

THE FUTURE OF OFFICE WORK

PRESENTATION TO ISPT INSIGHTS CONFERENCE

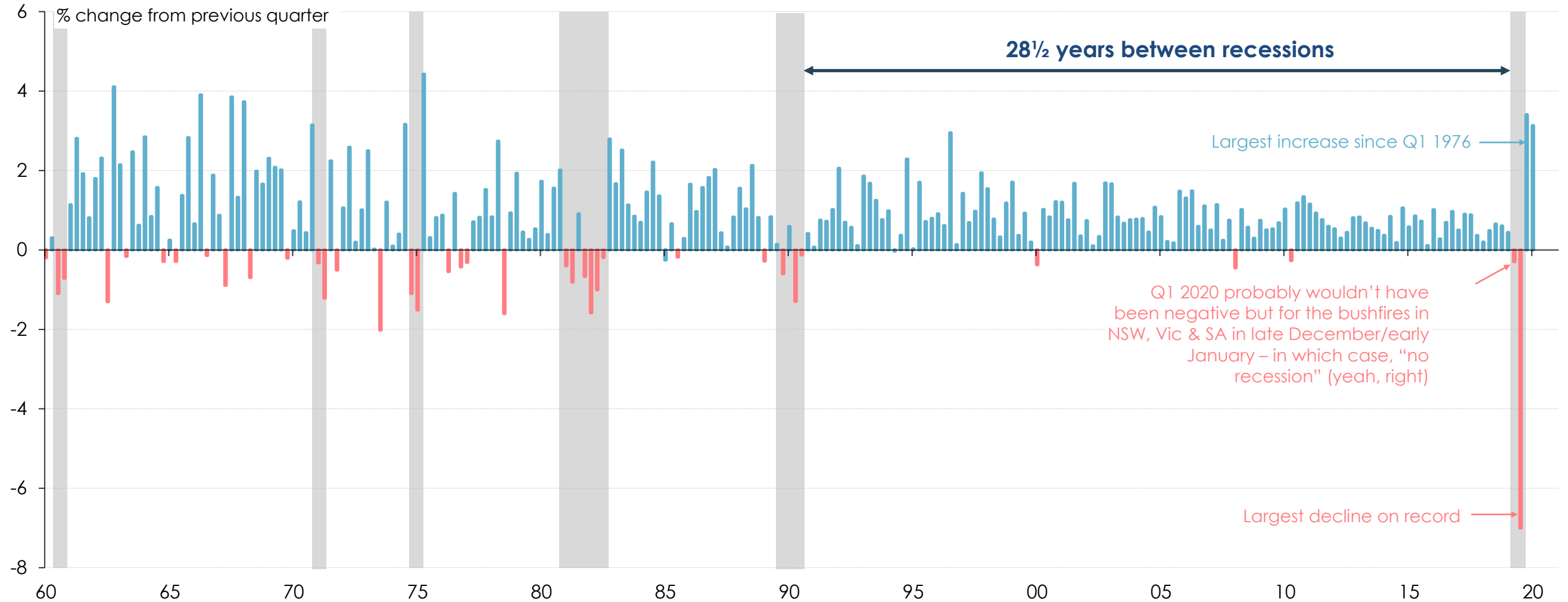
'FLEX' BY ISPT, BARTON, CANBERRA
4TH MAY 2021

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SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

Australia last year experienced its first recession (by the common definition) in almost 30 years

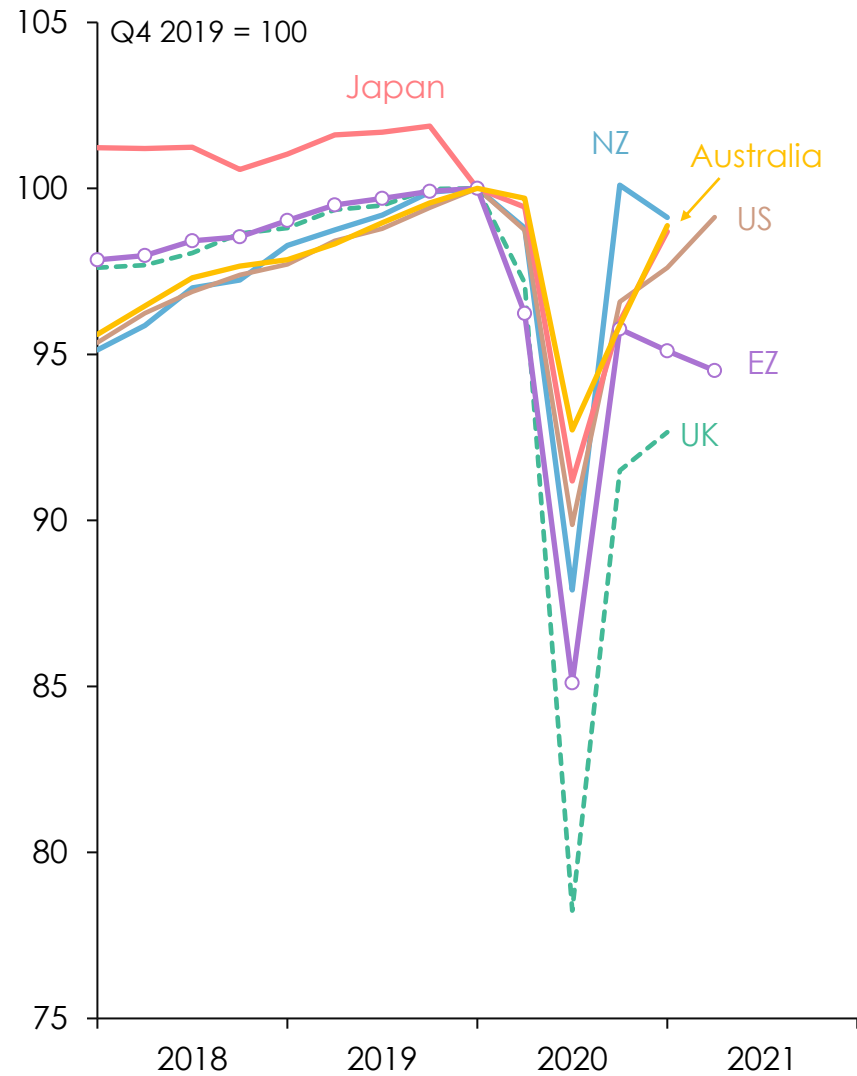
Quarterly growth in Australian real GDP, 1960-2020



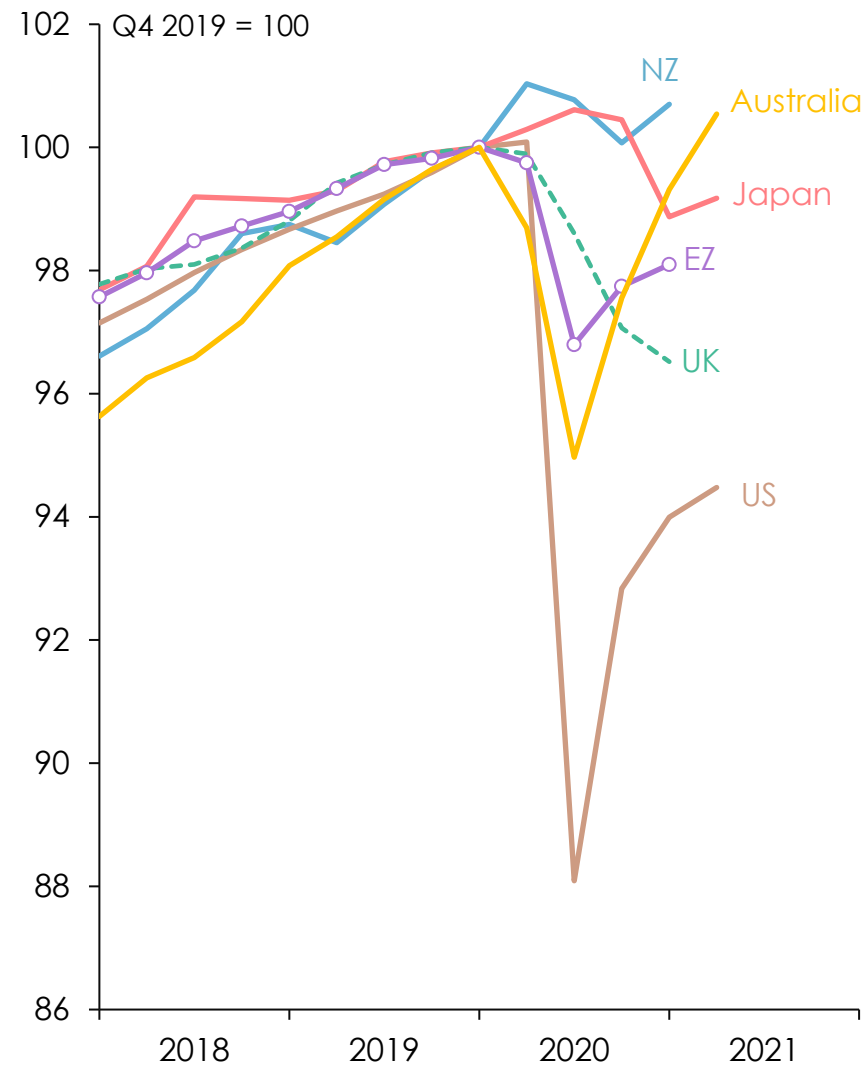
Note: Shaded areas denote recessions. Source: ABS, [Australian National Accounts: National Income, Expenditure and Product](#), December quarter 2020. [Return to "What's New"](#).

Australia's recession hasn't been as severe as those experienced in most other comparable countries ...

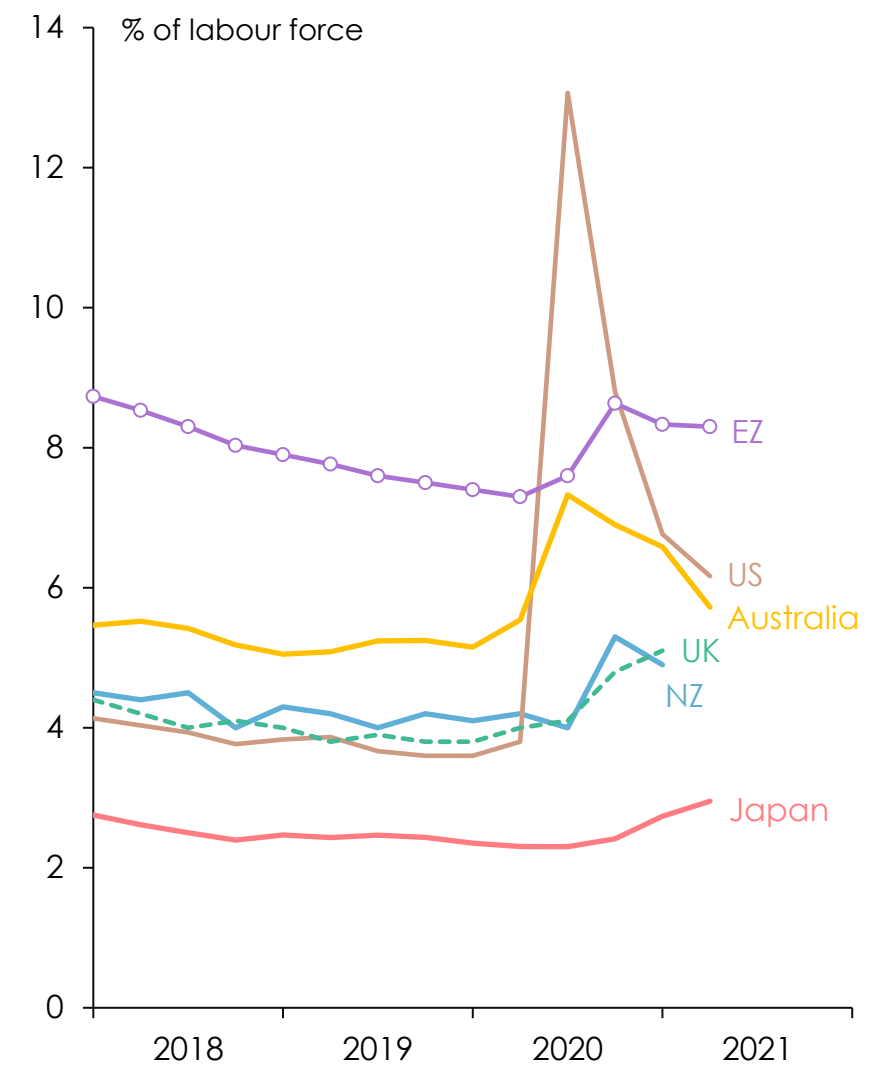
Level of real GDP



Employment



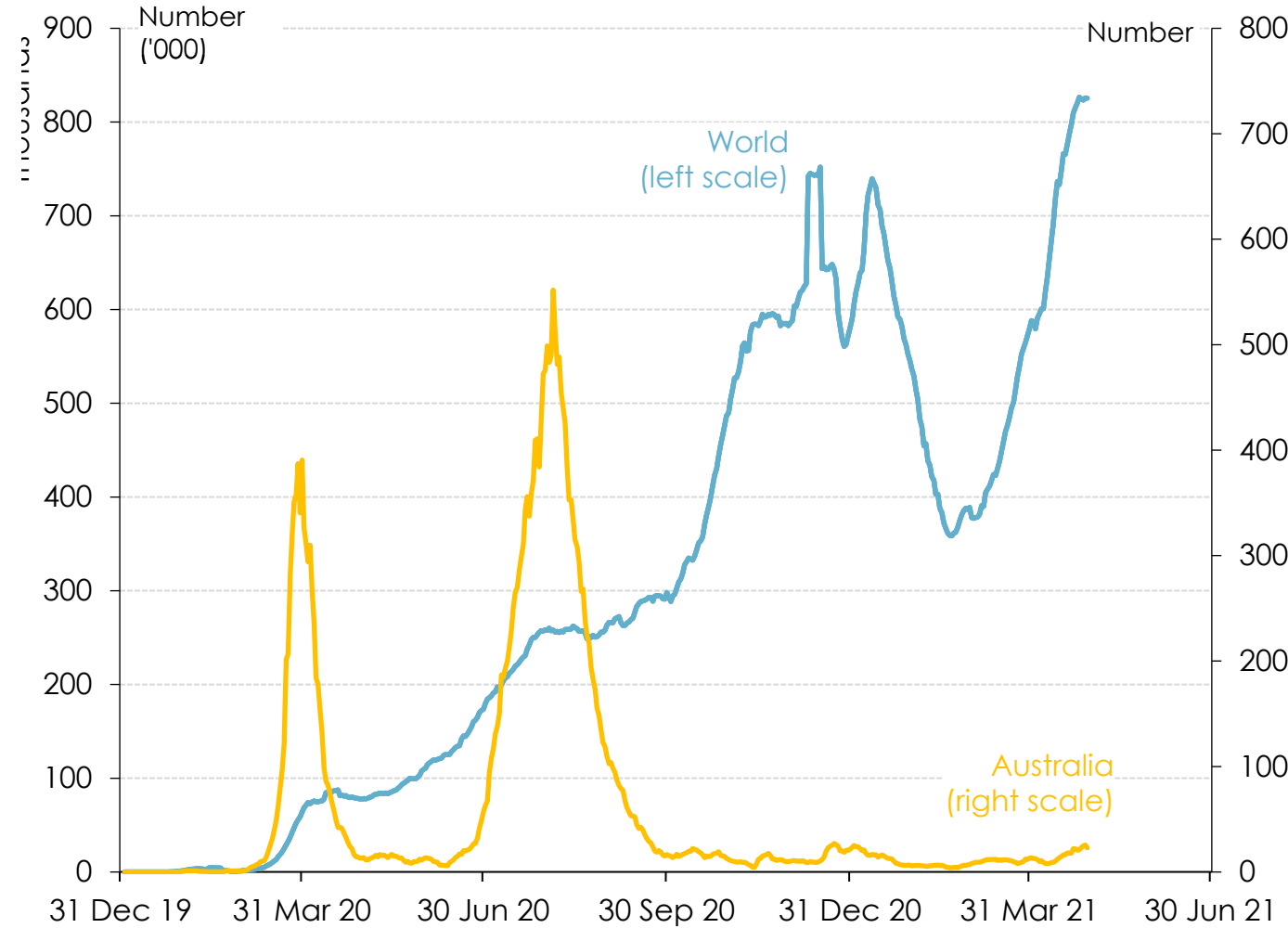
Unemployment



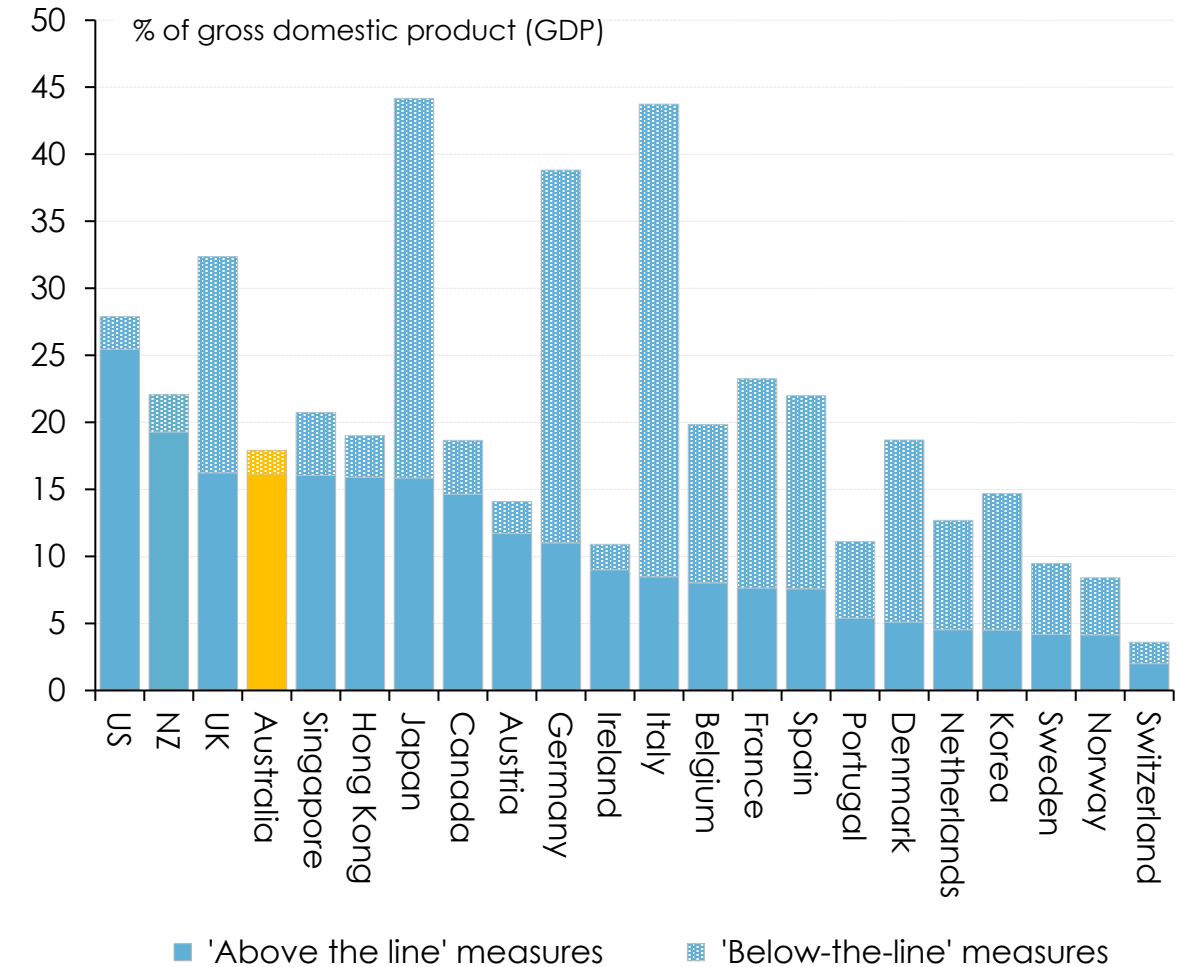
Sources: ABS; Statistics NZ; US Bureau of Economic Analysis; US Bureau of Labor Statistics; Japan Economic & Social Research Institute; Statistics Bureau of Japan; Eurostat; UK Office for National Statistics; Corinna.

... that's because we've done a better job than most others of managing the virus – and because governments have provided more fiscal support

New covid-19 infections, Australia compared with the world



Fiscal policy responses to Covid-19 – selected 'advanced economies'



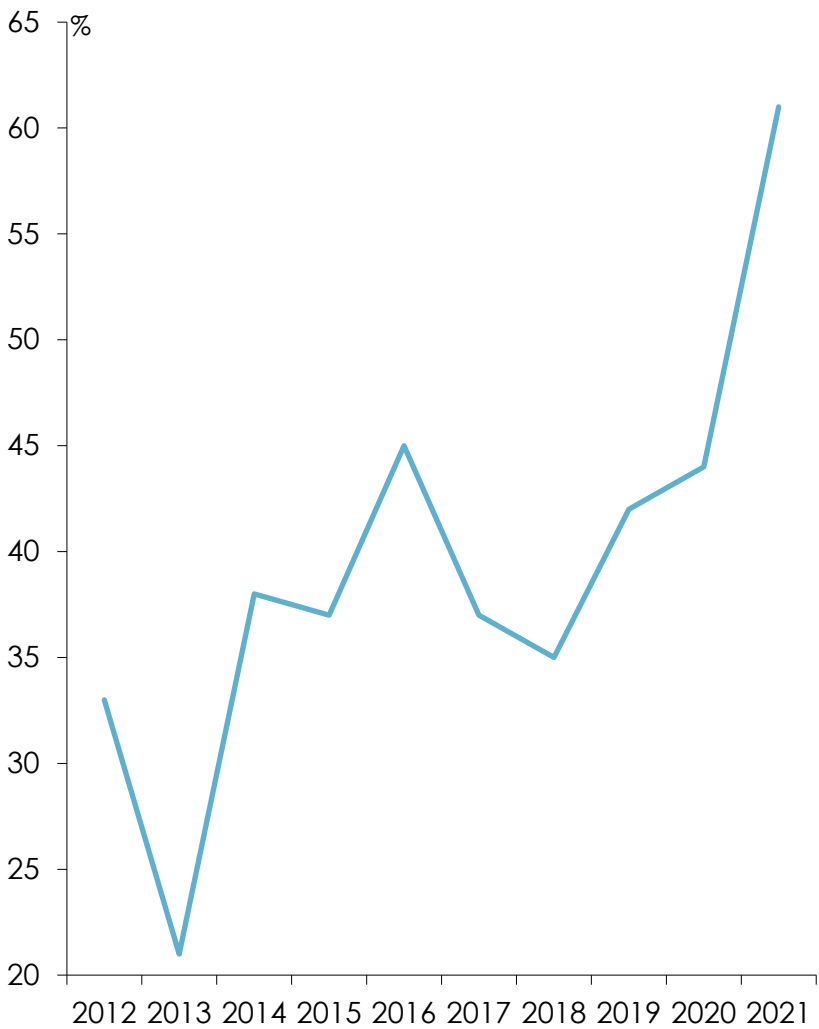
Note: 'Above the line' measures comprise additional or accelerated spending and deferred or foregone revenue. 'Below the line' measures comprise equity injections, loans, asset purchases and debt assumptions, but do not include loan guarantees or other contingent liabilities. 'DMs' means 'developed markets' (or 'advanced economies'). Data includes measures announced up until 17th March 2021. Sources: University of Oxford, [Our World in Data](#); IMF, [Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic](#), April 2021.

Recessions always have lasting consequences – including accelerating trends that were in place beforehand, and (occasionally) reversing others

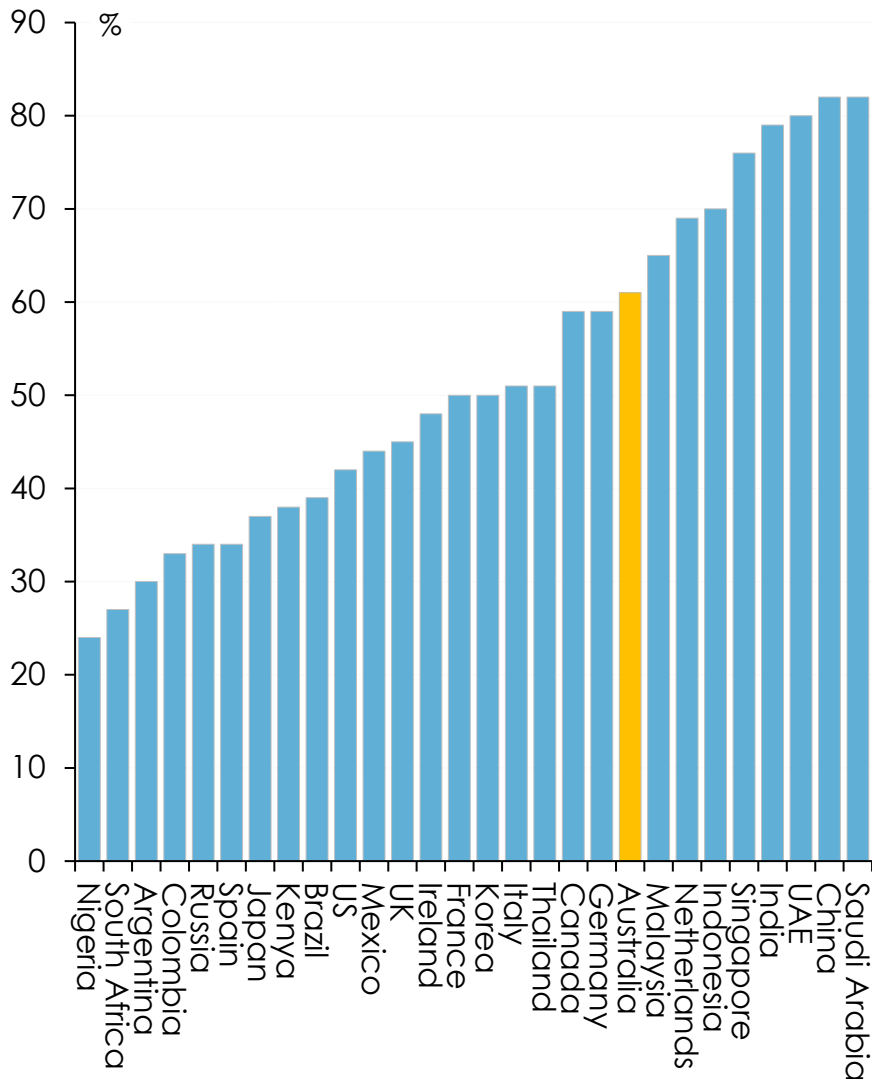
- ❑ **Some pre-existing trends that have been accelerated by the Covid-19 recession**
 - ‘digitization’ and the uptake of mobile technology
 - growth in online shopping
 - declining use of cash in transactions
 - desire for greater national self-sufficiency (aka ‘sovereignty’) in supply chains (potentially aka ‘protectionism’)
 - mass surveillance of individuals’ movements and activities
 - government controls over movements across borders (including, now, state and territory borders)
- ❑ **Some pre-existing trends that have probably been slowed by the Covid-19 recession**
 - growth in international students (amplified by deterioration in bilateral relations with China)
 - growth in international travel
 - institutionalization of aged care (amplified by other factors including Royal Commission)
- ❑ **Two pre-existing trends that appear likely to have been reversed by the Covid-19 recession**
 - declining faith and trust in governments’ capacity to solve problems (though that reversal probably began with the global financial crisis)
 - the idea that budget deficits and public debt are ‘Bad Things’
- ❑ **At least two new trends that have been prompted by the Covid-19 recession**
 - ‘working from home’
 - ‘zoom meetings’ instead of conference

Australia's relative success in confronting last year's health & economic challenges has prompted a substantial rise in trust in government

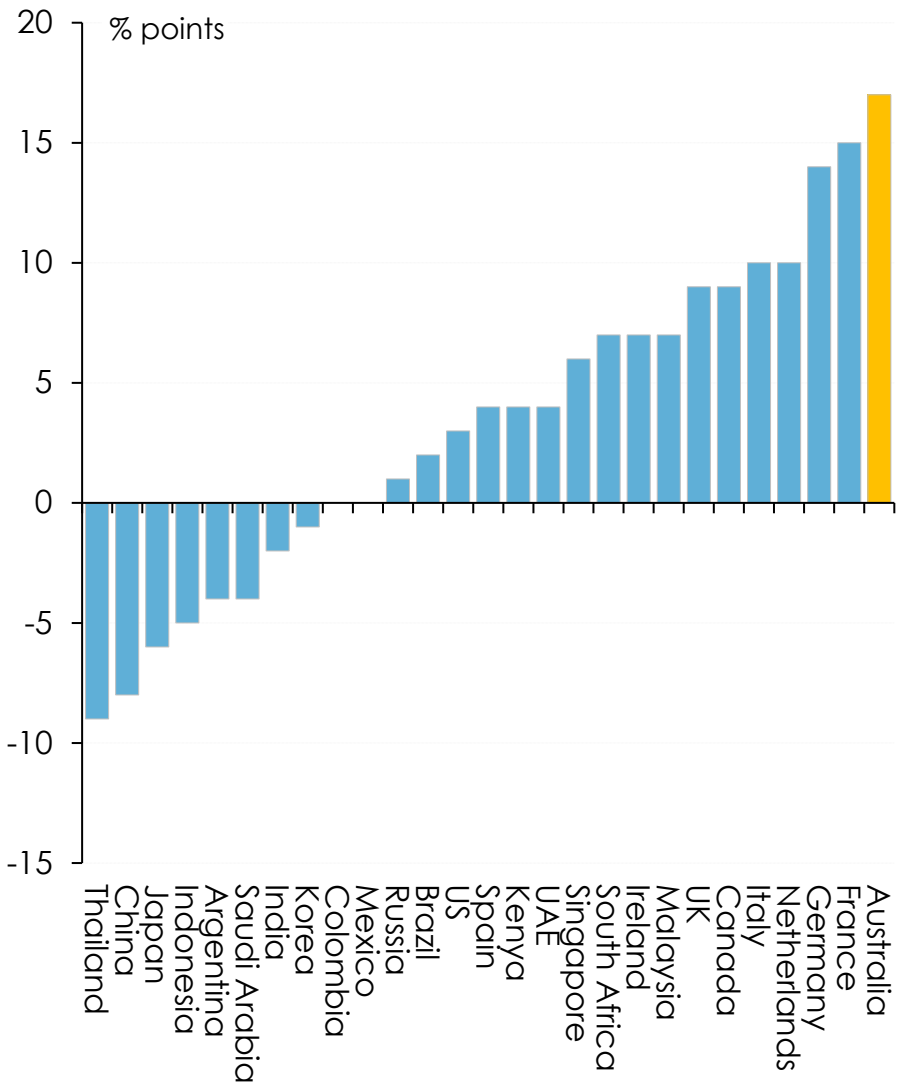
Trust in government in Australia



Trust in government, 2021



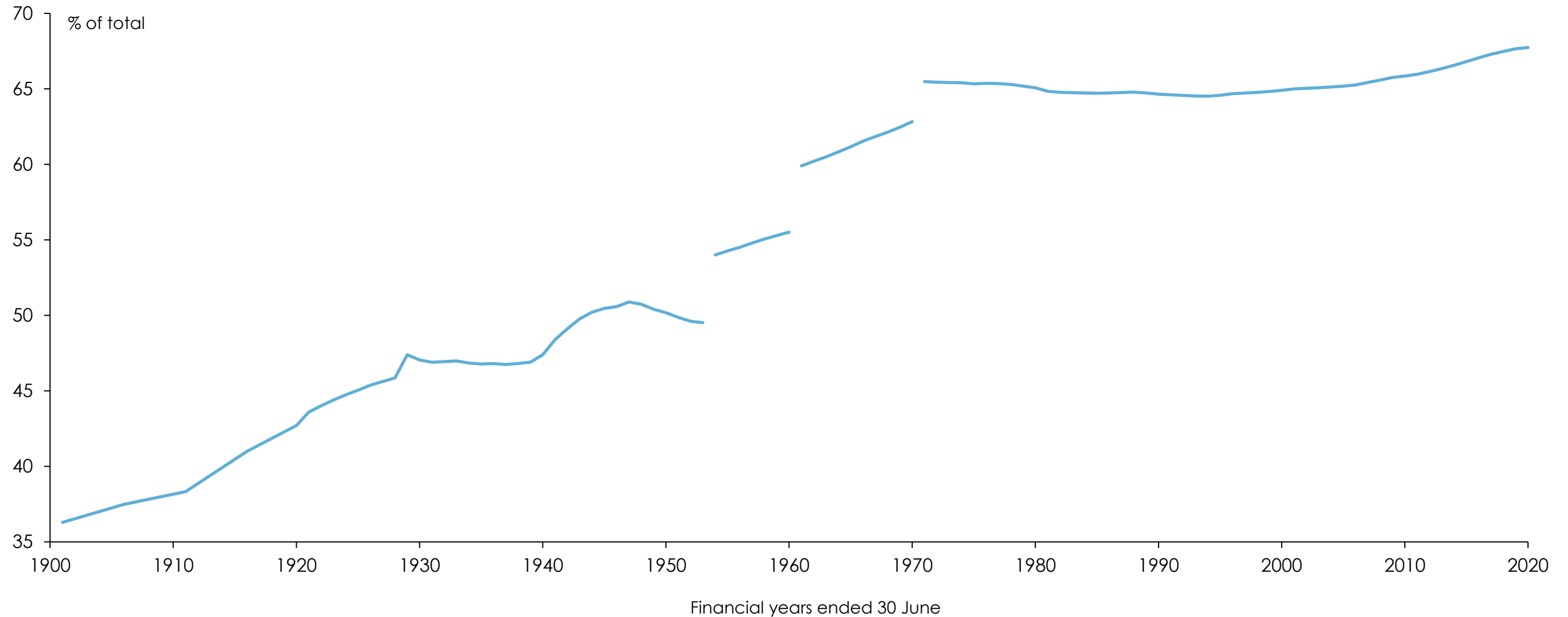
Change in government trust, 2021



Source: [Edelman Trust Barometer](#), February 2021

The proportion of Australia's population living in capital cities has been rising since at least Federation – but could Covid-19 change that?

Proportion of Australia's population living in 'greater capital city' regions

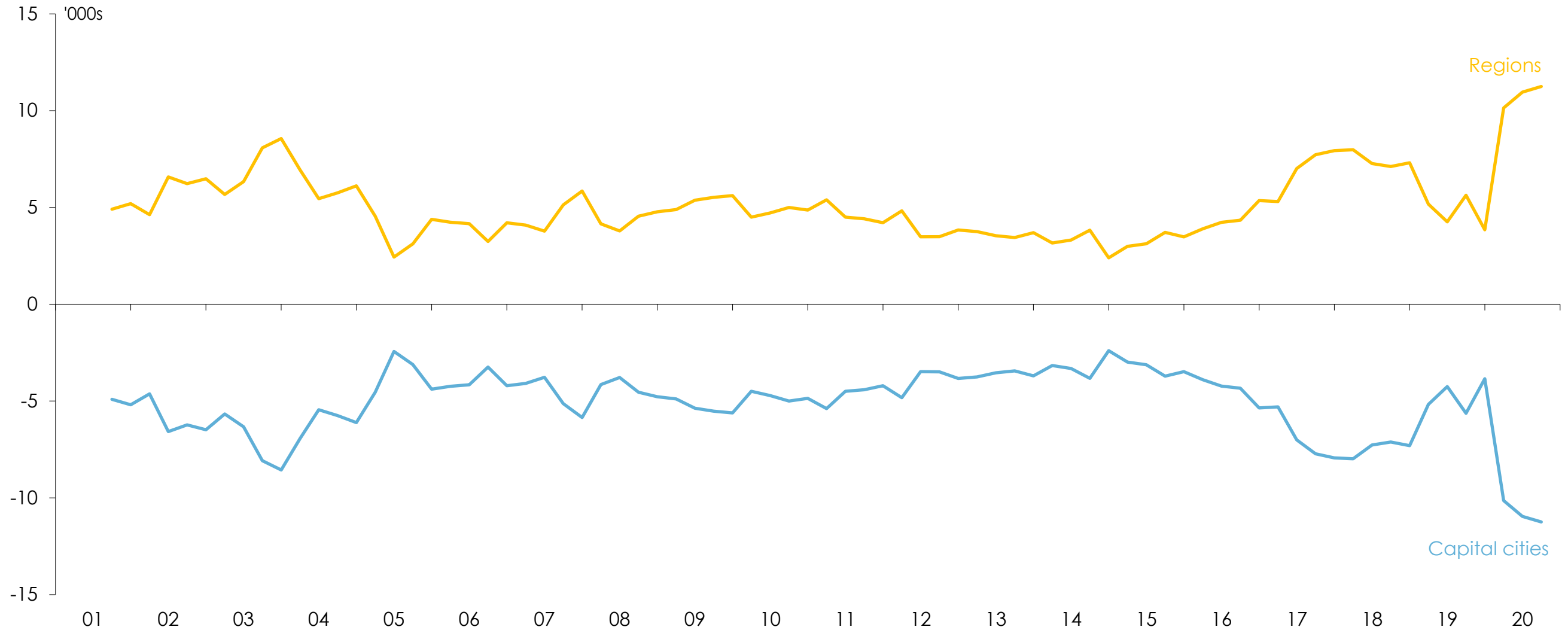


Note: There are series breaks in 1954, 1961 and 1971 due to re-definitions of the boundaries of 'greater capital city' areas.

Sources: ABS, [Historical population](#), 2016 and [Regional population](#), 2019-20.

People are moving to live in regions in greater numbers than at any time in at least the last twenty years

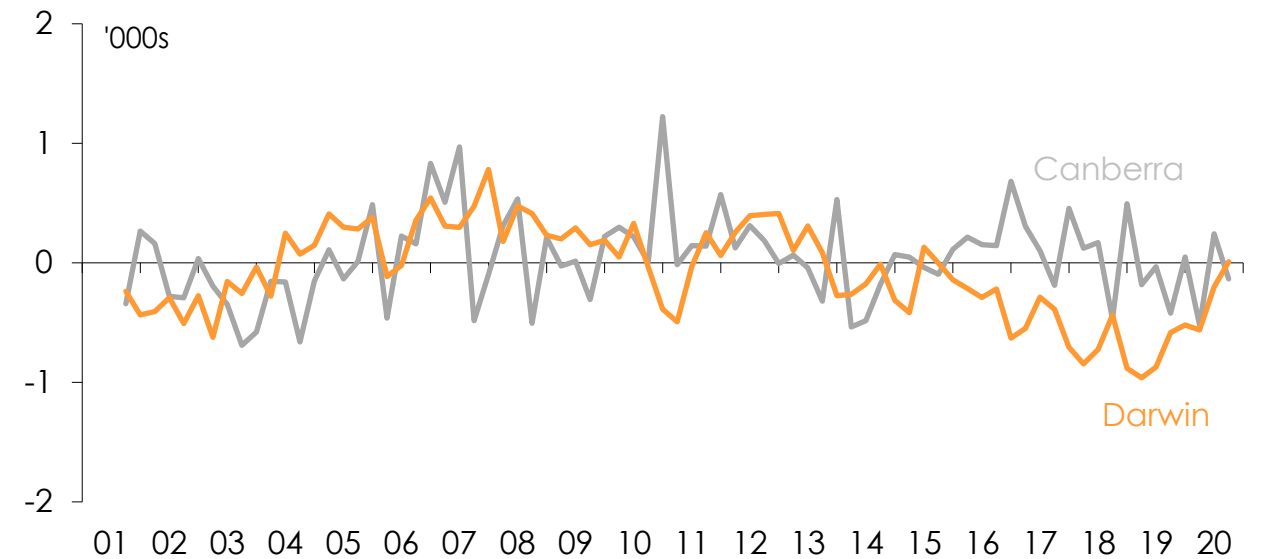
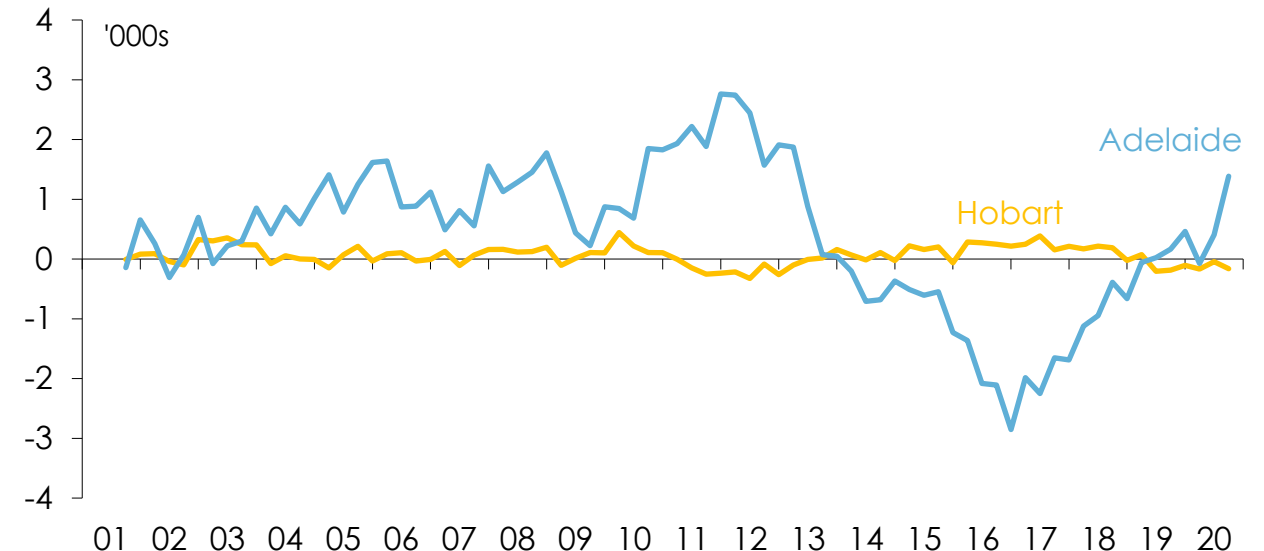
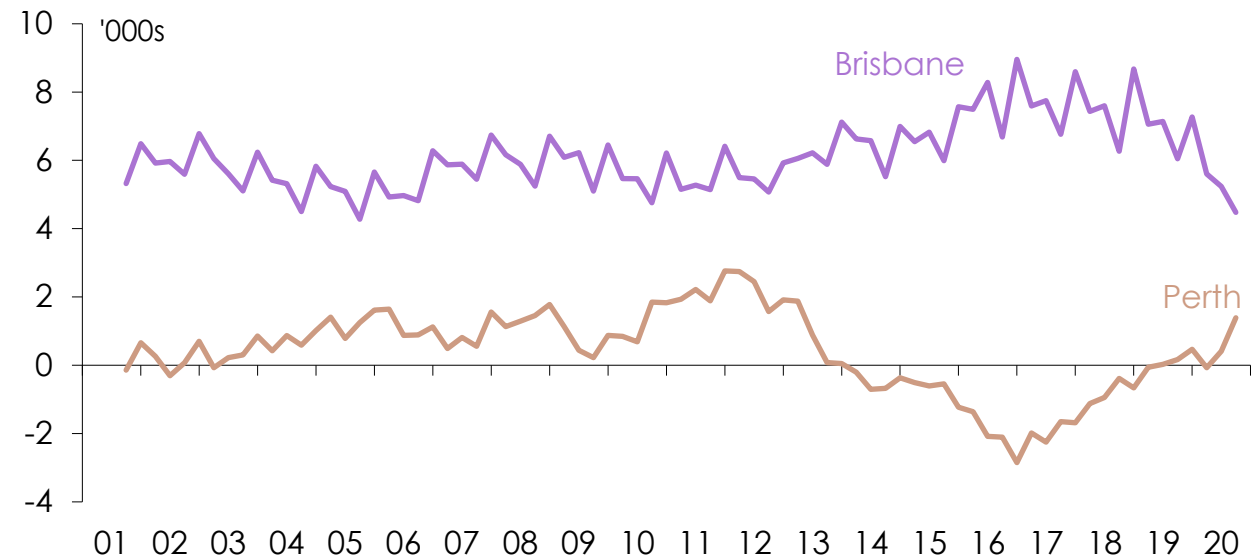
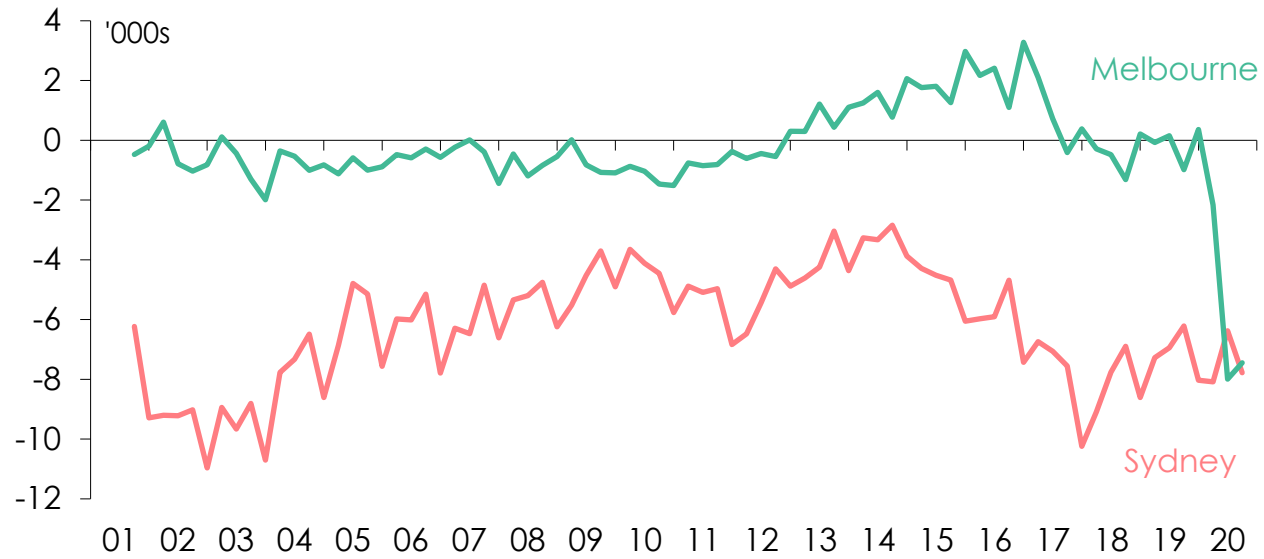
Internal migration flows – capital cities vs regions



Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

The recent exodus from capital cities is, in essence, a story about Melbourne ...

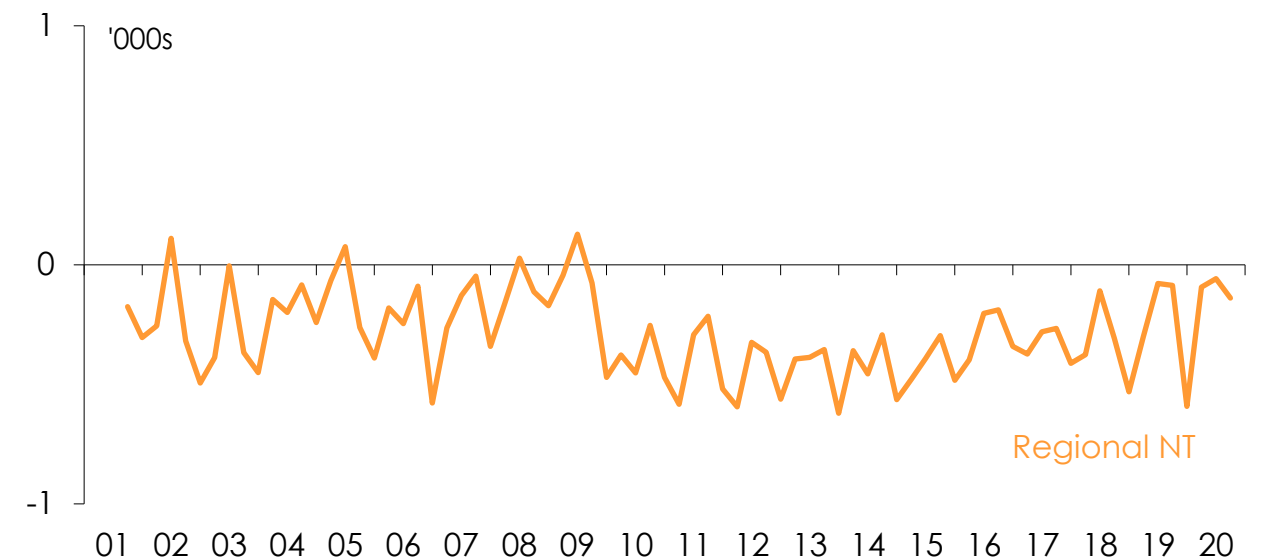
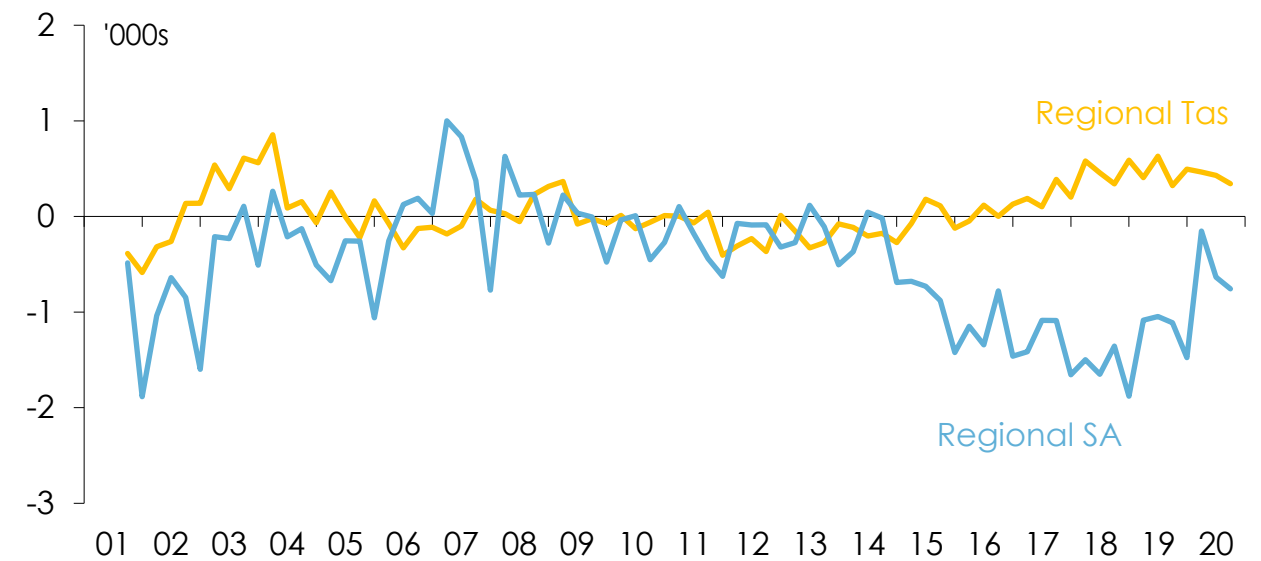
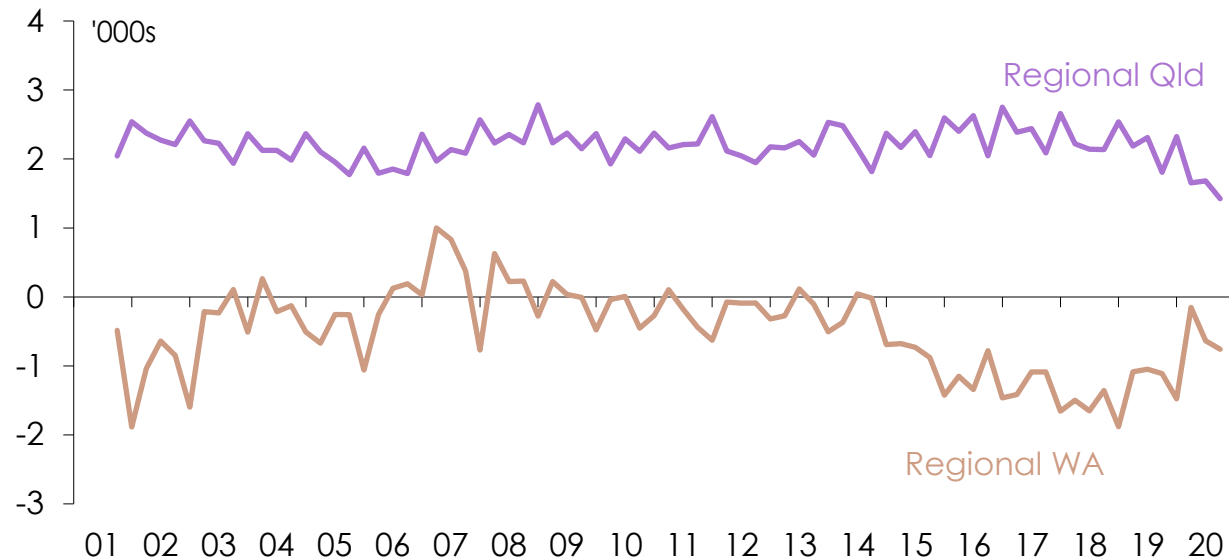
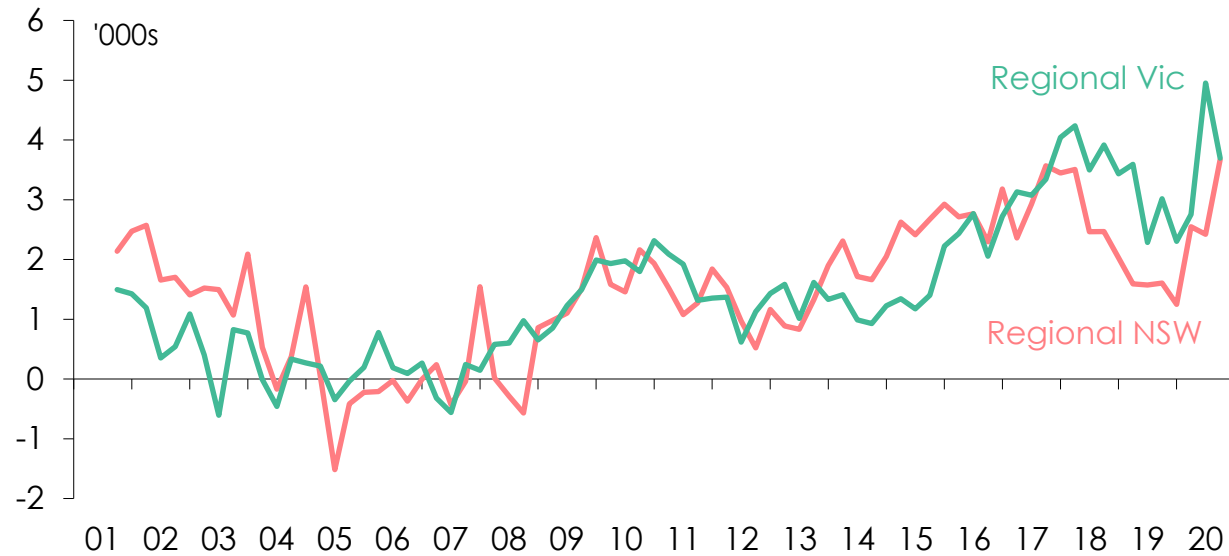
Net internal migration to or from Australia's capital cities



Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

... and the regions which are benefiting most seem to be regional New South Wales, regional Victoria and regional Tasmania

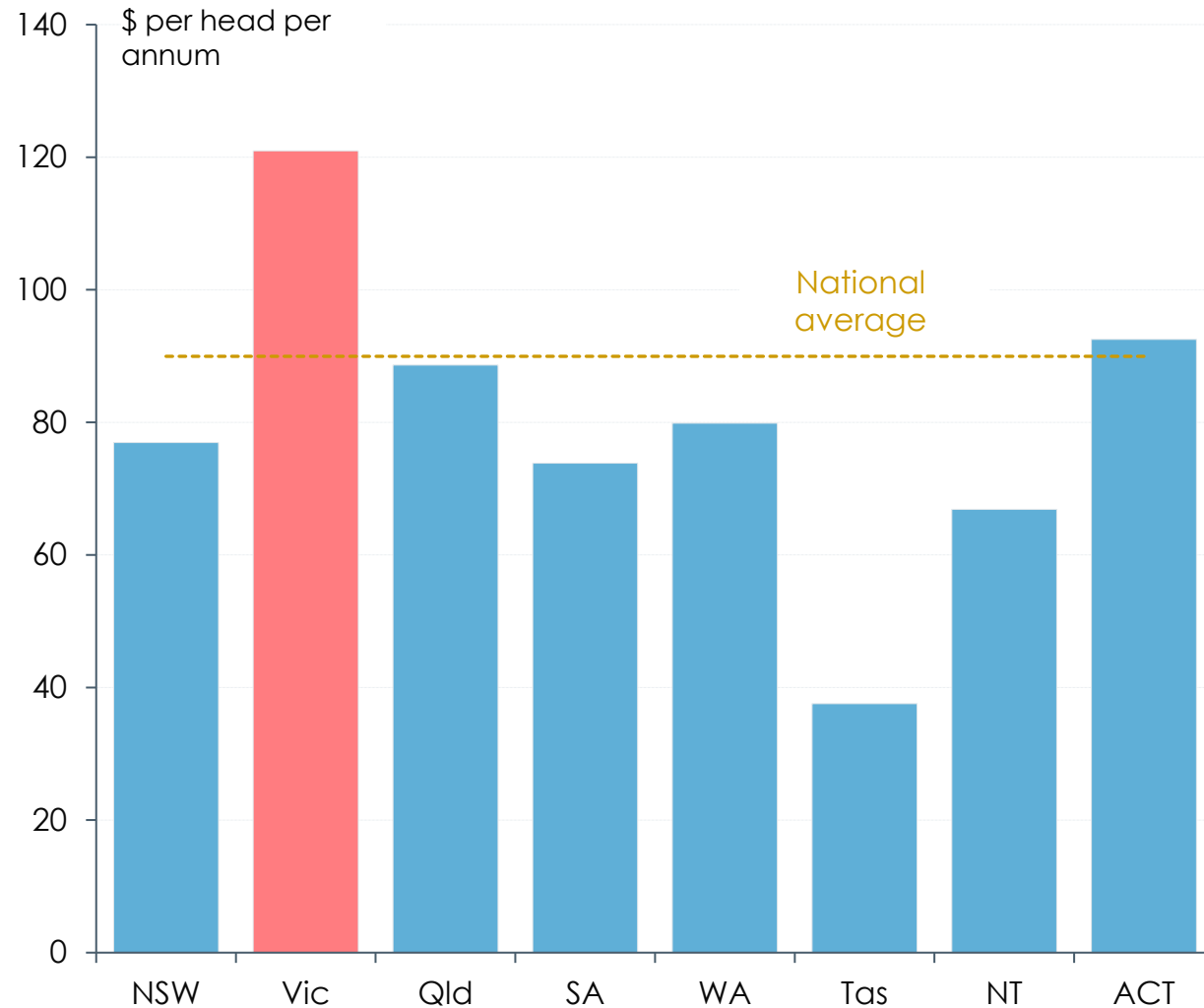
Net internal migration to or from Australia's non-metropolitan regions



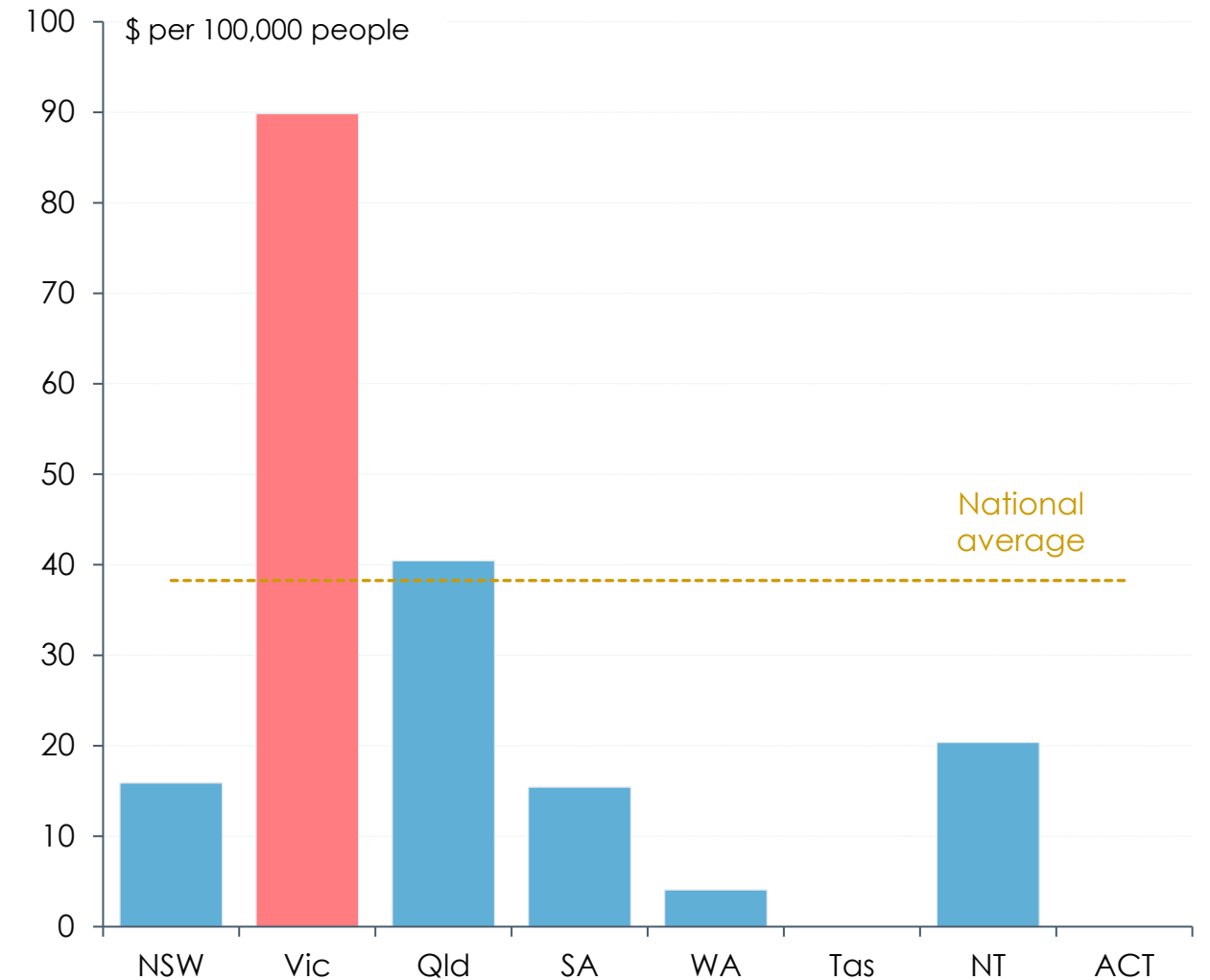
Note: 'internal migration' refers to the movement of people across specified boundaries (in this case, between 'greater capital city' areas and 'rest of state'), estimated using data from Medicare and (for military personnel) the Department of Defence. Source: ABS, [Regional internal migration estimates, provisional](#), September 2020.

It would appear that people want to get out of the 'Police State'

Revenue from fines per head of population, states and territories, 2014-15 to 2018-19



Fines for breaches of lockdown regulations during the first lockdown, per head

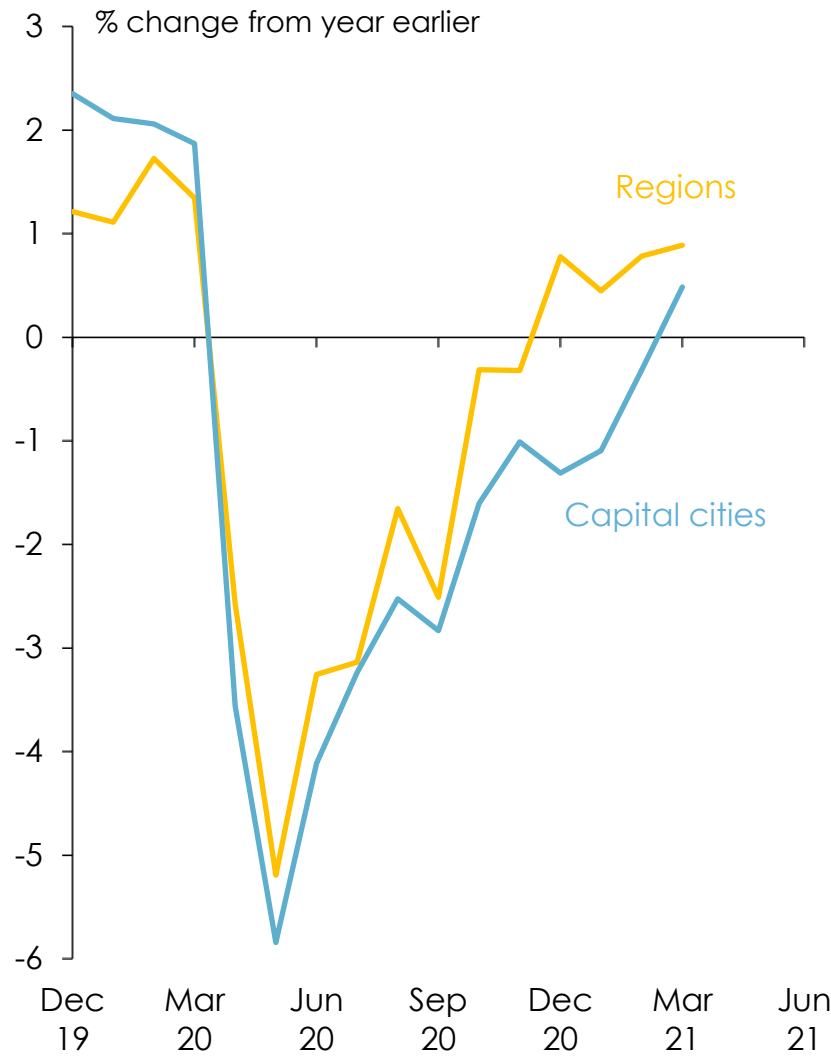


Note: fines for breaches of Covid-19 regulations are for the period between when 'stage 3' lockdowns started in late March to the last week of May.

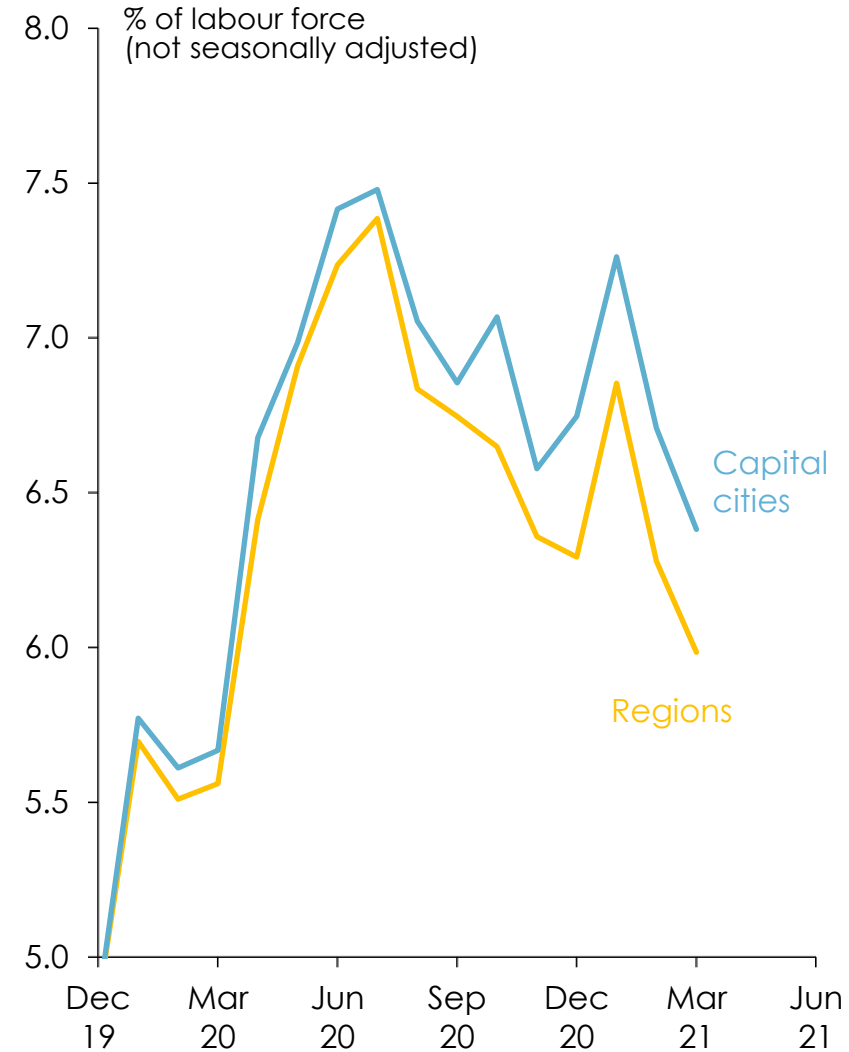
Sources: State and Territory annual financial reports and 2019-20 Mid-Year Budget Reviews; *The Age*, 28th May 2020;

Regional labour markets have weathered the corona-recession better than their capital city counterparts

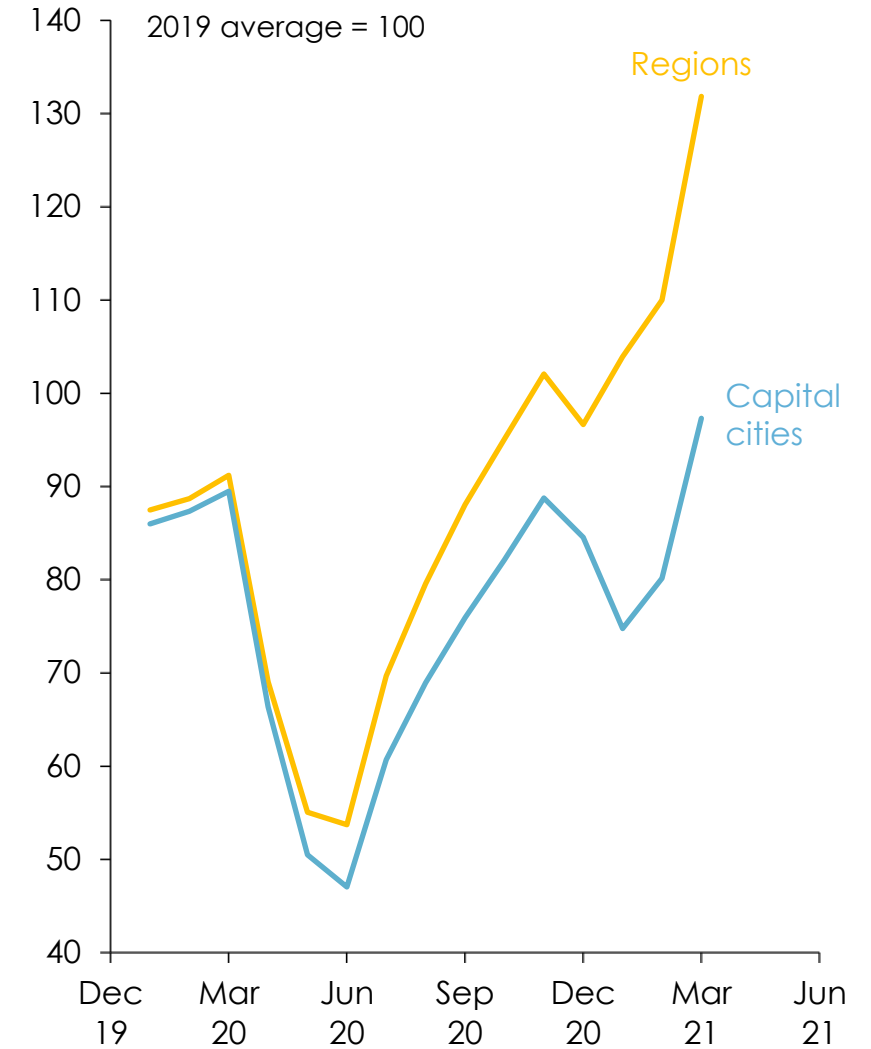
Employment



Unemployment rates



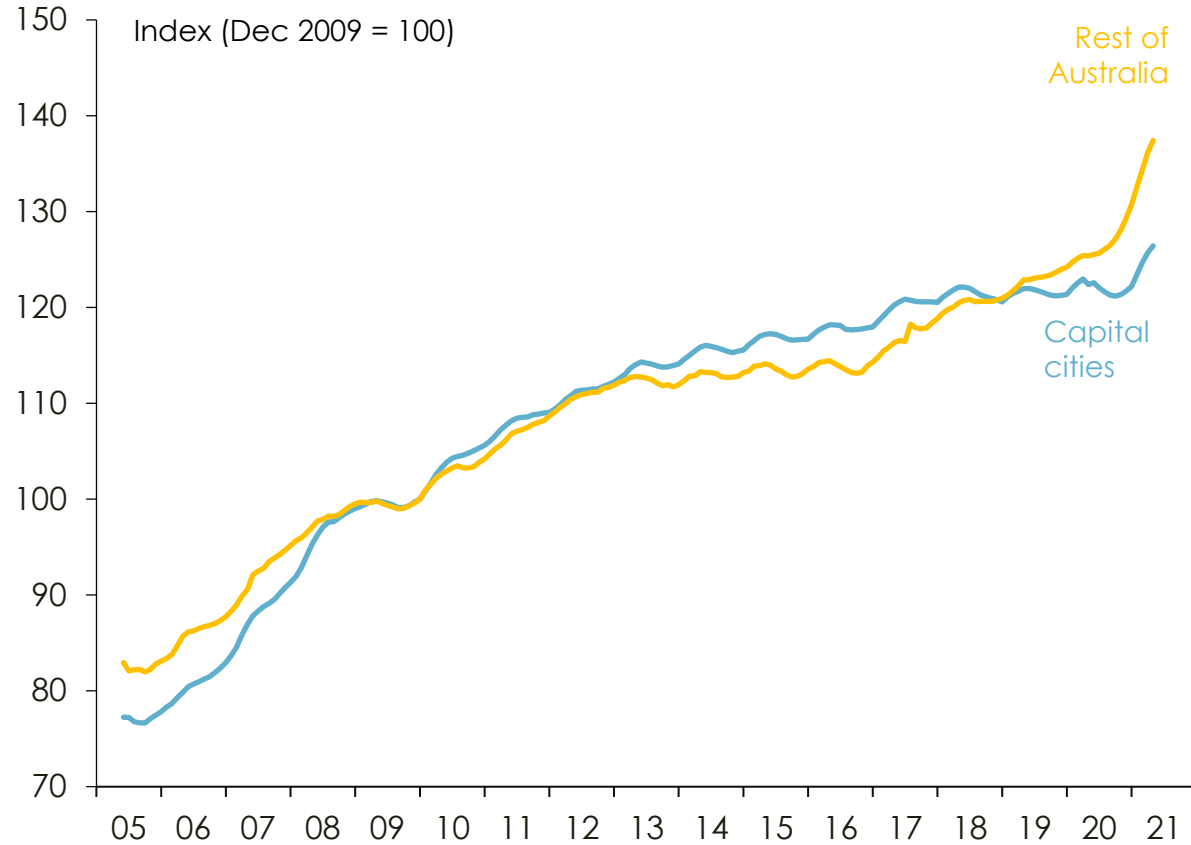
Job vacancies



Source: ABS, [Labour Force, Australia, Detailed](#); National Skills Commission, [Internet Vacancies Index Regional data](#).

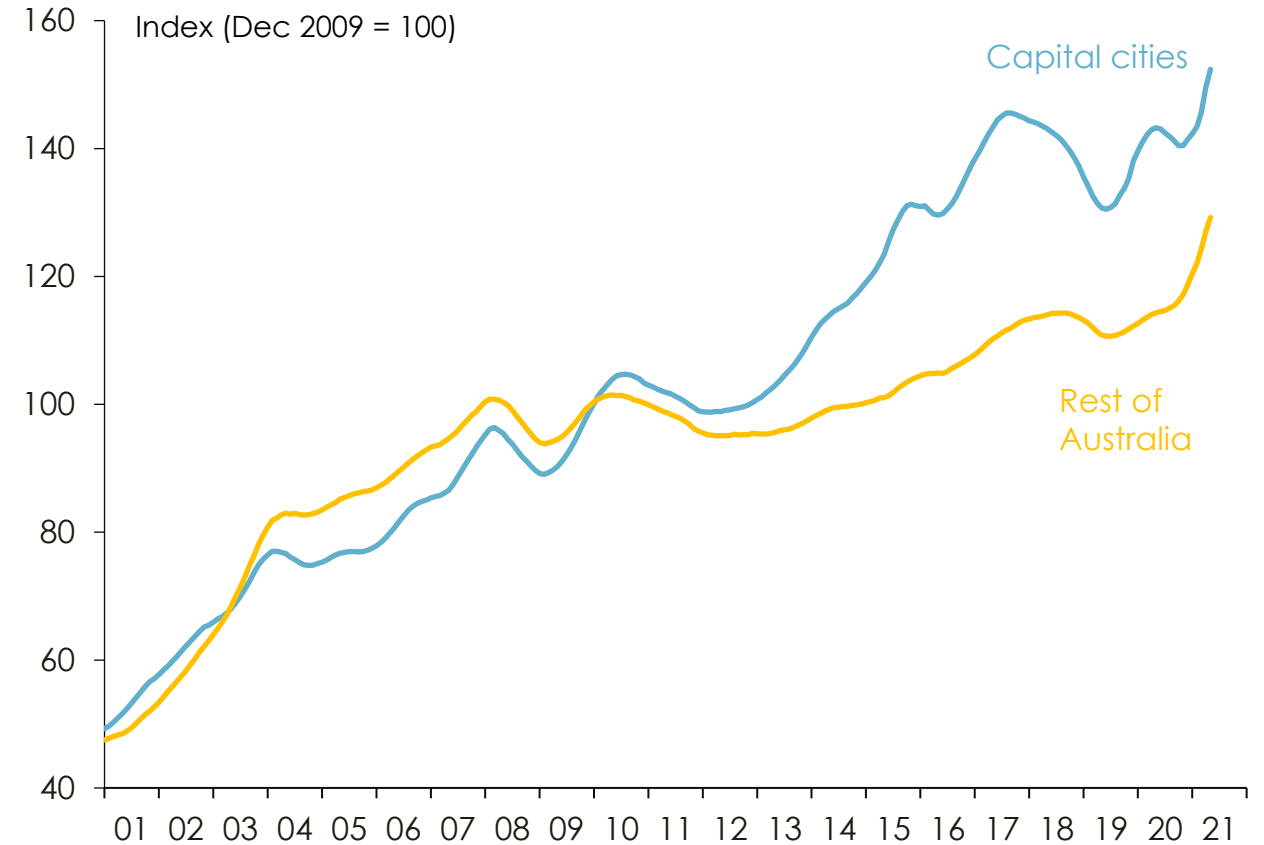
The most obvious consequence of this 'shift to regions' has been in property prices and rents (and that isn't an unalloyed Good Thing)

Capital cities and regional areas residential property prices



- Property prices have risen by 13.3% (on average) in regional Australia since March 2020, compared with 6.6% in capital cities (although they are still 34% cheaper than in capital cities)

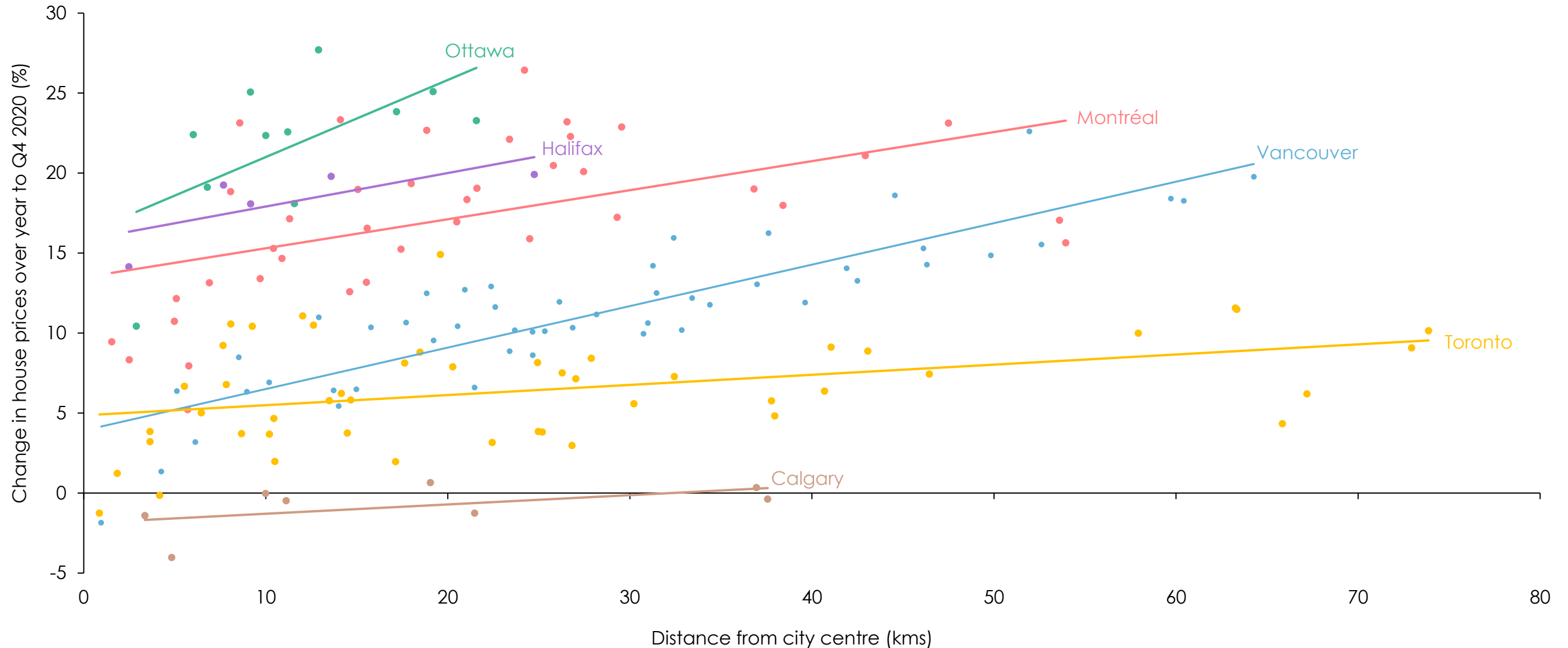
Capital cities and regional areas residential rents



- Rents have risen 9.6% in regional Australia since March 2020, compared with 2.8% in capital cities (although they are still 8% cheaper, on average, than capital cities)

This isn't unique to Australia, but rather is happening in many countries around the world – for example, Canada

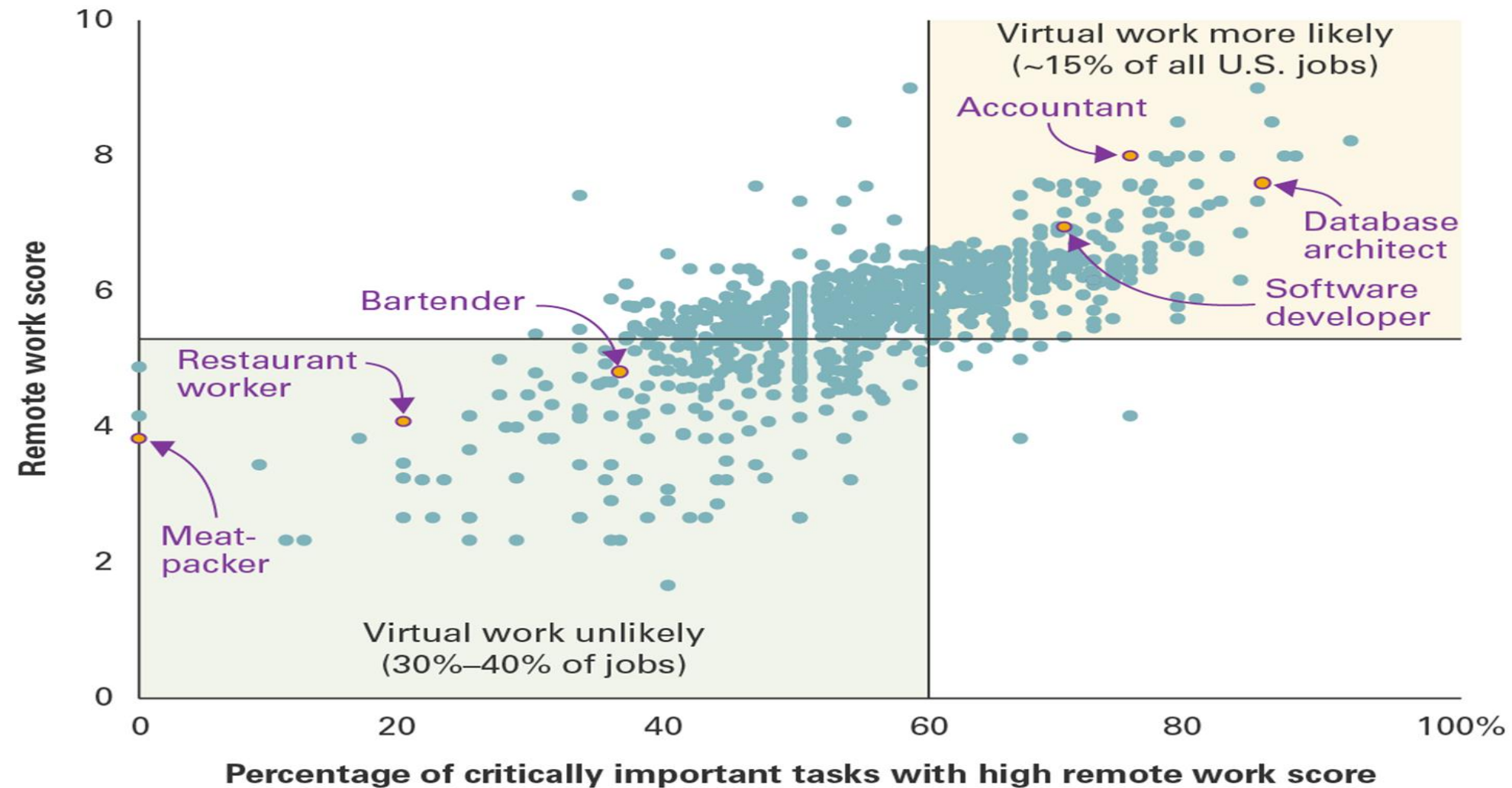
Changes in Canadian house prices vs distance from city centres, 2020



Note: Each dot represents a forward sortation area - a geographical unit based on the first three characters in a Canadian postal code. The lines are trendlines that illustrate the average relationship in each city between house price growth and distance from city centre. Source: Bank of Canada, [Monetary Policy Report](#), April 2021.

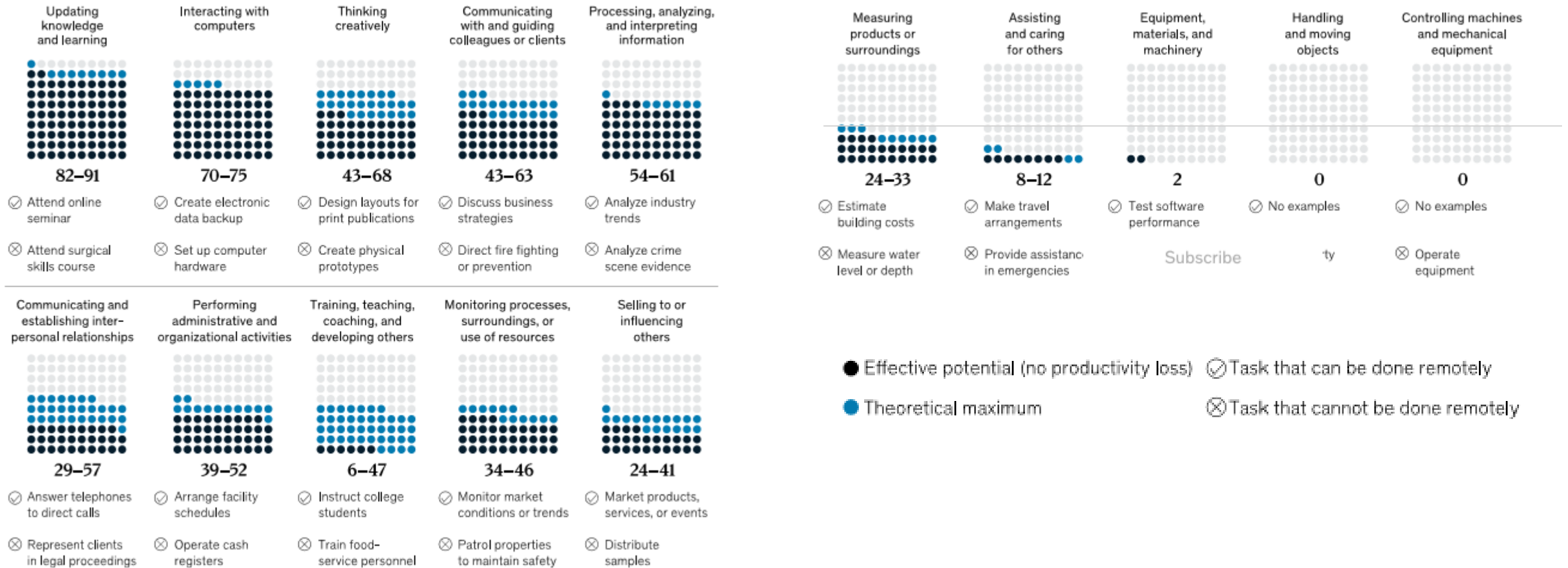
One recent US estimate suggests that around 15% of all US jobs (that's over 20 million people) could be done remotely

Percentage of important tasks which can be done remotely or virtually, by occupation



A McKinsey study suggests 20% of the workforce could work remotely 3-5 days a week as effectively as they could if working from an office ...

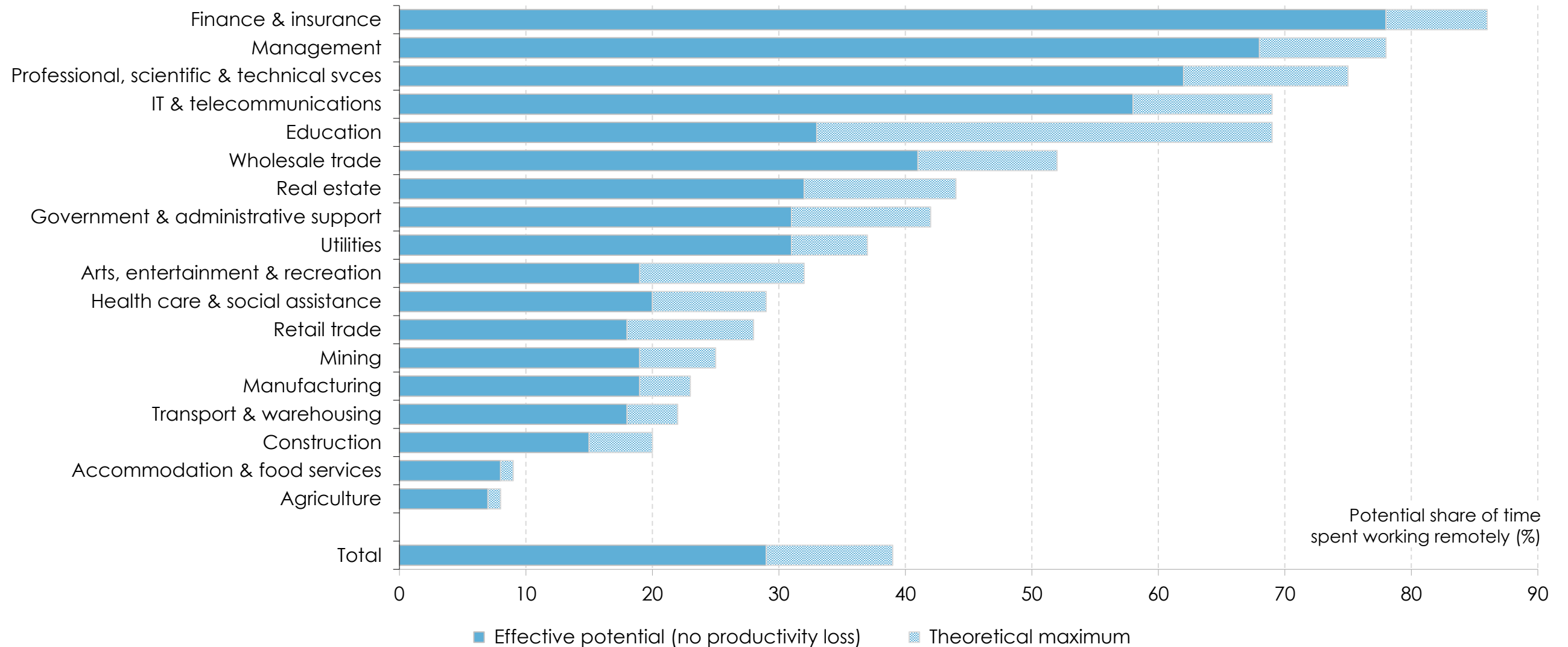
Activities with the highest potential for remote work in the United States



Note: The 'theoretical maximum' includes all activities not requiring physical presence on-site; the 'effective potential' includes only those activities which can be done remotely without losing effectiveness. Source: Susan Lund, Anu Madgavkar, James Manyika & Sven Smit. [What's next for remote work? An analysis of 2,000 tasks, 800 occupations and nine countries](#), McKinsey Global Institute, 23rd November 2020.

... although the potential for 'remote working' varies significantly across industries

Industries with the highest potential for remote work in the United States

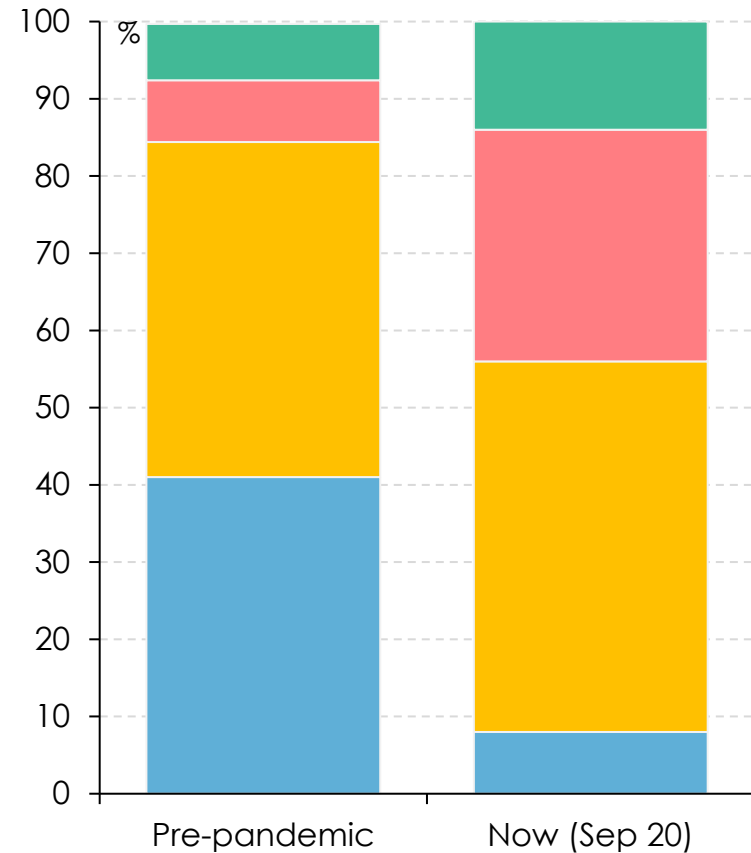


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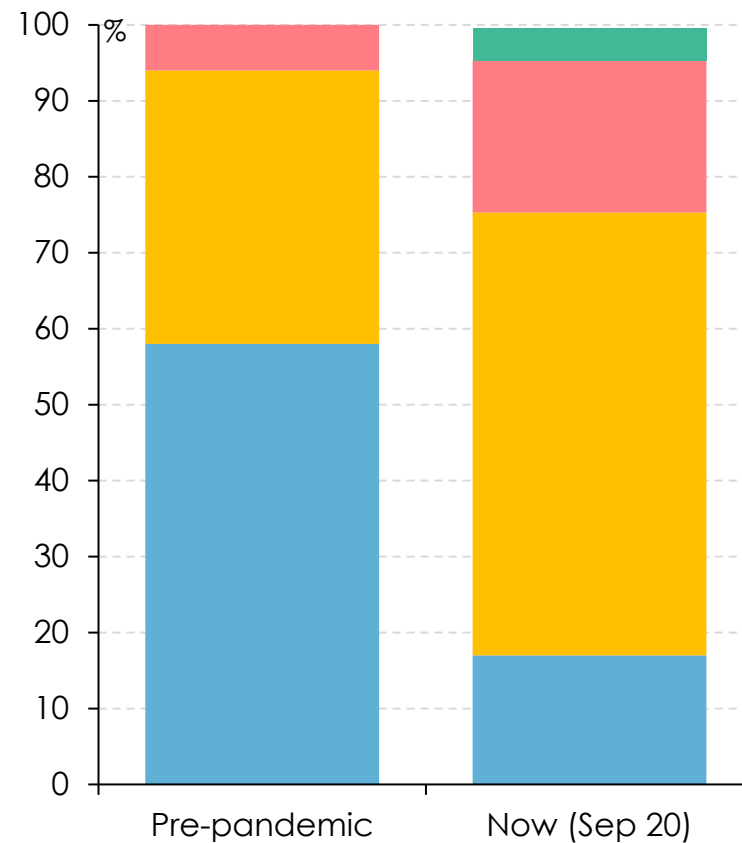
Most US employers (even in industry and manual services) are now much more willing to hire remote workers

Willingness of US organizations to hire full-time employees who work predominantly virtually or remotely

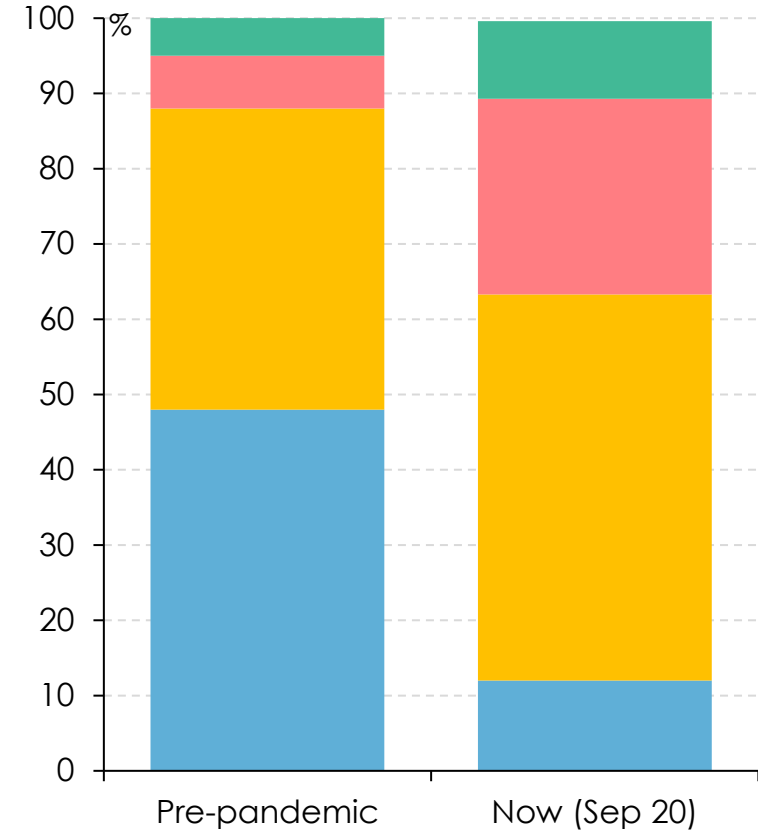
Mostly professional and office



Mostly industry and manual services



All organizations



- Not willing to hire 'virtual' employees
- Willing to hire 'virtual' employees if they can occasionally commute into the office
- Willing to hire 100% 'virtual' employees from anywhere in the US
- Willing to hire 100% 'virtual' employees from anywhere in the world

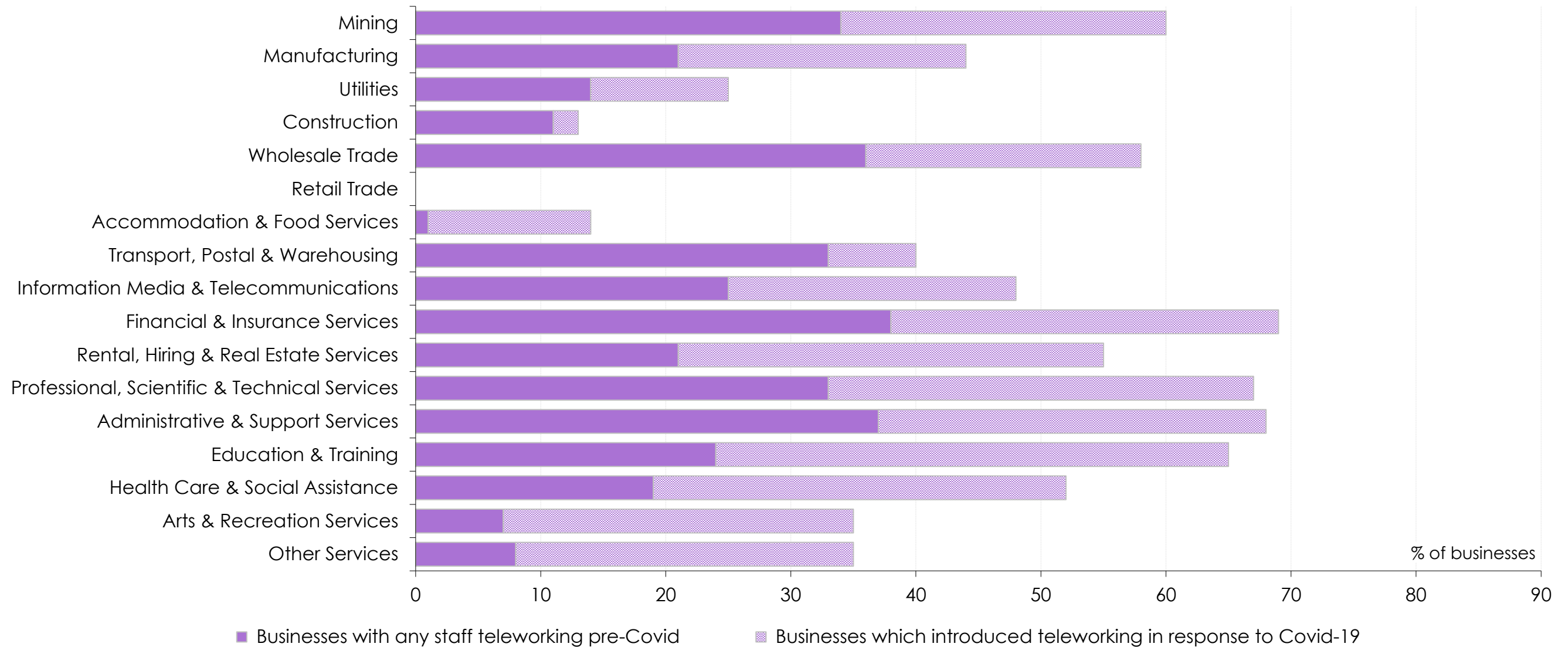
Source: Frank Steemers, Robin Erickson, Amanda Popiela & Gad Levanon, [Adapting to the Reimagined Workplace: Human Capital Responses to the Covid-19 Pandemic](#), The Conference Board, 6th November 2020.

‘WFH’ in the post-pandemic US economy could be only 40% of its average level during the pandemic, but still four times larger than pre-pandemic

- ❑ Covid-19 “necessitated costly experimentation with WFH by individuals and organizations” which “swept aside inertial forces related to experimentation costs, biased expectations, and co-ordination within networks that had previously inhibited remote work”
- ❑ The average worker has invested 15 hours of time and US\$561 in home equipment to facilitate WFH (equivalent to 0.7% of GDP across the entire economy)
 - so both workers and firms are better positioned to work from home effectively
- ❑ The pandemic has altered attitudes in ways that support a shift to WFH
 - two-thirds of respondents to the Survey of Working Arrangements & Attitudes report improved perceptions about WFH while fewer than 7% report any deterioration “among some, most or all people you know”
- ❑ The share of new patent applications that advance WFH technologies more than doubled last year
- ❑ Covid-19 has spurred regulatory changes easing the way for (eg) ‘telehealth’ consultations
- ❑ Workers perceive large benefits from a shift to WFH, mainly due to reduced commuting times
 - although these benefits accrue disproportionately to the well-educated and well-paid
- ❑ “Re-optimization” of working arrangements will boost productivity by an estimated 4½% relative to pre-pandemic levels
 - of which 3½ pc points comes from reduced commuting times

In Australia, 'teleworking' has become more common-place in most (but not all) industries since the onset of Covid-19

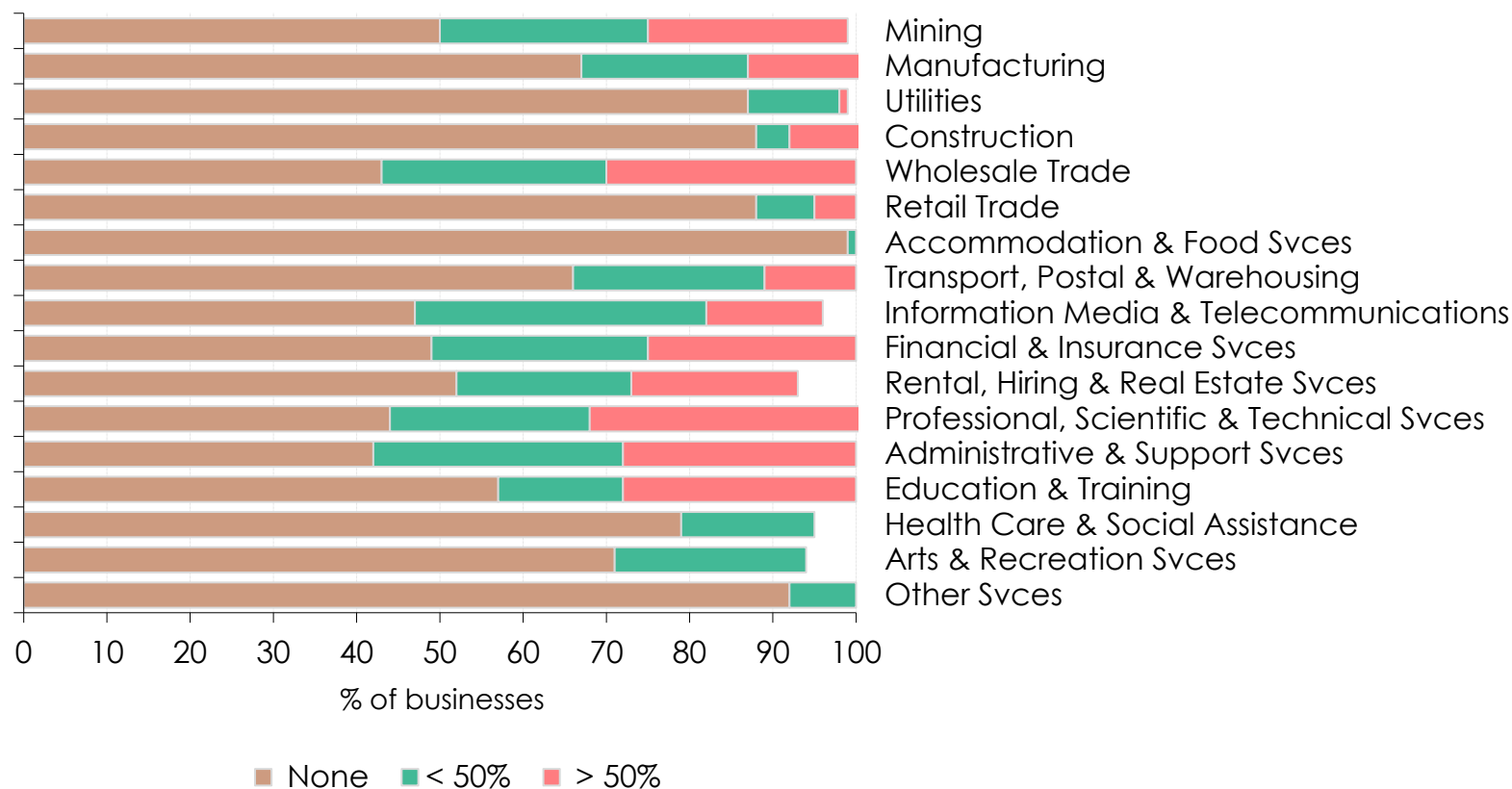
Percentage of Australian businesses with staff 'teleworking' before and after Covid-19



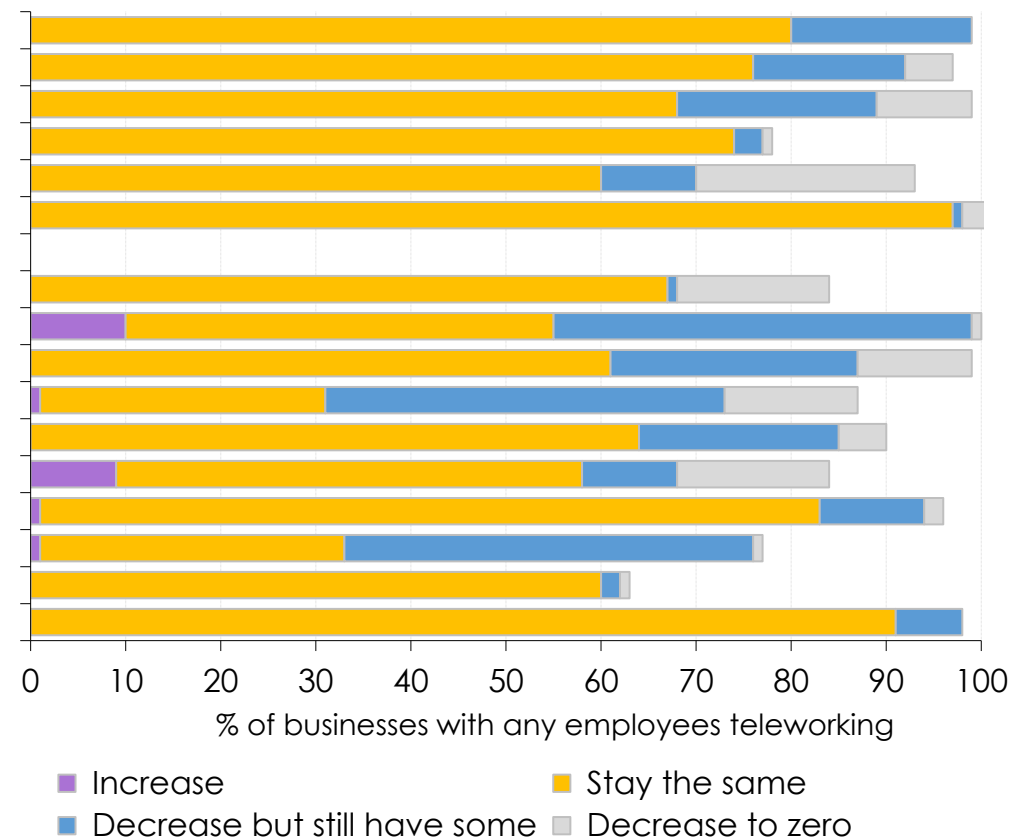
Source: ABS, [Business Conditions and Sentiments](#), March 2021 (released 30th April 2021).

31% of all businesses (but 75% of large businesses) have at least some of their staff working remotely – and most expect it to stay that way

Percentage of Australian businesses' workforces which were 'teleworking' in March 2021, by industry



Expected long-term change in percentage of workforces 'teleworking', by industry



75% of large businesses (but only 42% of medium and 30% of small businesses) currently have some of their workforces working remotely

Only 28% of those businesses which currently have some of their staff working remotely expect the proportion who are to decline 'over the long term'

Note: 'large' businesses are those with more than 200 employees; 'medium' businesses have between 20 and 199 employees; and 'small' businesses are those with fewer than 20 employees. Source: ABS, [Business Conditions and Sentiments](#), March 2021 (released 30th April 2021).

What are the potential upsides and downsides from a sustained increase in the proportion of people working remotely?

Potential advantages

- ❑ **Reduction in time spent commuting**
 - less congestion on freeways, arterial roads and public transport (and diminished requirement for additional spending on urban road and public transport networks)
 - better ‘work/life balance’, more time to spend with partners/families (or, alternatively, working)
 - reductions in transport carbon emissions
- ❑ **Savings in office accommodation costs**
 - partly or wholly offsetting increased costs incurred in complying with ‘Covid-safe’ workplace regulations
- ❑ **Savings in other time and costs**
 - most obviously time devoted to, and costs incurred in, attending conferences, ‘marketing trips’, etc
- ❑ **Enables employers to access a broader and more diverse workforce**

Potential disadvantages

- ❑ **Possible loss of productivity arising from ‘distractions’ in home environment, greater difficulties in facilitating collaboration and team-work among employees**
 - although evidence of such losses is to date fairly limited
- ❑ **Potential loss of innovation and productivity gains arising from planned or serendipitous interactions among people working in different firms or industries, ‘networks’ etc**
 - the scope for which is one of the reasons why productivity is typically higher in CBDs than in other workplace locations
- ❑ **Diminished scope for worker mobility between different employers**
 - which is one of the principal channels by which workers (especially younger workers) secure pay increases
- ❑ **Diminished scope for worker mobility between different employers**
- ❑ **Greater obstacles for new entrants to the work force (those completing education, migrants, people re-entering work) to gain access to good jobs**

There's a wide range of opinion among big employers as to the desirability of 'remote working'

EDITORS' PICK | Apr 28, 2021, 08:15am EDT | 20,064 views

JPMorgan Requires Employees To Return To Their Offices By July, Striking A Blow To The Remote-Work Trend

We want you back in the office, law firm tells partners

Michael Pelly *Legal editor*



M: **TECH**

Microsoft will let employees work from home half the time

PUBLISHED FRI, OCT 9 2020 11:26 AM EDT | UPDATED FRI, OCT 9 2020 11:57 AM EDT

Goldman Sachs: Bank boss rejects work from home as the 'new normal'

Groupe PSA presents its new principles of working methods

- An approach consistent with the intangible principle of employee and company protection
- A project that contributes to Groupe PSA's Group's environmental performance by reducing the company's carbon footprint
- Encouraging greater complementarity between remote work with collaborative and collective experiences on the sites
- A project that promotes agility, efficiency and a better work-life balance, developed in co-construction with the social partners and in continuation with the ["Motivation and Well-being at Work"](#) agreement



By *Christine Ro* 31st August 2020

Companies are looking to the post-Covid future. For many, the vision is a model that combines remote work and office time.

To the extent that ‘working remotely’ does become more commonplace, there are clearly challenges for owners and managers of office buildings

- ❑ **Can older office buildings be re-configured to make them more appealing to people who work in them?**
 - provision of services or amenities regularly used by office workers (especially if it becomes less viable for independent small businesses to provide them)
 - recreation and entertainment options?
- ❑ **Should office buildings incorporate some kind of accommodation facilities?**
 - to cater for employees who need to ‘come into head office’ (say) a few times a month rather than every day, and who live far enough away from head office that they need somewhere to stay overnight
- ❑ **Is it possible for office buildings to cater for a range of different transport needs and modes**
 - not just more bicycle racks, but parking for (not-so-senior) employees who need to ‘come into head office’ for intermittent periods
- ❑ **Can office buildings find ways to facilitate ‘serendipitous encounters’ among people who *don’t* work for the same employer?**
 - and other ways to enhance ‘networking opportunities’ for people who are not coming to the same place, every working day
- ❑ **Is the ‘office of the post-covid future’ some kind of ‘urban village’?**