50% of the full-time workforce by 2020.

So what is co-working?

Essentially it is a physical manifestation of a social network, where people who share a common interest and set of values around openness, collaboration and readiness for change come together in the same physical space to work and collaborate.
Hub Australia is one of the providers of co-working space across three major locations in Australia. The facilities range from what you would expect in a traditional office environment such as meeting rooms, individual desks, break-out areas, wireless networks, to meditation rooms, ping pong tables, wellness events and private studios for teams. Co-working footprints tend to be 1,000 square metres in size and accommodate around 100 people at any given time. Other examples include Fishburners Ideas Space in Ultimo which promises more than just co-working space. Their value proposition is to help start-ups succeed by building a community, sharing ideas and offering learning opportunities as well as pro-bono professional services advice from their partners. It is currently Australia’s largest co-working space with more than 500 visitors a week who utilise work spaces, meeting rooms, creative spaces as well as full IT capability. Hot desks start at as little as $40 per day. Co-working locations are now springing up in non-traditional locations such as flexidesk.com.au which offers co-working space in Gladesville (suburban Sydney).

**Pro-working**

Pro-working is a natural extension of co-working at the enterprise level, allowing organisations to overcome the barriers presented by traditional real estate models and achieve greater flexibility inside and outside of their portfolios. Companies can put their under-utilised office space to work and connect with a vetted network of professionals (outside of their employee base) who need office space. This creates a real-time online marketplace for office space that streamlines the matchmaking process between excess or under-utilised corporate real estate and the professionals that require on demand workplaces. It is also a better solution than the ‘accidental landlord’ situation which many corporates find themselves being when their space is underutilised, giving them an opportunity to monetise their vacant space.

Pro-working is best applied to large companies who have lots of vendors, sub-contractors and partners that would benefit from working in the large company’s corporate office. This is not a new idea. Co-location has become a mainstream concept, as companies optimise collaboration and accelerate decision-making across their value-chains. Therefore, a company can monetise its long-term, underutilised office space by leasing it to its vetted business partners, whom they are likely to collaborate with every day. It’s also significantly more secure for those using the corporate space than co-working locations or other mobile work environments.

Early examples of pro-working started to develop in campus environments. ANZ opened up the atrium of 833 Collins Street, Melbourne to the public, inviting users to access a rich variety of café and work settings, while symbolically viewing the inner mechanisms of the bank. Similarly, NAB has made co-working space available for its small-medium sized business clients to access on demand at 700 Bourke Street, Melbourne. The Village by NAB is 500 square metres of pro-working space for businesses to connect with clients, work between meetings and learn from leaders. There are eight contemporary work spaces that can be booked connected by free Wi-Fi.
On-demand space

Organisations are coming to the view that accommodation costs don’t need to be fixed, but rather can be variable. With a mobile workforce, the case for investing in significant fixed accommodation costs becomes less compelling. If office space is a variable cost, it can be much more easily managed and respond to changes in demand. As such, there is an increasing appetite for on-demand space which only needs to be paid for when it is used.

LiquidSpace is an example of a platform offering on-demand space where companies and freelancers have the ability to source work and meeting space in 500 cities across the U.S., Australia and Canada. LiquidSpace also offers temporary office solutions that can easily be booked online or via a mobile app. They offer a large range of meeting and workspaces including hip co-working lounges, high-end executive offices or quiet meeting rooms, across a variety of locations, anyone can book a suitable space within minutes. LiquidSpace also allows companies to maximise any available space within their portfolio, by listing it online. Organisations are then able to control the users of the venue and set pricing and hours.

Other examples include Marriott Hotels successfully launching ‘Workspace on Demand’ in over 40 hotels throughout the U.S. and Europe where guests and non-guests can book small-scale meeting space for $50 an hour. All rooms are equipped with Wi-Fi and access to printers and food/beverages. They uniquely offer both free and paid reserved spaces which you can book by the hour or by the day. In 2013, Westin Hotels & Resorts launched Tangent, which is similarly aimed at a younger, more transient workforce. Their rooms are priced at $50 to $60 an hour and accommodate a smaller audience.
Building owners and investors are also responding to the changing nature of work and the demand for flexible and dynamic space. Dexus has launched Dexus Place in Sydney and Melbourne, which provide on-call premium meeting, training and conference facilities. The purpose-built space is supported by high-end concierge services and state of the art technology and can be booked online.

GPT is another major building owner who has responded to the market by launching Space & Co as a solution for tenants seeking more flexible solutions. Space & Co facilities now exist in Sydney, Melbourne and Brisbane, providing tenants access to additional space without any long term commitments. Space & Co occupants now constitute a mix of GPT tenants and external individuals and small businesses needing short-term access to an affordable workplace solution. An interesting feature of the Space & Co facility in Melbourne is the incorporation of a large café along with the co-working space, creating further collaboration opportunities and improving the overall amenity of the space.

The Porter was established at 1 O’Connell Street in a Lendlease property as a Haworth xFriends project in May 2014. It provides informal meeting settings and private meeting rooms for residents and members, with memberships from $275 per month for tenants, and venue hire discounts for tenants.

Hub & spoke

The introduction of flexible workplace models and increased mobility has the potential to reduce the size of traditional CBD head offices as space is optimised and the workforce becomes more flexible.

Does this flexibility in location mean organisations will have a smaller presence in the CBD, balanced with a more diverse range of offices through the greater metropolitan area? This more dispersed model may involve a central ‘hub’ in the CBD where major client activities, collaboration, team meetings and brainstorming sessions take place with supporting, smaller suburban offices or other workplace solutions that are located closer to employment catchment areas.

The head office located in the CBD would still exemplify the organisation’s culture and brand reputation in the market. It is likely that the central HQ space in the CBD would remain more stable over a long-term lease, albeit with a 25% flex capability up and down which is an inherent benefit of ABW and other flexible work models.

The ability of an organisation to flex its teams across multiple sites in addition to the main facility in the CBD creates the opportunity to fully maximise its return on investment in real estate. They can utilise all available capacity across multiple suites whilst giving staff increased choice of work locations.

Office club

The concept of the office club is a structured pro-working solution for corporates. It has non-exclusive office space located in mainly suburban areas, based on the demographic of a company’s employees and clients. It allows business associates to come and work together, as well as providing variable space for project work.

It can provide a series of office locations across metropolitan areas that could be shared by like-minded organisations. For example in Sydney, the office clubs might be located in a number of suburbs such as Manly, Chatswood, Baulkam Hills, Bankstown and Cronulla. Here employees would utilise common space in a largely open plan office environment with a range of other types of workers. A person may have a lawyer on one side, an accountant on another, an engineer across the way and an investment banker as well. No different to sitting on a plane or in a café.
These office clubs would be situated close to transportation links, and other amenities such as shops, restaurants and car parking. They could have gymnasiums and child minding facilities attached. The office club would be laid-out functionally, not by team or business lines as most corporate head offices.

There are a number of benefits of this shared ‘office club’ concept, as opposed to an organisation considering its own hub & spoke model:

- cost efficiency by sharing overhead cost across multiple corporates
- lowering the capital investment required to establish the concept
- opportunity to lower overall real estate costs by reducing the size of the head office requirement in the CBD
- risk dispersed with no one organisation taking on the entire real estate risk of committing to another lease or another fit-out
- an attractive option to employees who could save hours in commuting time each week and broaden their own business networks engaging with other professionals in an environment that fosters collaboration.
Pros and cons of workplace models

Once an organisation transitions to a technology and mobility enabled ABW style flexible working solution for its workforce, it opens up multiple workplace strategies with varying levels of impacts around flexibility, cost, and the employee experience and security considerations.

The table below summarises various workplace models and associated impacts and considerations:

<table>
<thead>
<tr>
<th></th>
<th>Flexibility</th>
<th>Cost Impact</th>
<th>Employee Experience</th>
<th>Security / Control</th>
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<tbody>
<tr>
<td>Enterprise office with ABW</td>
<td>• Improved utilisation</td>
<td>• Typically 25% saving compared to 1:1 office</td>
<td>• Enhanced choice of workplace settings</td>
<td>• Full security and control within the enterprise premises</td>
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<td></td>
<td>• Greater resilience to changing space demands</td>
<td>• Still represents fixed cost on P&amp;L</td>
<td>• Greater cross-functional collaboration</td>
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<td></td>
<td></td>
<td></td>
<td>• Underpins the brand and culture of an organisation</td>
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<td>Hub &amp; spoke</td>
<td>• Greater mobility across office locations for employees</td>
<td>• Reduces dependency on high-cost CBD locations</td>
<td>• Locates people in proximity to customers and markets</td>
<td>• Full control resides with the enterprise across multiple locations</td>
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<td></td>
<td></td>
<td>• Fixed costs associated with establishing and running spoke locations</td>
<td>• Improved location choices for employees</td>
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<td>Pro-working</td>
<td>• Improved utilisation of surplus space for the corporate ‘landlord’</td>
<td>• Generates income from redundant space</td>
<td>• Collaboration with complimentary business partners</td>
<td>• Security and control achieved by ‘pre-vetting’ business partners participating</td>
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<td></td>
<td></td>
<td></td>
<td>• Facilitates exchange of ideas and collaboration across industry groups</td>
<td>• Pro-working space within an enterprise is clearly delineated</td>
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<tr>
<td>Office clubs</td>
<td>• Multiple locations for work to happen closer to employee pools</td>
<td>• Reduces dependency on high-cost CBD locations</td>
<td>• Improved location choices for employees in proximity to their home</td>
<td>• Security and control guidelines agreed to suit member requirements</td>
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<tr>
<td></td>
<td></td>
<td>• Fixed cost expense in creating the network of clubs (shared across member business partners)</td>
<td>• Facilitates exchange of ideas and collaboration with complimentary business partners</td>
<td>• Restricted members provides a safe and productive environment as an alternative to home working</td>
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<tr>
<td></td>
<td></td>
<td>• Ability to redistribute cost across member partners based on changing utilisation profiles</td>
<td>• Reduced commute time and cost for employees</td>
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<tr>
<td>Co-working</td>
<td>• Affordable short-term space for ‘free agents’, contractors, self-starters and entrepreneurs</td>
<td>• No capital investment required</td>
<td>• Innovative, collaborative environment with like-minded business professionals</td>
<td>• Responsibility for security and control is with the individual occupant</td>
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<tr>
<td>Space on demand</td>
<td>• Availability of ‘plug and play’ space for project teams and short-term demand spikes in space requirements</td>
<td>• No capital investment required</td>
<td>• Well-serviced, immediate space to enable productivity of project team</td>
<td>• Secure zones created based on term commitment</td>
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<td></td>
<td></td>
<td>• Fixed term rental commitment requirement (short to medium term)</td>
<td>• Temporary nature of space could create a disconnect from the main corporate office</td>
<td>• Independent secure networks can be facilitated for project teams</td>
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In looking at a portfolio solution for its workplace, an organisation can consider a combination of various models with either fixed or variable costs, or no direct costs at all. The endearing features of the models outlined in this paper are flexibility, choice and a variety of workplace experiences fostering continuous learning, collaboration and innovation.

Workplace experience

Creating the workplace is only half of the equation, curating the space for an engaging workplace experience is just as important. Providing collaboration spaces and hubs doesn't necessarily mean that people will collaborate. Innovation zones need to be fostered, trialled and modified to be fully harnessed. Companies need a social agenda, need to orchestrate networking and create opportunities for their people to come together and collaborate.

The old adage of ‘set and forget’ where organisations have to ‘make the most’ of their existing workplace is redundant. Organisations cannot afford to think of their space as being static. When developing a new workplace, there needs to be a budget for the initial design and build, but there also needs to be a budget and program for the ongoing management and curation of the space. Once a workplace has been delivered, an organisation needs to monitor how the space is being used, not only from an utilisation perspective, but also from a behavioural perspective. Intelligent buildings today allow for real time feedback from users on how the space meets their needs. An organisation should use the data to modify, re-organise and fine tune the space to keep it relevant to the behavioural profile of the occupants.

However, it is not only about the type of workspace delivered, it is about the experience that people have in that space. Companies need to develop programmes and support mechanisms to compliment the physical space that will help support their people in being efficient and effective at their work. Programs need to be trialled and institutionalised around health management, stress management, time management and technology as well as specialist industry skills. Organisations often cite human capital as their penultimate resource, yet how do they deliver on their corporate objectives around human capital? A well designed and well managed work environment is one of the levers to pull.
Almost two thirds of Australian employees consider themselves to be emotionally detached from their employer, and so they just do the bare minimum.

Source: Gallup
The recently launched WELL Building Standard assesses a building’s contribution to employee wellness. It is organised into seven categories of wellness including air, water, light, nourishment, fitness, comfort and mind. The WELL Building Standard has 102 performance metrics, design strategies and procedures that both owners and occupiers of buildings can implement to achieve wellness outcomes.

For busy professionals, it can be a challenge to find the balance between work and a personal life. With companies demanding more with less, the squeeze on resources and increasing cost of living in many Australian cities, professionals are spending more rather than less time working. How can the workplace help enhance the life of the busy professional? It could be concierge services assisting with personal planning, additional services delivered such as dry cleaning or beauty treatments. It could be helping to encourage more activity in the workplace through walking meetings, standing team meetings or creating spaces for lunch and breaks away from the main work settings. It could be around encouraging healthy eating habits, taking time for mental restoration between work assignments or minimising dependency on technology by fostering human interactions.

Apple is the undeniable godfather of user experience – design principles that put the customer first and make their products a pleasure to use. Whatever the product – be it a phone, car or any other gadget – the designers want their customers to feel good about using it. If they don’t, they will go elsewhere. Corporate Real Estate (CRE) may not come with the shiny veneer of new technology but user experience principles should be applied all the same. We are all human beings at the end of the day and everyone wants an enjoyable user experience when they come to the office. The office needs to be somewhere people want to go, as there is increased competition from alternative work locations that are more appealing in many ways.

Organisations need to realise that what people want from the workplace has radically changed. By paying closer attention to how people can meet the business objectives of a company allows businesses to tailor space accordingly.
Forces shaping the future workplace

The number of freelancers in Australia is estimated at 3.7 million, or 30% of the workforce, who generate $51 billion in earnings every year. As technology and mobility change the way people work, this number is expected to rise significantly as people opt for freelancing to provide them a better work-life balance, a more engaging work experience and a more lucrative earning capacity. The rise of the freelancer or hyphenate (someone working across multiple disciplines and multiple organisations) will drive the need for co-working space in Australia. Space that has high levels of buzz and energy, where like-minded people can come together to encourage, inspire and motivate each other and space that allows for continuous, learning, thinking and brainstorming. In Asia Pacific the number of mobile workers was estimated at 601 million in 2010 and this was forecast to reach nearly 840 million by the end of 2015.

Organisations will have to provide an enhanced employee value proposition for attracting and retaining the highly skilled people needed to drive the continuous innovation required to succeed in a digitally disruptive environment. Flexibility and variety in workplace models will be an essential component of this.

The Committee for Economic Development of Australia (CEDA) estimates that technology could make almost 40% of Australian jobs redundant in the next 10 to 15 years, including highly skilled roles. They estimate almost 5 million jobs have a high probability of being replaced by robots in the next two decades, with a further 18.4% having a medium probability. The pace of technology innovation is already disrupting labour markets globally by making workers redundant. Computerisation is no longer confined to the manufacturing sector with both cognitive and manual tasks being automated. According to Fry and Osborne, big data based on pattern recognition is now able to readily substitute labour across a wide range of cognitive tasks. At the same time, advanced robots are gaining enhanced senses and dexterity, allowing them to perform a broader scope of manual tasks. They go on to estimate that 47% of total employment in the US is in the high risk category in terms of automation which could reasonably be expected to happen in the next two decades. They highlight in particular workers in transportation, logistics, administrative support and production being at risk, but also suggest that jobs in services industries are also highly susceptible to computerisation. For workers to win the race against automation, they will have to develop their creative and social skills.

As these smart, nimble machines operate alongside humans in a more collaborative way, seeking to maximise operational efficiency and drive productivity, there will be an impact on the way that workplaces are used. However, being more productive doesn’t necessarily mean a simple reduction in the amount of workspace used, it is how the workplace operates. There are a range of forecasts from high to low probability around the number of jobs that will become redundant due to robotics, but there will also be the transformation of many jobs into an interactive engagement and managements with the machines. So the improvement in technology transforms the working role rather than eliminating it. In addition, as technology adoption increases, people’s need and desire for a more personalised service has increased proportionally. So in the workplace there is likely to be an ever increasing emphasis on the workplace experience and provision of services to enhance this experience.

13 https://www.elance-odesk.com/
14 Australia’s future workforce? June 2015, CEDA
Today we are navigating major technology transitions – cloud computing, mobility and in the internet of things (IoT). Cloud computing and mobility have fundamentally impacted the way we work, the next technology transition to have a major affect is the IoT. IoT is the term given to the vast network of automated pieces of hardware that are individually connected to the internet, enabling them to collect and exchange data at all times. By 2020 there will be an estimated 26 billion internet-connected devices in addition to about seven billion laptops, tablets and smartphones.

Buildings have complex engineering systems and sensors which create data sets all the time and with the explosion of IT devices in buildings, greater volumes of complex data sets are created every minute. Sensors, controllers and other IoT enabled devices will revolutionise how buildings operate and make the truly ‘intelligent building’ a reality. Outcomes will include an improved ability to manage and prevent building services issues, and technologies that allow staff to engage with buildings and influence their surroundings in new ways.

Data will also be able to be aggregated based on personal devices including fitness trackers or smart watches to determine the average physiological conditions of the occupants and make correlations to team performance and productivity.

**Conclusion**

So what does the future workplace look like? One thing is certain that there will be a shift towards increased choice and flexibility for individuals. The focus will shift from just sustainability to include happiness, wellness and engagement, and the workplace is a critical tool in fostering these human desires. Technology will provide a plethora of data and analysis on how individuals are not only utilising their space, but personalising their space to achieve their wellness objectives.

The workplace will be considered more holistically from a community lens rather than just an individual business or corporation. The rise of co-working and pro-working will build connections and allow collaboration outside of the single organisation. It will bring talent together and create engagement across a broader community base. The workplace models we have outlined in this paper will suit different types of organisations but they all should provide the platform for highly capable people to be part of their communities to connect and contribute.
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