Hybrid working 2.0: Humanising the office

Turn flexible working into a competitive advantage.

December 2021

Contents

Report on a page

1. Key insights

- **Flexible working to be the predominant way of working** for knowledge workers, driven by work-life balance. Not having flexible options at work is emerging as a deal-breaker, with 43% of knowledge workers prepared to walk.

- **Current flexible working arrangements are not working**. Flexible workers are significantly less productive than workers of fixed location because flexible working is too complicated. Flexible workers are struggling to figure out not only the where and when of work but also knowing what to do and how to work with their team.

- **Most organisations will become hybrid**, in the way that most workers will be flexible. But strategy is conspicuously missing from current approaches. Hybrid models must elevate to more than solving logistical challenges to focus on the purpose of work.

- **Hybrid working 2.0 differentiates work** according to the comparative advantage of the location. Remote working increases individual productivity; the office is where people come to work together through meaningful interactions. Productivity is boosted and creativity is amplified.

- **Hybrid working 2.0 is a business imperative** that drives values creation and accommodates workers' expectations of flexible arrangements. It is a win-win.

- **The 'new office' is central to hybrid working**, which will be an anchor for your organisation to support organisational culture and new ways of working. A new focus on activity-based human interactions helps organisations determine the work ideally suited for the office, in hybrid mode, and remote.

2. Strategies for success

We recommend four core strategies for organisations to shift to hybrid working 2.0:

- **Co-design a hybrid working model** – work with your employees to align their expectations of flexible working with organisational needs that drive value creation.

- **Program meaningful activity-based human interactions in the new office** – establish new rituals and programmed activities that repurpose the office.

- **Design the right space** – optimise space around activities for the meaningful interaction of people.

- **Develop a hybrid working charter** – develop core hybrid working principles that guide decisions.

3. What you can do to shift to hybrid working 2.0

**Alt_shift_office** is an innovative business solution designed specifically for hybrid working 2.0. **Alt_shift_office** diagnoses how well an organisation is working across different locations employing an innovative value creation framework; aligns worker expectations with organisational needs and aspirations; co-designs a hybrid working model with practical steps to implement, with a focus on the office reimagined.

Flexible working

Flexible working gives knowledge workers a level of choice and control over where and when they work.

Post-pandemic

Most knowledge workers **[58%]** want non-traditional working arrangements

Flexible working will be the leading work arrangement **[38%]**

Most knowledge workers **[73%]** want some form of flexibility in how they work

Generational change will lock in a flexible working future

Lack of flexible working options is a deal breaker for more than **2 in 5 workers**

Majority of knowledge workers **[91%]** want office time each week
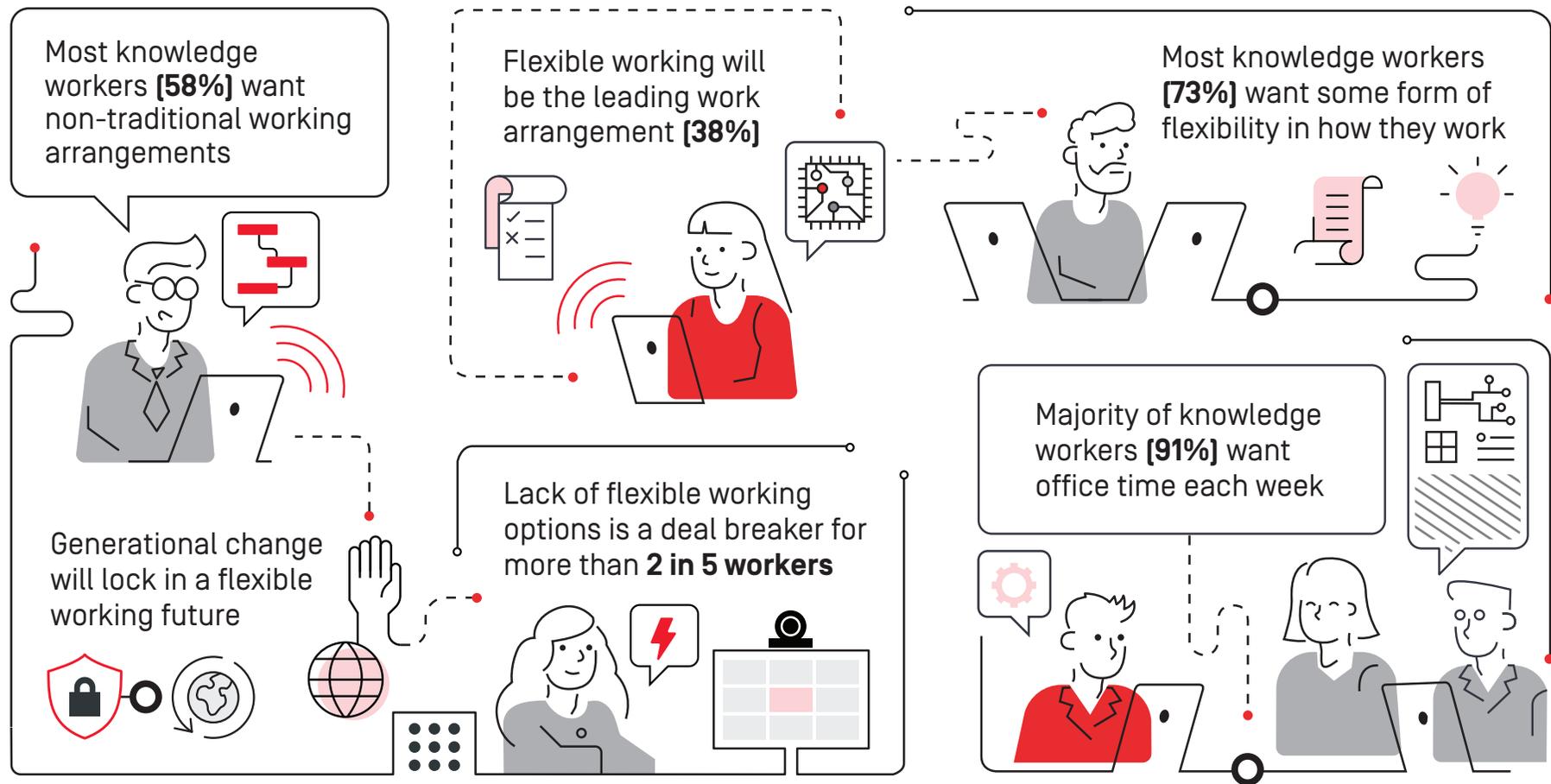
Executive summary

The rise of flexible working

There is a profound transformation underway across the Australian economy. For the first time, flexible working – working between the office and home or other location – is set to become the predominant arrangement post-pandemic, displacing conventional office-based working. The traditional office worker may soon become a relic of the past, replaced by the flexible worker.

In fact, behind this headline we find several indicators that flexible working will likely become entrenched in Australia.

Better work-life balance is a key driver for flexible workers. Every knowledge worker who worked from home during the pandemic wants to convert to a flexible working arrangement post-pandemic. But we also find that workers in cities and regions not impacted by stay-at-home restrictions also increasingly expect to work flexibly.

Almost all knowledge workers want some level of flexibility, regardless of arrangement. Workers who want to continue working from home post-pandemic (20%) want time in the office each week, while those who want to return to working in the office (32%) want to spend time each week working remotely. When combined with those who want to work flexibly (38%) - splitting their time roughly evenly between the office and remote working – we find around three quarters of Australian knowledge workers want flexibility in where and when they work post-pandemic. And more than 90% want time each week in the office.

Generational change will lock in a future of flexible working. Gen Z and Millennial workers – who together make up around three in five of all knowledge workers – have the highest expectations of working flexibly.

Not having flexible options at work is emerging as a 'deal-breaker'. More than two in five knowledge workers are prepared to leave if not offered flexible working by their employer. The trade-off for not offering flexible working could be expensive. 'Pay rise' is the leading compromise that might convince workers to stay.

Emerging concerns

Flexible workers are feeling good about themselves. We measured the workplace wellbeing of knowledge workers during June to August 2021 and compared to workers of fixed location – of those at home or in the office, flexible workers were the happiest and had the highest levels of job satisfaction. Working flexibly clearly elicits strong positive feelings.

Yet flexible working is not entirely successful. Flexible workers were least able to function effectively at their work. They reported being the least productive, were the least socially connected, had the lowest levels of engagement with their work and were the least able to take breaks when needed, when compared to their office-based and home-based counterparts across the country.

Unlike home-based and office-based workers, flexible workers have the additional logistical challenge of where to work and when. And we found flexible workers were least able to know what they needed to do. This emerging concern needs to be taken seriously as most knowledge workers want to pivot to flexible working arrangements post-pandemic.

To succeed, flexible working needs to be less complicated.

As the widespread return to office looms across Australia, organisations face a dilemma – how do they provide workers with better work-life balance through flexible working but not at the expense of productivity and social connections?

Hybrid working – the organisational response to flexible working – must be a win-win.

Hybrid working 2.0

In the same way most knowledge workers will be flexible, we expect most organisations to become hybrid. Initial hybrid working approaches have aimed to solve logistical challenges of flexible work across different locations. For it to succeed in the long-term, however, hybrid working must strategically align to value creation. Hybrid working 2.0 shifts the focus to the purpose of work. For the first time, we differentiate work according to the comparative advantage of the location.

After the best part of two years of 'working from home', there is a growing body of research that finds remote working not only supports a worker's individual productivity in performing routine work, but it could boost it. In this study, home-based workers report being best able to
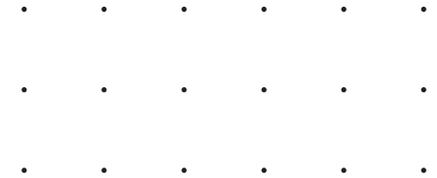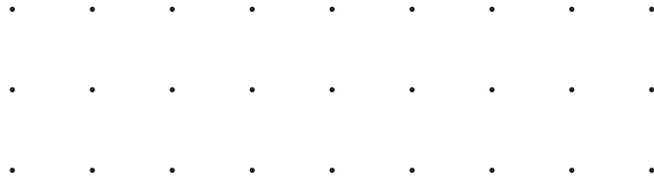
"zone out" and not be distracted when needed, and best able to work effectively and get things done. And our lived experience shows most meetings work just fine, if not better, without the office.

Post-pandemic, the routine work that once dominated the office will give way to work that thrives on human interaction. The office is not dying, but instead of it being the place you go to do work, it becomes the place to work with people.

More than ever, what companies need from their people is creativity. We've long known that creativity thrives from a diversity of connections. It is not that creativity can't and won't be done virtually; it is amplified when done in-person. Knowledge workers agree. According to them, the comparative advantage of the office is not only creativity and ideation, but also informal connections with colleagues, unstructured work, in-person collaboration and workplace learning that nourishes creativity.

Hybrid working 2.0 is a business imperative because it drives value creation. Done right, hybrid working holds the promise of boosting productivity, fuelling creativity and enhancing culture.

On the other hand, not adopting a hybrid approach could put your business at a competitive disadvantage to those that do. Beyond value creation, hybrid working will also position your organisation favourably in the war for talent.

Flexible working will be central to your employee value proposition, enhancing your ability to retain and attract talent, realised through hybrid working.

More than this, hybrid working supports anywhere working, allowing your workforce to be distributed between the city and regional areas, for instance. In some cases, even in different countries.

Humanising the office

Central to hybrid working is the 'new office', which will be an anchor for your organisation to support organisational culture and new ways of working.

The new office must be a compelling destination of immensely human interactions, with a focus on empathy, curiosity and humility. But it is more than work; rituals (e.g., starting certain days with a brainstorming session) and programmed activities (e.g., scheduling opportunities for teams to learn from each other) that support human interaction and foster participation are also essential to enable new habits and behaviours of the new office – and avoid reverting to old ways of working in the office. Think activity-based working through a lens of human interaction.

There will be countless permutations of the new office and its activities. For some hybrid organisations, it might mean having a central headquarters where workers come together regularly for activity-based human interaction. For office-first organisations, their existing premises might be repurposed with more space dedicated to collaboration, creative work and social connection. For organisations that are closing their offices and implementing a work from anywhere policy, it might mean access to a co-working space from time-to-time for social connections. Technology won't replace socialising and the fundamental importance of forming relationships.

Many organisations might think there is no need to pursue hybrid working and to humanise the office. Some might be considering reverting to the old office and ways of working. Others might be persuaded by the cost savings in doing away with the office all together and only working virtually. These approaches run counter to the growing evidence. The old office will not deliver the productivity advantages afforded from having remote working as part of the flexible mix. Purely remote working will impact productivity and innovation in the long term. And neither responds to the expectation of Australian knowledge workers for flexible arrangements. Like the fable of the frog in gradually boiling water, organisations that pursue these extreme options might think everything is fine and not realise their mistake until it is too late.

Hybrid working 2.0 affords us more than the opportunity to optimise the comparative advantage of location-differentiated work. It opens the door to reimagining work. Through humanising the office, we can amplify collaboration, connection and belonging. Hybrid working has the potential to unlock human potential. In a rapidly changing and disruptive world, where our human ability to navigate uncertainty comes to the fore, humanising the office could deliver ten-fold for the organisation.

2020 changed work forever; 2022 will change it again

Working from home

In early 2020, working from home became a reality in a matter of weeks as the COVID-19 pandemic forced stay-at-home restrictions on office workers across Australia. More than a quarter of all Australian workers (4.3 million) were working from home in May 2020, according to a Fair Work Commission report. And in doing so, many of the long-held truths about work and the office were obliterated. Despite fears, productivity and collaboration seemed to continue seamlessly without the office.

At the same time, millions of workers started having meaningful work-life balance for the first time, home-schooling notwithstanding. No commuting released hours each week for family time, for walking the dog, for hobbies. For many, it seemed to be the best of both worlds, and some started asking questions about why we would need to return to the office.

But as remote working continued, workers started feeling disconnected. Work at home began to encroach on personal lives. Concerns over burnout and wellbeing started to emerge.

Return to office

The inexorable return to the office now looms with a vaccinated population in Australia. Many workers miss being with their colleagues and are eager to get back into the office, but are reluctant to give up improvements to their work-life balance. Global surveys repeatedly show workers want some form of flexible working – working between the office and a remote location, which for most is home.

Initial guidance of how to make these arrangements possible has focused on logistical challenges, the where and when. (For instance, refer to Lynda Gratton *MIT Sloan Review*). How many days should employees come into the office versus work from home? Which employees should come in and on what days?

These are important problems to solve. Without data to support their decisions, many leaders are proposing solutions based on what they think is best. One company we know has made a blanket determination that all workers will come into the office three days a week on Tuesdays to Thursdays and work remotely for the remainder of the week. Other approaches are more laissez-faire, allowing workers and their team to figure out flexible working for themselves.

A common refrain we hear is leaders want to "get people back in the office for social connection and collaboration". We agree, but belying these views is a return to the traditional office.

2022 will see the rise of hybrid working. Our approach for hybrid working 2.0 focusses on the purpose of work where the goal is value creation. Central to hybrid working 2.0 is the role of the office.

The competitive advantage of hybrid working 2.0: the office repurposed

Strategy is conspicuously absent from most hybrid working approaches to date. Beyond addressing worker expectations of more flexible working, what impact will hybrid working have on productivity, innovation and worker wellbeing? Why should organisations pursue it?

Our 2021 report *Peak Human Workplace* sets out the case for the need to create value as the disruptions that organisations face become ever more complex. Witness the impact of climate change, globalisation, and a global pandemic combined with the advance of intelligent technologies. Customer expectations and behaviours are constantly changing, meaning demand patterns are constantly changing with them. Organisations must continuously create new value to maintain their competitive edge.

Research by Telstra finds that businesses adopting a hybrid model are 28% more likely to deliver new and innovative products or services to the market.

What companies need from people is to unleash their creative potential. Creativity thrives when people come together in-person. That's why we need the office – even for organisations that are embracing fully remote working policies.

In hybrid working 2.0, the office takes on a new elevated role. Before COVID-19 all type of work was done in the office. The "new office", as we call it, will have to be reimagined and repurposed to focus on its comparative advantages – activities that meaningfully connect people to create value, boost productivity, drive quality and enhance wellbeing. The new office becomes an anchor in times of uncertainty supporting organisational culture and new ways of working.

This report aims to show that hybrid working is more than just the sum of its parts where work activities are distributed between the home and office. Hybrid working must exploit the comparative advantages of remote working and the office and align to the expectations of workers. The new office needs to be designed and programmed for work activities that prioritise the meaningful interaction of people. In doing so, organisations will both enhance wellbeing and competitive advantage. Hybrid working 2.0 humanises the office.
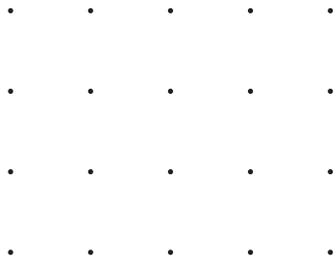
Workers need some love and attention

Workers are emerging from arguably the most disruptive period of their working lives where uncertainty has been the hallmark. The surge of the Delta strain in Australia has amplified concerns, especially in the major cities of Sydney and Melbourne where one in two workers is less inclined to return to the office (see chart.) Not only are workers hesitant for health reasons, but many have also enjoyed working from home. Organisations should not be rushing back to the office to resume normal programming, despite an understandable desire for certainty.

According to the October 2021 report by PricewaterhouseCoopers, *What workers want: Winning the war for talent*, 38 per cent of Australian workers are considering leaving their current employer in the next 12 months. Our study taps into this discontent among Australian knowledge workers. Workers are fragile. Employers will need a compelling rationale to get workers back onsite that considers workers' concerns and aspirations.

What makes sense for hybrid approaches today might not be as effective in six months' time. Every organisation will have to experiment in developing their own version of hybrid working 2.0. Organisations will need to involve their people in figuring out how to make hybrid work for them. In doing so, workers will better understand the organisation's needs and aspirations. Engage them. Empower them. Embolden them. It will be worth the effort.

Here we provide the blueprint. The upside will be a new model of work that meets employee expectations and creates value for companies navigating a world of increasing uncertainty.

Question: *Thinking about the current COVID-19 wave due to the Delta strain of the virus, what impact has this had on your attitudes towards returning to work in the office?*

Finally, we recognise there are millions of frontline workers excluded from this study but for whom flexibility will be equally desirable yet far more challenging to attain. Figuring out flexibility for knowledge workers is the first step.

Impact of Delta strain on attitudes to return to office

	Less inclined	Neutral	More inclined
National	41.8%	32.9%	25.3%
Major Cities	49.9%	23.8%	26.2%
Other cities	34.1%	41.2%	24.7%
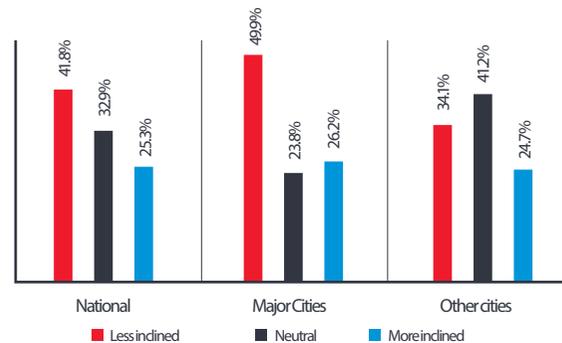
This study

We set out to better understand the experience and aspirations of the traditional Australian office worker across the economy. Also known as knowledge workers and white-collar workers, their work is no longer location-dependent, thanks to sophisticated virtual technologies. What has been their work situation during COVID? How would they like to work post-pandemic? How are they going?

We looked at four different types of working arrangements defined by location: home-based (i.e. remote working), office-based (i.e. on-site working), flexible working (i.e. between the home and office), and third space

(e.g. co-working spaces), further detailed in the methodology in Part 5. We recognise that none of these working arrangements would be possible without virtual technologies, however, we are interested in the comparative advantage of the location and with less focus on the technologies that enable flexible work.

We focused on three time-periods: pre-COVID (before the pandemic), June-August 2021 (during COVID), and post-COVID (after the pandemic).

As well as demographic analysis, we looked at the results Australia-wide and in two different CBD city groups. Sydney and Melbourne (SYD-MEL) endured harsh lockdown restrictions (i.e. work-from-home orders) for most of June-August 2021, whereas Adelaide, Brisbane and Perth (ADL-BNE-PER) were largely free of restrictions over this time. See graph of office occupancy rates in Australia's five major cities in June-August 2021.

Office occupancy rates June-August 2021
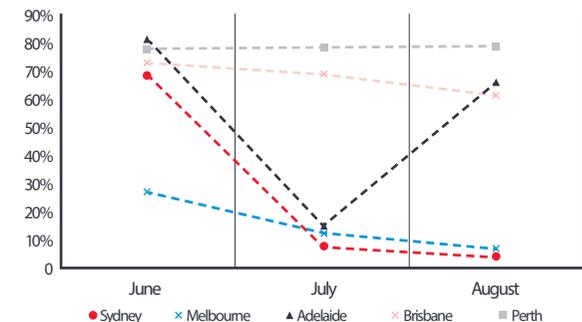
Survey data from Property Council of Australia

Part 1. The future is flexible: knowledge workers' perspectives on working arrangements in Australia

Trends in working arrangements

Flexible working preferred

For the first time in Australia, flexible working is poised to be the predominant working arrangement post-pandemic (38%). This will displace traditional office-based working (32%) as the preferred arrangement of knowledge workers.

In effect, every worker who switched to working from home during the pandemic wants to convert to a flexible work arrangement post-COVID. Workers want to retain control over where and when they work.

Third space workers' (i.e. workers in co-working spaces) preferences remained consistent at around 7%.

Around 40% of all pre-COVID office-based workers across Australia converted to home-based working over June-August 2021. Post-pandemic, there is no rebound in the preference for mainly office-based working arrangements post COVID.

These shifts raise an interesting question about identity. Will workers begin to identify as 'flexible workers' rather than the traditional 'office worker'?

Trend of working conditions in Australia

Legend: ● Home × Office ▲ Flexible working × Third space ▪ Other

Data points:
- 57.0%, 18.4%, 14.6%, 7.0%, 3.0% (Pre-COVID)
- 35.4%, 34.3%, 20.8%, 6.1%, 3.4% (June-August 2021)
- 37.8%, 32.2%, 20.0%, 7.1%, 2.9% (Post-COVID)
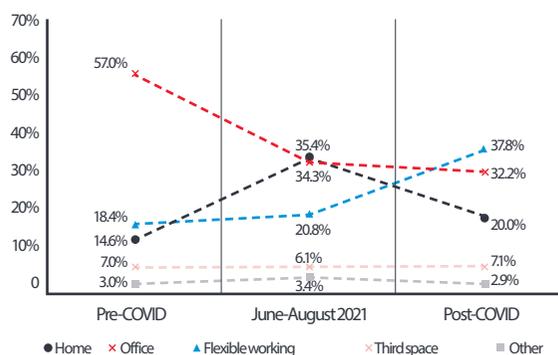
Expectations for flexible working are rising across Australia, regardless of lockdowns

Flexible working is rising in preference across Australia. The trend is most pronounced in Sydney and Melbourne, where hard COVID-19 lockdowns were in place over June-August 2021.

Even in the city grouping of Adelaide, Brisbane and Perth, where there were minimal COVID-19 restrictions, the expectation of flexible working increased to almost equal office-based working preferences.

Not only do workers who have experienced working from home (SYD-MEL) want to have more flexibility post-pandemic, but increasingly so too do workers who have not (ADL-BNE-PER).

We note that the intention to work in a third space in ADL-BNE-PER increased from 7% pre-pandemic to 11% post-pandemic. There is no change in third space preferences in SYD-MEL.

Trend of working conditions in SYD-MEL

Legend: ● Home × Office ▲ Flexible working × Third space ▪ Other
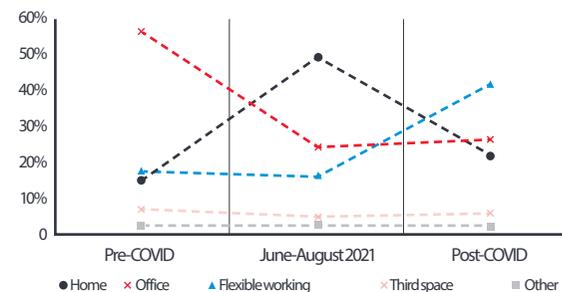
Trend of working conditions in ADE-BNE-PER

Legend: ● Home × Office ▲ Flexible working × Third space ▪ Other
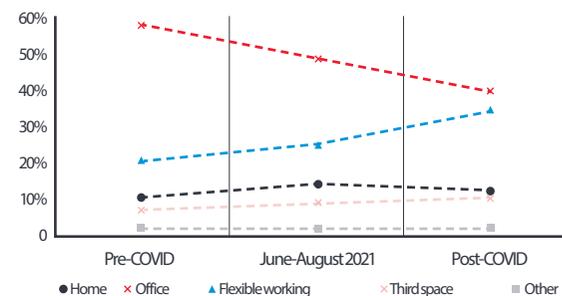
Question: *Pre-COVID/last 3 months, where did you work most of the time? Post-COVID, where do you want to work most of the time?*

Demographic analysis of working arrangements

Almost every worker wants flexible working arrangements in the post-pandemic future

That's not the whole story. Almost all knowledge workers want to work flexibly when we look at how workers in each arrangement want to split their time between the office and remote locations post-pandemic.

Workers who want flexible working arrangements prefer to split their time roughly evenly between home and office – ideally 2.8 days each week in the office, as a weighted average.

But home-based and office-based workers also want to work flexibly:

- home-based workers want to work in the office each week (1.5 days)
- office-based workers don't want to spend all their time in the office each week (3.7 days)

The office is far from dying. More than 90% of knowledge workers want to spend some time in the office in their weekly working life.

There is little difference between genders. Both prefer flexible working more than other arrangements. The main difference is male workers have a slightly higher preference for office-based work post-pandemic, whereas female workers slightly prefer home-based working. There is no marked difference between genders however on the number of days in the office across the different working arrangements.

Days in the office post-pandemic

Home: All workers 1.5, Male 3.0, Female 1.4
Office: All workers 3.7, Male 3.8, Female 3.7
Flexible working: All workers 2.8, Male 2.9, Female 2.8
Third space: All workers 3.2, Male 3.0, Female 3.3

Legend: All workers | Male | Female
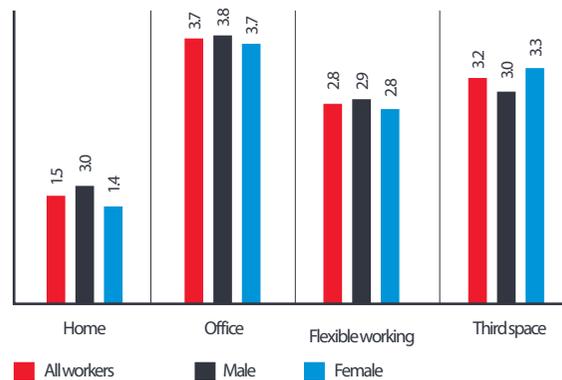
Gender preferences post-pandemic

Male: 17.0%, 35.9%, 38.8%, 6.5%, 1.9%
Female: 22.6%, 29.1%, 36.9%, 7.7%, 3.7%

Legend: Office | Flexible working | Third space | Other
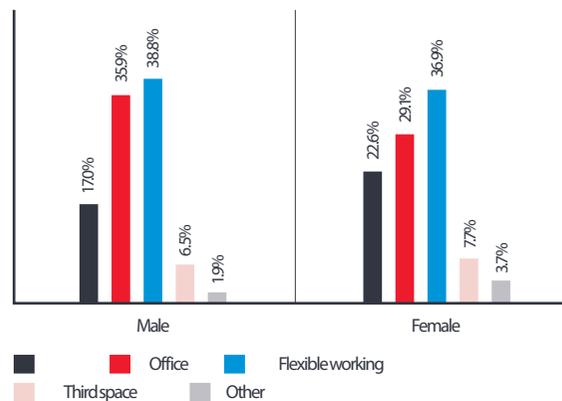
Question: *Once the pandemic is under control, what would be the ideal number of days each week you would like to work in the office?*

Generational change will lock in a flexible working future

Post-pandemic, the younger the worker, the greater the preference for flexible working arrangements. Gen Z workers prefer flexible working (46%) twice as much as Baby Boomers (23%).

With around three fifths of the knowledge workforce made up of Millennials and Gen Z workers, generational change will lock in flexible working as the predominant arrangement.

Younger generation workers want to spend slightly more time in the office each week compared to older workers. According to Gen Z workers, the leading reasons they want to return to the office are to avoid distractions at home (e.g. room mates), for their mental health and wellbeing and to maintain relationships with colleagues and feel included.

See part 5 for additional demographic analyses of working arrangement preference according to role, organisation, and economic sector.

Generation preferences post-pandemic

Gen Z — 16.0% · 20.5% · 46.2% · 14.7% · 2.6%
Millennials — 18.1% · 31.1% · 41.6% · 7.9% · 1.3%
Gen X — 23.8% · 32.1% · 34.9% · 4.8% · 4.5%
Baby Boomers — 19.8% · 45.4% · 22.6% · 6.1% · 6.1%

Legend: ■ Office ■ Flexible working ■ Third space ■ Other
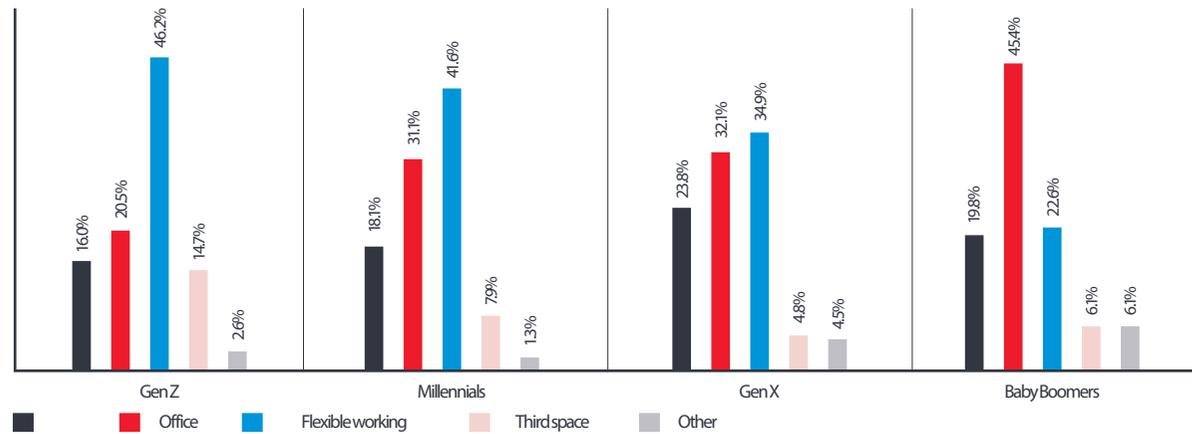
Days in the office each week post-pandemic by generation (weighted average)

Gen Z — 3.2
Millennials — 3.0
Gen X — 2.7
Baby Boomers — 2.9
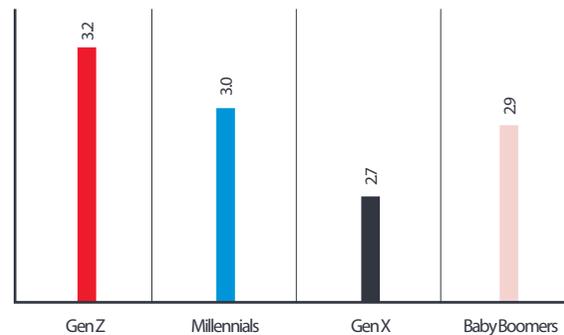
Importance of flexible working arrangements

Lack of flexible working options is a deal breaker

More than two in five (43%) Australian knowledge workers said they would consider leaving an employer that does not offer flexible working for one that does, rising to 46% in Sydney and Melbourne.

Male workers have more strongly-held views (47%) about leaving their employer than female workers (40%), although significantly more female workers (33%) are undecided than their male counterparts (25%).

Flexible working options are most important for the middle generation workers, followed by Gen Z and least important for Baby Boomers. Millennial workers (47%) – the largest generational cohort in the workforce – are more than twice as likely to leave their employer than are Baby Boomers (21%).

Intentions across Australia to leave employer if flexible working not offered

	Likely to leave	Unlikely to leave	Neutral
	43%	28%	29%

Gender

	Likely to leave	Unlikely to leave	Neutral
Female	40%	27%	33%
Male	47%	28%	25%

Generation

	Likely to leave	Unlikely to leave	Neutral
Baby Boomer	21%	51%	28%
Gen X	45%	26%	30%
Millennials	47%	23%	29%
Gen Z	38%	35%	37%
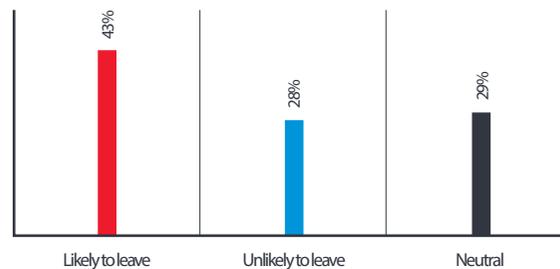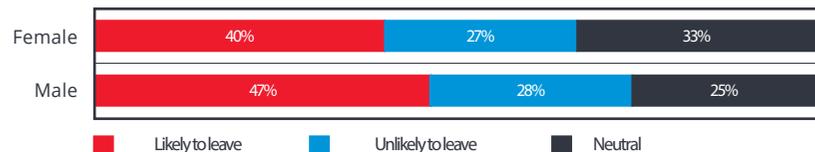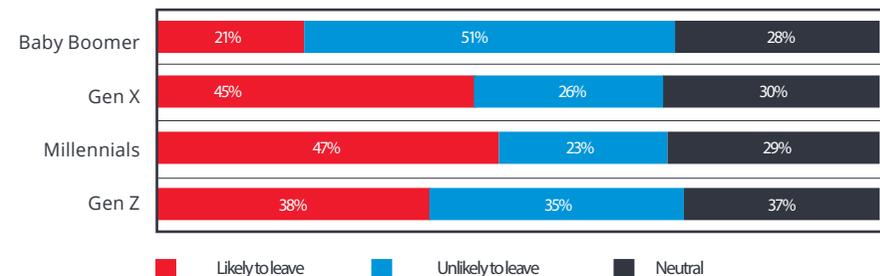
Question: *Flexible working is where employees have more say in where, when and how they work. Once the pandemic is under control, if your employer did NOT offer flexible working how likely or unlikely would you be to leave your employer for an employer who does offer it?*

The trade-off for not offering flexible working could be expensive

If an organisation does not offer flexible working, the price to keep an employee could be expensive. Workers expect a pay rise as the leading trade-off where flexible working is not offered. It is both the top reason and overall reason when combining the top three ranked reasons of respondents, followed by more leave or time off and better job security.

But the risk is potentially far greater than money. The likely fallout from not offering flexible working is losing talent.

For more than one in eight workers (13%), flexible working is non-negotiable, being their top reason. This could make many employees a flight risk in search of roles that are flexible.

Only 15% of workers said they didn't need convincing to stay.

Trade-off if not offered flexible working

|	Top reason	Second reason	Third reason
A pay rise	26.5%	17.8%	10.8%
Better job security	10.5%	10.2%	9.9%
A promotion	8.4%	11.9%	9.3%
More interesting work	8.3%	7.9%	10.8%
More leave or time off	7.5%	16.1%	13.4%
More learning opportunities	5.8%	7.2%	10.3%
More travel / perks	4.1%	5.6%	9.1%
Flexible working is non-negotiable	13.2%	7.4%	8.4%

■ Top reason   ■ Second reason   ■ Third reason
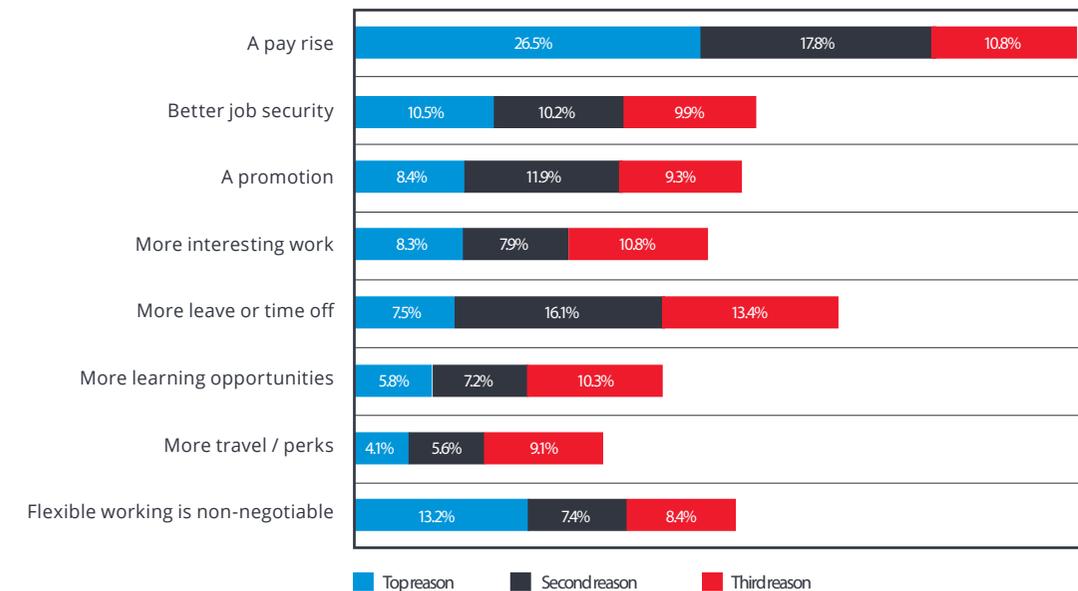
Question: *If your employer is NOT willing to offer you flexible working, what would convince you to stay? Please rank your top three from most important ranked first, second most important, and so on... Results are ranked according to top reason.*

Part 2. Emerging concerns about flexible working: workplace wellbeing across Australia

Workplace wellbeing compared across working arrangements

Workplace wellbeing relates to how workers feel about themselves and their work. Workers with higher levels of workplace wellbeing have more energy, are happier, nicer and more productive compared with those workers with lower wellbeing.

Flexible working will be the way we work post-pandemic. Whether a worker identifies as flexible, home-based or office-based, almost all workers want flexibility between home and office. We can gain important insights into this future of flexible working and better understand the comparative advantage of each arrangement by measuring the current workplace wellbeing of flexible, office-based and home-based workers.

Drawing from several workplace wellbeing models, we evaluated five components, described in the table opposite and detailed further in part 5. At a high level, the components can be grouped in two: how workers feel about themselves (subjective wellbeing) and how they feel about their work (work engagement, social wellbeing, accomplishment, health).

During June-August 2021, COVID-19 restrictions created a natural social experiment across Australia. Home-based workers in SYD-MEL were restricted to their homes with no flexibility across locations. At the same time, while offices were almost empty in SYD-MEL, those in ADL-BNE-PER continued to operate at more than 70% capacity.

We focused on the three main location-based working arrangements during this period – home, office, and flexible working - which accounted for 90% of respondents. We then looked at the results Australia-wide and the two city groups. The results are presented as heat maps, which show comparative results for each wellbeing component across working arrangements.

Component	Elements
Subjective wellbeing	Positive sentiments a worker has about themself, negative sentiments about themself, worker's job satisfaction
Work engagement	Engagement, meaning, personal growth, motivation, purpose at work
Social wellbeing	Quality of connections, social capital, quality exchange relationships with leaders, social support at work
Accomplishment	Feeling able to complete tasks and daily responsibilities
Health	Able to take breaks when needed during work

Heat maps of workplace wellbeing across Australia

How to read the heat maps in two steps

Step 1. The heat maps show a comparison of relative scores across working arrangements, i.e., left to right, for each wellbeing component. Scores are represented using colour coding of blue, light red, red. Scores which represent a more desirable wellbeing outcome for that component are in blue, less desirable in red, and light red in between. For instance, in Australia for positive sentiment, flexible working had the highest score (blue), office-based the lowest score (red), and the score for home-based (light red) was between the two extremes. Note that only for negative sentiment the scoring is reversed. In Australia for negative sentiment, flexible working had the lowest score, which is a more desirable wellbeing outcome (blue), whereas home-based and office-based both had equivalent highest scores, which are less desirable (both in red).

Step 2. The overall wellbeing for a particular working arrangement, i.e., top to bottom, can then be considered. For instance, in SYD-MEL, home-based had the highest overall relative wellbeing (most results in blue), office-based had the lowest relative wellbeing (all results are red and light red), and flexible working was in between (mix of blue and red).

AUSTRALIA		Home-based	Office-based	Flexible working
Subjective wellbeing	Positive sentiment	light red	red	blue
	Negative sentiment	red	red	blue
	Job satisfaction	red	light red	blue
Work engagement		blue	red	red
Social wellbeing		light red	blue	red
Accomplishment		blue	light red	red
Health		blue	red	red

SYD-MEL		Home-based	Office-based	Flexible working
Subjective wellbeing	Positive sentiment	blue	red	blue
	Negative sentiment	blue	light red	blue
	Job satisfaction	red	light red	blue
Work engagement		blue	red	red
Social wellbeing		blue	red	red
Accomplishment		blue	light red	red
Health		blue	red	red

ADE-BNE-PER		Home-based	Office-based	Flexible working
Subjective wellbeing	Positive sentiment	blue	red	blue
	Negative sentiment	light red	red	blue
	Job satisfaction	red	light red	blue
Work engagement		light red	blue	blue
Social wellbeing		red	blue	red
Accomplishment		blue	light red	red
Health		blue	red	light red

Wellbeing outcome

More desirable ▮ (blue) ▮ (light red) ▮ (red) Less desirable

Summary of comparative workplace wellbeing for each working arrangement

Home-based workers. Across Australia and city groupings, home-based workers had the highest overall workplace wellbeing of all workers.

Home-based workers were akin to sole operators. They were able to focus on their work, get things done, collaborate with their team as required, while also being able to manage their personal time effectively around work, being able to learn and take breaks.

But worryingly, they were isolated, feeling alone, hopeless and disconnected. Having the lowest levels of job satisfaction suggests this is unsustainable.

Office-based workers. Across Australia and city groupings, office-based workers had the lowest overall workplace wellbeing of all workers.

The COVID-19 experience shone a spotlight on traditional office-based working and revealed a general malaise. The only three positive dimensions of workplace wellbeing that standout for office-based workers (of the 22 we measured) were they felt the most 'connected to their organisation', were best able to 'grow connections with colleagues outside their team' and best able to 'learn from colleagues'.

Of concern, according to office-based workers, the office was not the best place to work effectively and get things done nor was it the best environment for formal learning and development opportunities, both of which require focus.

Office-based workers in SYD-MEL had the lowest social wellbeing, whereas workers in ADL-BNE-PER had highest levels. This suggests that office density mattered.

Flexible workers. Across Australia and both city groupings, flexible workers consistently had the highest wellbeing for themselves but lowest wellbeing about their work.

Working flexibly clearly elicits strong positive feelings. Giving workers flexibility – a level of choice and control over where and when they work – resulted in flexible workers feeling good about themselves. Working flexibly clearly elicits strong positive feelings.

But they were least able to function effectively. They reported being the least productive, were the least socially connected, had the lowest levels of engagement with their work, and were the least able to take breaks when needed.

Summary of comparative workplace wellbeing for each working arrangement

Home-based workers

✓	• most productive • best able to focus and zone out • best access to learning and development opportunities
✗	• most alone • least able to grow connections outside their team • least satisfied with their jobs

Office-based workers

✓	• most connected to their organisation • best able to grow connections with colleagues outside their team • best able to learn from colleagues
✗	• least happy • poorest work-life balance • most likely to leave their jobs • most unable to zone out • least able to take a break • poorest access to learning and development opportunities

Flexible workers

✓	• most happy • best work-life balance • highest levels of job satisfaction
✗	• least connected to their organisation • least able to collaborate • least productive • lowest purpose and meaning at work • low health score

Productivity

Because productivity is such a critical driver of business success, it's worth taking a deeper dive into the accomplishment component of workplace wellbeing. We measured two self-assessed aspects of accomplishment:

- **effectiveness** ('able to work effectively and get things done'), and
- **efficiency** ('knew exactly what I needed to do most of the time')

The bar graph on the right shows the overall results for Australia's five capital cities combined – Australia's major CBDs – during June-August 2021.

Based on these self-assessed measures, home-based workers reported being productive at levels 20% higher than office-based workers, which in turn was around 33% more productive than flexible workers.

We stress that this is not a direct measure of productivity, however, it is persuasive. The unique natural social experiment over the June-August 2021 period allows us to compare home-based and office-based productivity, because home-based workers were mainly office-based pre-COVID and therefore have a common understanding of productivity.

We recognise that there are many drivers and enablers of productivity in an organisation. We also emphasise that work creates value through more than productivity. However these results help to create a compelling argument for supporting some level of flexible arrangements, i.e. some time working from home each week. Not only would this satisfy workers' expectations of flexible working arrangements but such a hybrid working model is likely to boost productivity.

Now let's turn to flexible working to consider why productivity is lowest.

Productivity

	I was able to work effectively and get things done	I knew what I needed to do most of the time
Home	63.1%	56.5%
Office	47.8%	52.6%
Flexible working	40.6%	34.4%

■ I was able to work effectively and get things done

■ I knew what I needed to do most of the time
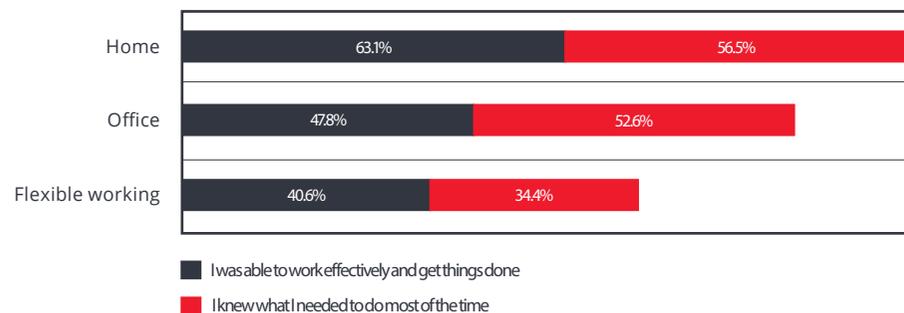
Workplace wellbeing and getting the balance right for flexible working

Flexible working has additional complications. Compared to home-based and office-based workers, flexible workers have the added logistical challenge of where to work and when. And our data suggest it is further complicated as flexible workers were least able to know what to do. Flexible workers felt least able to 'know what they needed to do most of the time' and least able to 'collaborate easily with my team'.

This is cause for concern as we move towards flexible arrangements post-pandemic for most workers. Current home-based and office-based workers too might become less productive and more disconnected from colleagues. This also threatens creativity and innovation.

To summarise, the key insights from workplace wellbeing for a flexible working future are:

- some remote working is ideal for productivity
- office time is ideal for maintaining connections with colleagues and workplace learning
- flexibility is ideal for work-life balance.

How can we build on these insights and improve outcomes for flexible working?

Hybrid working 2.0 moves beyond planning work and defines the respective purposes of home and office. We now look at each in turn.

Part 3: Human interactions lead to value creation: the comparative advantage of the new office
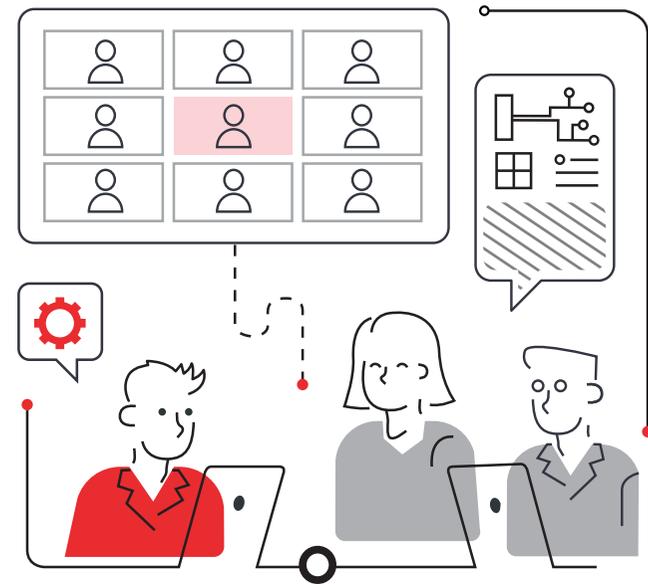
The evidence on remote work

The September 2021 report from the Australian Productivity Commission found that working from home allows workers to improve productivity through greater autonomy and the ability to better concentrate on tasks.

Recent US research published by the National Bureau of Economic Research estimates that the productivity boost from individuals working from home post-pandemic could be nearly 5% relative to pre-pandemic.

Remote working is suitable for individual productivity, consistent with our findings that sense of accomplishment is highest for home-based workers. However, individual productivity does not always lead to business productivity or innovative outcomes. Indeed, the Productivity Commission report cautions that working from home might hinder creativity and decrease collaboration effectiveness.

A recent Nature Human Behaviour paper investigated the causal effects of firm-wide remote work on communication and collaboration at Microsoft, based on one of the largest studies of remote working to date. Remote working (i.e. working from home) resulted in an increase in asynchronous communication (i.e. emails, instant messages, etc.) and a decrease in in-person interactions – both in the office and virtually (video). At the same time, there was a decrease in the organisation's social capital. The collaboration network of workers became more static and siloed with fewer bridges across the organisation. See box for a summary of the key findings.

As a consequence, the authors predict that the "effects (of remote working) on workers' collaboration and communication patterns will impact productivity and, in the long-term, innovation". They caution firms that choose a permanent remote working policy "may put themselves at a disadvantage by making it more difficult for workers to collaborate and exchange information".

There is also evidence of collaboration overload during the pandemic. Workers are spending more time each week in shorter and more fragmented meetings with fewer people, displacing focus time and impacting productivity.

A study on Uber reported by Cross et al. found that a group of employees who had more focus time each week was more productive than a group that did not. There is a need for more effective collaboration but reduced collaboration overall.

Microsoft research on impact of remote working*

A study of 61,182 US Microsoft employees used rich data from their emails, calendars, instant messages, video/audio calls and workweek hours over the first six months of 2020 to estimate the causal effects of firm-wide remote work on collaboration and communication. They investigated two types of communication.

1. Asynchronous communication (i.e. emails, instant messages) – best suited for the transfer of information
2. Synchronous communication (i.e. workplace interactions, video calls) – best suited for communicating complex information, for converging on the meaning of that complex information and for creating ideas

For collaboration they investigated the social capital, or "ties" between workers, focusing on the strong bonding ties within teams and the weak bridging ties across the organisation.

Their results showed that firm-wide remote work caused the collaboration network of workers to become more static and siloed with fewer bridges across the organisation. At the same time there was a decrease in synchronous communication and an increase in asynchronous communication. Together, these effects may make it harder for employees to acquire and share new information across the network.

The implications of these causal effects are:
- less diversity of expertise and perspectives on solving complex problems
- poorer ideation
- reduced transfer of knowledge i.e. workplace learning
- reduced quality of workers' output.

*Yang, L., Holtz, D., Jaffe, S. et al. The effects of remote work on collaboration among information workers. Nat Hum Behav (2021). https://doi.org/10.1038/s41562-021-01196-4

The evidence on the office

Previously the office was where all types of work took place. Initial approaches to hybrid working focus on distributing work across remote and on-site locations. It is time to have a more sophisticated approach. If remote working is better suited for individual productivity, routine tasks and some focused work, what should be the role of the office in hybrid working?

We asked workers their views. What activities are best performed in the office?

The results in the chart on the right can be arranged into three bands of activities in descending order of importance.

Band 1
Informal connections with colleagues, unplanned work, in-person collaboration, creativity and ideation, workplace learning.

Band 2
Formal meetings, routine tasks and coordinating work.

Band 3
Individual-focused work, virtual meetings, and taking time out.

Encouragingly, these workers' views complement the research findings on remote work.

Activities best performed in the office

Activity	%
Informal chats with colleagues	45.8%
Collaborating with team mates	43.8%
Collaborating across the organisation	36.0%
Brainstorming new ideas	33.2%
Learning from colleagues	33.1%
Performing routine tasks	32.8%
Small meetings (<4 people)	31.6%
Large meetings (>10)	26.5%
Coordinating tasks	26.2%
Taking a break	25.5%
Receiving feedback	25.0%
Focused/deep thinking work (by yourself)	20.8%
One-on-one call or virtual meeting	12.9%

Band 1   Band 2   Band 3

Question: *Thinking about the work you do, and once the pandemic is under control, which of the following activities are best performed in the office? Please select all that apply.*

Workplace learning and collaboration research by Centre for the New Workforce

Increasingly, knowledge in organisations is being codified and exchanged through asynchronous communication such as in emails and through a myriad of knowledge management platforms which can efficiently scale and distribute knowledge to employees employees everywhere (Fayard et al.). Yet the most important knowledge in organisations cannot be made explicit. In-person interactions are powerful for sharing the expertise, knowledge and insights that are more implicit in nature and often context-specific.

Research by Centre for the New Workforce (CNeW) Associate Professor Eva Kyndt has shown that such in-person interactions in the workplace are not only important for learning but are the main way workers learn at work. And this research found workplace learning leads to more positive attitudes towards a person's job.

CNeW research on Australian workers (Peak Human Workplace 2021) identified the types of learning and collaboration in the workplace that support a culture of creativity and innovation in disruptive environments, especially through in-person interactions.

Worker-driven learning. Where workers are empowered to learn while performing work, they can solve a customer's unforeseen problem, push through knowledge boundaries to develop new solutions and develop innovative ways of achieving challenging targets. This workplace learning, especially between co-workers, is ideal for generating new ideas and creating new knowledge. It often starts with insights gained through working, such as discussing patterns identified in recurring themes across projects.

Collaboration diversity. When people from across the organisation come together – from different functions, with different expertise and from different vantage points and perspectives – to collaborate (structured or unstructured), they can solve complex problems and generate innovative new ideas.

The reason to come into the new office is to meaningfully interact with people

Human interactions are the "dark matter" on which organisations thrive. And just like the dark matter that keeps rotating galaxies from flying apart as they hurtle through space, human interactions keep organisations together, especially in rapidly evolving and dynamic environments.

In the pre-COVID office many interactions were visible – from company gatherings to team meetings, workshops and structured collaboration. But there were countless other interactions less obvious that we took for granted, from leaning over and asking a colleague a question in the flow of work, to running into coworkers you haven't seen recently in the lobby, to having a catch up over coffee with teammates.

Human interactions are essential for our need to belong and our desire for meaningful connections. According to Sanchez-Burks et al. at the University of Michigan, we need to design "immensely human interactions" for the office with a focus on empathy, curiosity and humility. Fayard et al. emphasise it is the frequency of those interactions that helps build trust and "lead to commitment, support, and cooperation among people on teams."

All too often, however, workers simply came into the pre-COVID office to sit at their computer and process emails, perform other routine tasks and get information through formal meetings – all with little meaningful human interaction. We now know remote working, through the virtual technologies that support it, is better suited for much of this work. And while virtual collaboration is becoming increasingly sophisticated, studies have shown videoconferencing conveys only a limited amount of body language, which can lead to "misinterpretation and make bonding difficult." (Fayard et al.)

Remote working has profoundly dislocated many valuable human interactions and disrupted connections across organisations. The purpose of the new office is to rebuild these interactions. The reason to come into the new office is for work activities that are powered by meaningful human interaction.

The new office will mean different things to different organisations. For those who are 'office-first', the new office will see their existing premises repurposed towards more collaborative and creative work. For some hybrid organisations it might mean having a central headquarters where workers come together regularly. While for organisations that are closing their offices and implementing a work from anywhere policy, it might mean access to a co-working space from time-to-time for social connections. Technology won't replace socialising and the forming of meaningful relationships.

Meaningful human interactions lead to value creation

As we move to hybrid working to accommodate workers' expectations of flexible arrangements, there will be as many versions of hybrid as there are organisations. There is no perfect model. Some will be fully remote, others will be 'office-first', and the majority will choose a hybrid model around flexible working. However, in the same way that most knowledge workers will be flexible, we expect most companies will be some form of hybrid. Regardless of where an organisation sits on the hybrid spectrum, we firmly believe all organisations will need to maintain some level of in-person human interactions for meaningful social connection.

The new office not only needs spaces designed to enable meaningful human interactions, but it needs to prioritise activities around human interaction. Think activity-based working through the lens of human interaction. This requires the new office to become more humanised, as well as providing workers more control over their personal needs when in the office.

We propose a range of five different types of activity-based human interactions (see Table following page) and how they align to the comparative advantage of the new office through to the comparative advantage of remote working, from forming relationships to performing functional work. Many of these activities can and will be done remotely or in a hybrid mode between office and remote, but the new office should prioritise the elements of those activities that require bringing people together.

To assist organisations better plan how they organise hybrid working, we have developed a task-relationship grid inspired by the Blake-Mouton Grid, and consistent with a tool developed by Ringel based on a goal's relative complexity to determine the need to meet in person. The task-relationship grid differentiates activity-based human interactions according to the type of work task (a specified amount of work and set of responsibilities that can be assigned to an individual or team) and the type of relationship between people (from personal to functional). In placing them on the task-relationship grid, organisations can better inform their approach to hybrid.

Of course, things don't always work out neatly. Nonetheless, we think a considered effort is required to move towards an activity-based human interaction approach to optimise value creation and workplace learning.
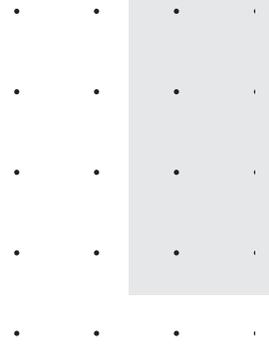
Activity-based human interactions according to task-relationship

Relationship type	Type of work task	Human capability outcome
1. Relationship forming	Meaningful connections: Social gatherings, informal meetups, onboarding, agenda-free conversations, awards ceremonies, forming new teams, company events, work conferences	Empathy, support, belonging, social, respect, esteem, diversity
2. Unstructured collaboration	Ideation and creativity: Brainstorming sessions, serendipitous conversations	Curiosity, imagination, psychological safety, story-telling, dialogue
3. Collaboration diversity	Fast, complex, and dynamic work: starting new projects, prototyping solutions, figuring out how to solve complex problems, formulating strategy, complex planning, dealing with a crisis, workshopping client briefs, scaling solutions across organisation	Strengthen bridging connections, reciprocity, sense-making, collaborating across boundaries
4. Teamwork	Planning, developing, disseminating and coordinating work: structured collaboration, stand-ups, coordinating workstreams, team meetings, project management, business development, formalising solutions, feedback sessions	Team bonding, trust, synchronous and asynchronous collaboration
5. Functional coordination	Loosely coupled work: Routine tasks, individual-focused work, one-on-one meetings, project delivery, administration	Working with others in the flow of work, coordinating, cooperating

Task-relationship grid
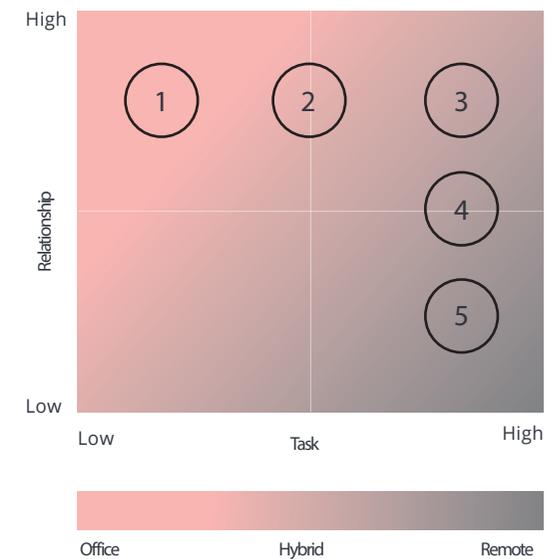
In the task-relationship grid, the low-high scale relates to the component of both dimensions in each activity. For instance, 'relationship forming' has a high component of relationship but a low component of work task and is ideally suited to the office. 'Loosely coupled work' has a high component of work task and low component of relationship and is ideally suited to remote working. 'Collaboration diversity' has a high component of both and could be performed in a hybrid mode, or some elements in either.

The hybrid spectrum

We firmly believe all hybrid organisations need to prioritise some level of in-person interactions for the new office. Here we show two extremes of the task-relationship grid to accentuate the comparative advantage of the office and remote approaches. Most organisations will be hybrid and sit somewhere on the spectrum between the two.

For organisations that are office-first, there is a need to ensure the importance of human interactions aren't lost in the cut and thrust of business-as-usual, especially after the dislocation of remote working. Providing remote working opportunities will respond to workers' desires for flexibility, boost productivity and ensure the office does not become dominated by loosely coupled work (i.e. routine tasks).

For organisations that go fully remote, there is a need to program in-person activities on-site somewhere at regular intervals throughout the year that focus on forming relationships and social connections.

Most work will be in the hybrid middle, able to be done with workers across locations. Regardless of where an organisation lies on the hybrid spectrum, the new office becomes an anchor in times of uncertainty supporting organisational culture and new ways of working.

Office first policy
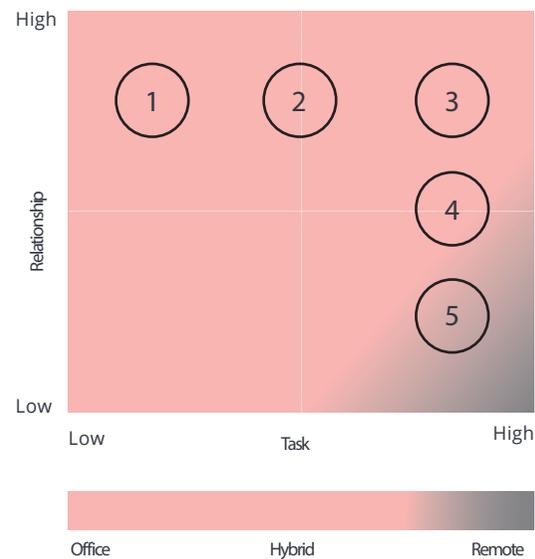
Remote first policy
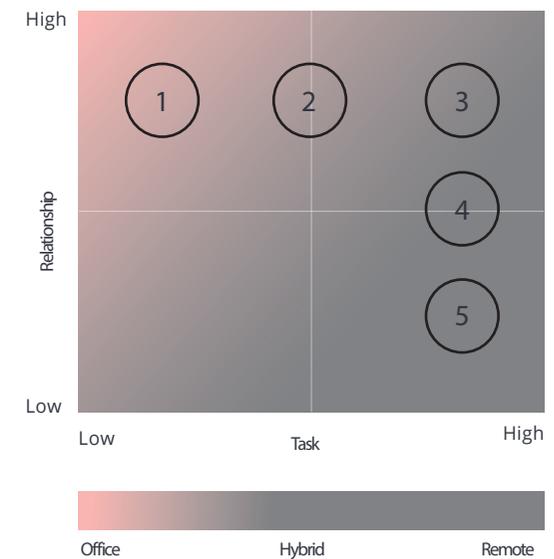
Project lifecycle

According to Teevan in a recent Harvard Business Review article, "tasks that depend extensively and dynamically on other people and creative tasks like brainstorming and problem solving are where in-person collaboration thrives."

The lifecycle of a major project can involve elements of all five activity-based human interactions: forming new teams, ideation, prototyping solutions, formalising and coordinating workstreams and project delivery.

In hybrid working 2.0, the beginning stages – where the meaningful bonding between workers and sense-making of complex information are critical – are ideal activities for the new office. As workstreams of a project get underway, the final stages where synchronous connection is less important can be done remotely.

	Ideation		Formalising workstreams	
Forming new teams		Prototyping solutions		Project delivery

Office	Hybrid	Remote
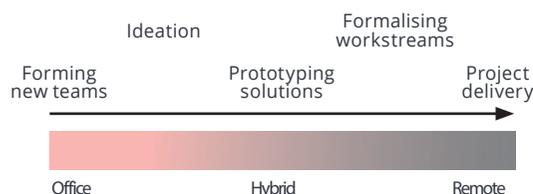
Examples of hybrid working approaches in Australia

Under its 'Team Anywhere' policy, **Atlassian's** 5,700 global staff can work from any location in the world — if Atlassian has a base there and the time zone is broadly aligned with the rest of their team. Workers will be expected to come into the office four times a year for events that resemble work conferences. Most workers have said they still plan to attend in person 50% of the time. According to Atlassian, these conferences are to meet people, learn and build social networks and connections.

Canva's new workplace policy asks workers to come to the office at least 'twice a season' or eight times a year post-pandemic. Canva will allow its growing global workforce of more than 2,000 workers to choose where and when they work based on their needs. Canva aims to have a flexible workplace to accommodate 'all lifestyles and life stages', including offering parent rooms.

Deloitte Australia will give employees greater flexibility, including the removal of core working hours and a yearly paid wellbeing day. DeloitteFlex includes 12 flexible working options that allow employees to shape their working day and provide a wide range of leave choices, including wellbeing leave, volunteering leave, cultural holidays and caring leave.

Health insurer **NIB** is pivoting to a post-Covid remote working model. NIB will pay employees $1,200 per year, on top of their annual salary, to stay at home in recognition that NIB is essentially turning workers' homes into company office space.

Telstra has implemented a new flexible working policy, where its 26,000 employees have more choice over the location and hours they work, depending on their role. For instance, call centre agents can work from home, but most have to work during the hours when the most calls come in. Retail workers and field technicians are required to work in specific locations but have more flexibility over their hours.

The Yellow Pages publisher **Thryv Australia**, previously Sensis, is in the process of closing all its Australian offices and has implemented a work from anywhere policy, moving all 500 employees to remote working.

The **Victorian government** has a work policy where flexible working is the default position for public servants and where every role has some form of flexibility. The policy recommends employees aim to work in an office environment three days a week, to be arranged between managers and employees and to meet organisational requirements. 'Office' includes one of five new Suburban Hubs – large co-working spaces – that are being built for up to 2,380 public servants a week to work closer to home.

Part 4: The time to act is now: four core strategies for hybrid working 2.0
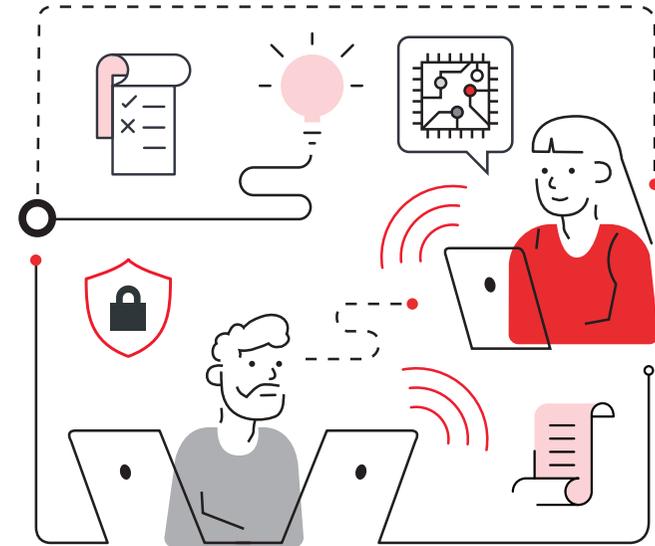
Hybrid working 2.0, with your people, for your people

This research shows that we should no longer only see hybrid through the lens of when, where and how we work. To retain and attract talent, leaders need to change their mindsets from conventional notions of the workplace and elevate the purpose of the office in hybrid. To do so, they need to empower their people to work with them in designing the future. In doing so, leaders will drive the competitive advantage of their organisations. We've identified four core strategies to build an authentic model.

1. Co-design a hybrid working model and flexible working culture

Firstly, it is essential to understand your workers' experience, expectations and aspirations around flexibility and hybrid work and the role the office plays in your organisation, along with their workplace wellbeing, which can be benchmarked to national results.

Identify what type of work is best for the office, in hybrid, and remotely.

With customer needs firmly in focus, work with your teams to define flexibility (e.g. ideal days in the office and remote) and formulate a plan based on the results that is responsive to changing needs. Some weeks might necessitate more days in the office, others more working remotely, for instance.

Consider diversity and inclusion implications – that hybrid working operates as fairly for female workers as for their male counterparts, across the generations, and for minority groups.

Agree what success looks like at six months and beyond, which can be measured against business outcomes and workplace wellbeing.

At regular intervals (e.g. six monthly) revisit the plan with workers to understand what is and isn't working, consider the latest research on hybrid working and then refine accordingly.

2. Program meaningful human-interaction activities in the new office

To ensure employees don't fall back into old in-person work habits, such as meetings to share information and project coordination, hybrid working 2.0 requires leaders to be proactive in programming the value-creating activities of the new office. A 'set and forget' approach will fail. Create and curate the workplace culture you need.

Establish rituals that develop the right in-person behaviours to repurpose the new office. For instance:

- designating set spaces for certain activities, e.g. collaboration spaces are only for collaboration
- starting a certain day each week with a brainstorming session
- ensuring major project kick-offs occur in the office
- having tech-free areas, such as for coffee with colleagues
- encouraging lunch-time walks.

Program the new office to optimise social capital and workplace learning, such as by:

- ensuring dynamic rotation of employees in the office. Avoid having certain workers in on alternate days in the office (e.g. blue and white teams) as it impacts social capital
- creating opportunities for teams to chat with and learn from each other
- holding a monthly 'meet and greet' with new employees
- organising informal get togethers between employees from different parts of the organisation
- organising in-person work conferences a few times each year.

3. Design the right space for the new office

For the new office to become a place for collaboration, connection and belonging, spaces should be optimised for the meaningful interaction of people. More than that, workers increasingly expect the post-pandemic office to be an authentic experience that is energising, safe and creates a sense of community. According to research by Haworth based on experience with their clients, the space ratios of the new office are significantly shifting away from the individual towards more collaborative and social space, along with an increase in restorative space (see pie charts). The new office should focus on enhancing connectivity and flexibility.

Five design considerations

1. Less individual workspaces
· fewer desks and more unassigned workspaces
· more areas for focus time and informal, personal space

2. More collaboration and social space
· informal collaboration, collaborative workspaces, coffee areas

3. Restorative areas
· space for restoring health and mental wellbeing

4. Increased flexibility
· more multipurpose spaces, with easily reconfigurable workplace settings and furniture

5. Tech-enabled for hybrid modes
· workers must be able to participate fully from wherever they are, which requires tech-enabled collaboration and meeting spaces

Typical pre-COVID office space ratios

14%

78%

◼ Individual work   ◼ Collaborative and social space
◼ Restorative space
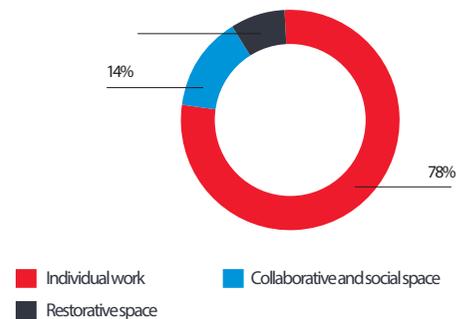
Indicative new office space ratios

14%

47%

39%

◼ Individual work   ◼ Collaborative and social space
◼ Restorative space
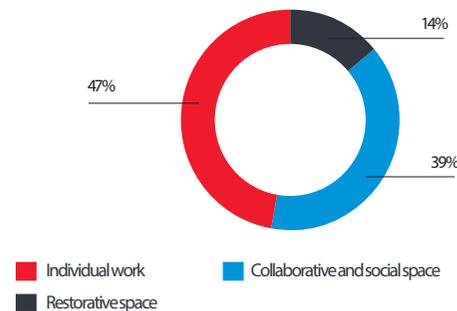
Haworth data from a combination of pilots and revised standards observed from clients adjusting their office spaces over the previous year.

4. Develop a hybrid working charter

Employers must keep their end of the bargain and should consider developing a hybrid working charter of core principles that guide decisions, aligned to an organisation's culture. Here we provide some examples, which is more indicative than exhaustive.

Work
· everyone has the right to work flexibly
· all forms of flexible working are embraced
· office activities to be prioritised around meaningful human interaction
· performance is measured by output and impact, not inputs

Worker
· protect workers' need for focused work and deep-thinking time
· encourage and respect breaks, exercise and fun
· protect limits around meetings to avoid collaboration overload
· enhance workers' ability through the right technology and tools

Principles
· ensure equality between workers going into the office and those working remotely
· promote diversity and inclusion for all workers
· respect difference
· trust and empower employees

The power dynamic is shifting to the worker

For years Australian employers have held the upper hand over workers, most evident in suppressed wages growth and driven by cheaper and highly skilled immigration. But the power dynamic is now shifting to the worker. Both the supply and demand side of the labour market are increasingly in the worker's favour.

Some of the factors driving this shift:

- Australia is facing a skills shortage with immigration at a standstill.
- In the US, COVID-19 has led to what's been dubbed the *Great Resignation* - millions of workers have quit. The reasons vary from health reasons, wanting to retain flexibility and simply retiring early. There are warning signs Australia could be next.
- Many workers moved to regional areas during the pandemic, and they will expect to be able to continue to primarily work remotely.

The expectation of flexible working will see workers demand flexibility and, if it is not on offer, they will go to another employer. At the same time, employers are beginning to turn flexible working to their advantage through anywhere working. These employees need only come to the office a few times a year. Suddenly, talented workers have many more options.

Encouragingly, our research shows most workers are motivated to return to the office or are open to being persuaded, as shown in the chart.

Employers need to take workers' concerns and expectations about returning to the office seriously. (See Part 5 for details on the pains and gains that workers have about returning to the office.)

Employers will need a compelling rationale to get workers back onsite that considers workers' concerns and aspirations.

Motivation to return to the office

50%

22%

28%

- Motivated to return
- Unmotivated to return
- Neutral
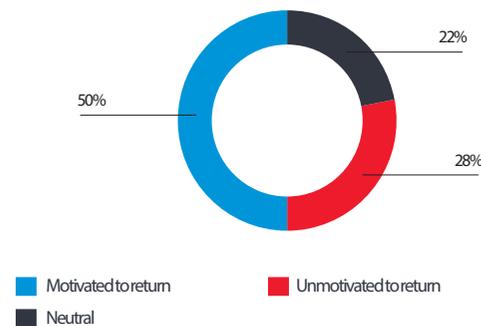
The time to act is now

To be competitive, to improve long-term productivity, to support employee wellbeing heading into another year of change and to meet employee expectations of flexible working while optimising your ability to attract and retain talent, your organisation needs to look beyond the planning of flexible work and shift to the purpose of work.

Hybrid working 2.0 turns flexible working into a strategic play. For the first time, work can be differentiated based on the comparative advantage of location across the hybrid spectrum. At one end remote working is ideal for individual worker productivity and much of the formal

work that previously occurred in the traditional workplace. At the other, the office is ideal for work that derives its value from immensely human in-person interactions. Most work will be in the hybrid middle, able to be done with workers across locations. There is no magic formula for success, but this report provides a blueprint for how to engage with a flexible future.

The time to act is now.

Australian workers resoundingly want flexible working options as organisations across the country begin the post-pandemic return-to-office. In the same way almost all knowledge workers expect flexible working arrangements, so too will organisations increasingly choose hybrid models.

We have a once-in-a-generation opportunity to consciously reimagine and repurpose the office for human interactions that build and strengthen relationships, grow connections across the organisation, strengthen teams and enhance workers' ability to work with each other.

Through hybrid working 2.0, you can turn flexible working into your competitive advantage. The north star is value creation.

More than this, humanising the office holds the promise of unlocking human potential and allow you to navigate an increasingly uncertain future.

Question: *Once the pandemic is under control, how motivated or unmotivated are you to return to working in the office?*

How to get started

alt_shift_office: The workplace reimagined and repurposed

A new research-informed approach helps organisations repurpose the office/workplace, driving business value with an effective, holistic workplace strategy.

Through an **alt_shift_office** engagement we:

- introduce the latest global workplace research to build stakeholder understanding of forces impacting the hybrid working environment
- define a shared workplace vision, supported by a set of activities that build accountability for impact/success
- provide a detailed understanding of your workforce needs, built around a structured framework and survey tools and
- ongoing support to ensure activity execution and ROI reporting.

Our research-informed approach can be applied quickly, channelling strategic needs into practical activity to create lasting organisational impact.

Program elements include:

Program objective setting / planning meetings.

Series of surveys / daily diaries to better define workplace perspectives and needs from workforce.

Client workshops to understand global research, define a workplace vision statement, understand gaps in reality / vision and define a series of activities to fill gaps.

Roadmap report defines a set of activities aligned to gaps that can be developed / released. Includes expected outcomes / ROI.

Ongoing support and reporting on activity execution with regular client / program sponsor meetings to drive impact / track ROI

Part 5. Supplementary results, methodology, references

Supplementary results

Role analysis. Leaders are leading the way to flexible working

Post-pandemic, looking at the four main Australian Bureau of Statistics categories of job roles in office work, managers and senior administrators are most in favour of flexible working arrangements (47%), ahead of professionals and technical experts (38%) then clerical workers (37%). Only salespeople and service workers have office-based working as their leading preference (35%) post-pandemic.

However, regardless of preference, all workers in office roles want to work flexibly from 2.4 days in the office each week (clerical workers) up to 3.1 days in the office (managers and senior administrators, salespeople and service workers).

Role

	Professional or higher technical work	Manager or Senior Administrator	Clerical	Sales or service
(black)	22.1%	14.8%	30.6%	14.1%
Office	29.9%	34.9%	29.0%	35.4%
Flexible working	37.9%	47.0%	36.8%	30.9%
Third space	6.9%	3.2%	3.2%	11.8%
Other	3.1%	0.0%	0.0%	7.8%

Legend: ■ (black) ■ Office ■ Flexible working ■ Third space ■ Other

Days in the office (weighted average)

| Professional or higher technical work	Manager or Senior Administrator	Clerical	Sales or service
2.8	3.1	2.4	3.1

Supplementary results

Organisational analysis. Flexible working preferences are consistent across most types of organisations

Looking at the four types of organisations (ABS categories), workers in government, private sector and publicly listed organisations prefer flexible working post-pandemic over other working arrangements.

Workers in not-for-profit organisations (10% of all workers) prefer office-based working over flexible working.

There is no difference between workers across organisations for the preferred number of days (3) in the office each week post-pandemic.

Organisation

	Government	Private	Publicly listed	Not for profit
Office (dark)	18.3%	20.1%	25.1%	19.5%
Office (red)	32.5%	32.0%	21.2%	42.1%
Flexible working	36.5%	39.5%	35.4%	33.8%
Third space	6.9%	6.1%	17.0%	4.6%
Other	5.8%	2.2%	1.3%	0.0%

■ ■ Office ■ Flexible working ■ Third space ■ Other

Days in the office (weighted average)

Government	Private	Publicly	Not for profit
3	2.9	2.9	2.9
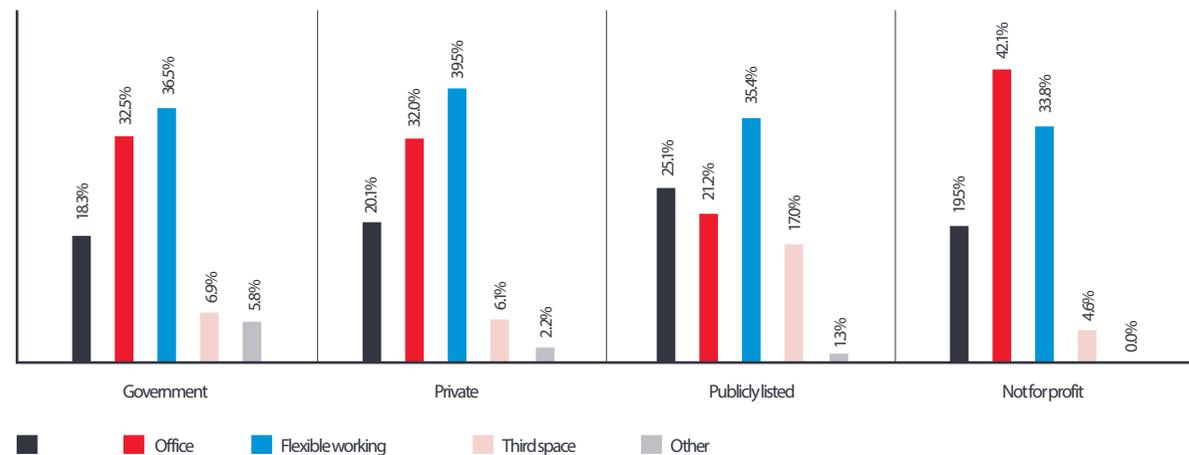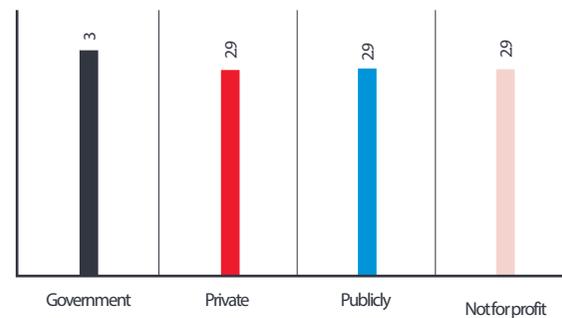
Economic sector analysis. Flexible working preferred across the economy except in service industries

Except for the knowledge workers in people-facing industries of the service sector who prefer office-based arrangements, workers in all other sectors – asset, knowledge and government – prefer flexible working arrangements post-pandemic.

Knowledge sector workers want to spend the least number of days in the office (2.6 days) and asset sector workers the most (3.1 days).

While asset sector workers have the highest preference for flexible working, they want to spend the most days in the office. This suggests the definition of flexible working will vary across industries.

Economic sector

Chart legend: Office, Flexible working, Third space, Other

Asset: Office 17.9%, Office 18.7%, Flexible working 48.5%, Third space 13.0%, Other 1.9%

Service: Office 17.4%, Office 40.7%, Flexible working 30.5%, Third space 7.3%, Other 4.1%

Knowledge: Office 26.3%, Office 18.1%, Flexible working 48.3%, Third space 7.0%, Other 0.3%

Government: Office 20.4%, Office 34.4%, Flexible working 41.3%, Third space 0.0%, Other 38.0%
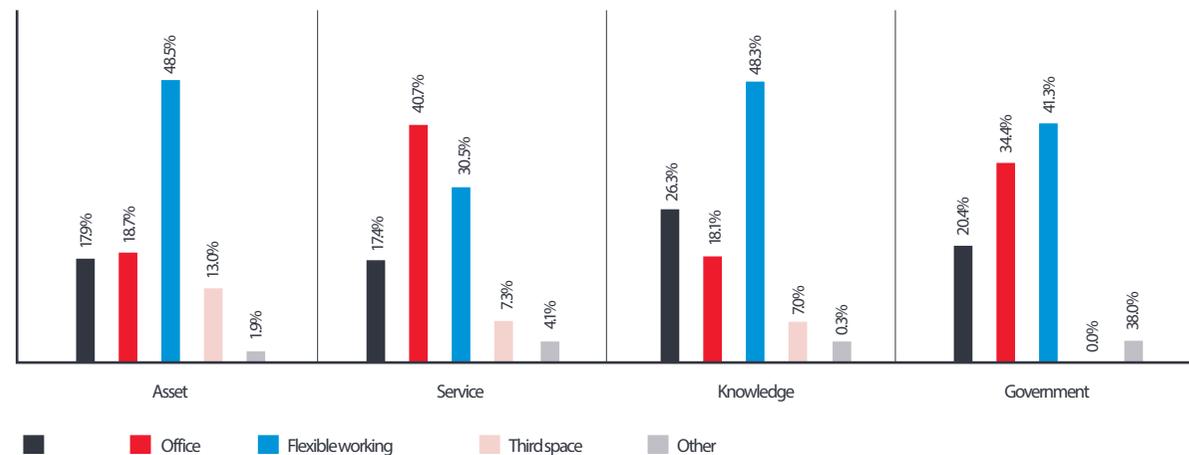
Type of industry	Definition
Asset (Asset-intensive)	Mining; manufacturing & production; electricity, gas, water & waste services; construction
Service (Service-focused)	Wholesale trade; retail trade; accommodation and food services; transport, postal and warehousing; rental/hiring, education & training; healthcare; arts and recreation; other services
Knowledge (Knowledge-intensive)	Professional, scientific and technical services; information, media and technology; financial and insurance services; administrative and support services
Government	Public sector

Days in the office (weighted average)

Asset 3.1, Service 3, Knowledge 2.6, Government 2.8
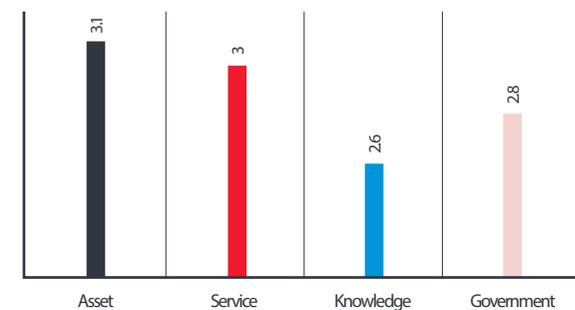
Supplementary results

Gains: Reasons for wanting to work in the office post-pandemic

Many workers continue to see the office as better set up for work, which registered as the leading top reason to return to the office. This suggests that for a certain cohort of workers, their remote working set ups are not ideal for work.

Collaboration and relationships were the highest overall motivators to return to the office when considering the top three ranked reasons combined. Workers want to return to the office for connection with others.

Reasons for wanting to work in the office

	Top reason	Second reason	Third reason
Office is better set up for work	11.7%	8.5%	9.9%
Collaborate in person; teamwork	11.3%	11.4%	9.2%
Relationships with colleagues	10.1%	12.2%	12.8%
For my mental health & wellbeing	9.1%	8.7%	9.6%
Be productive and get things done	8.6%	9.0%	8.3%
See/meet customers & clients	8.3%	7.1%	5.3%
For social gatherings	7.2%	7.1%	7.1%

■ Top reason   ■ Second reason   ■ Third reason
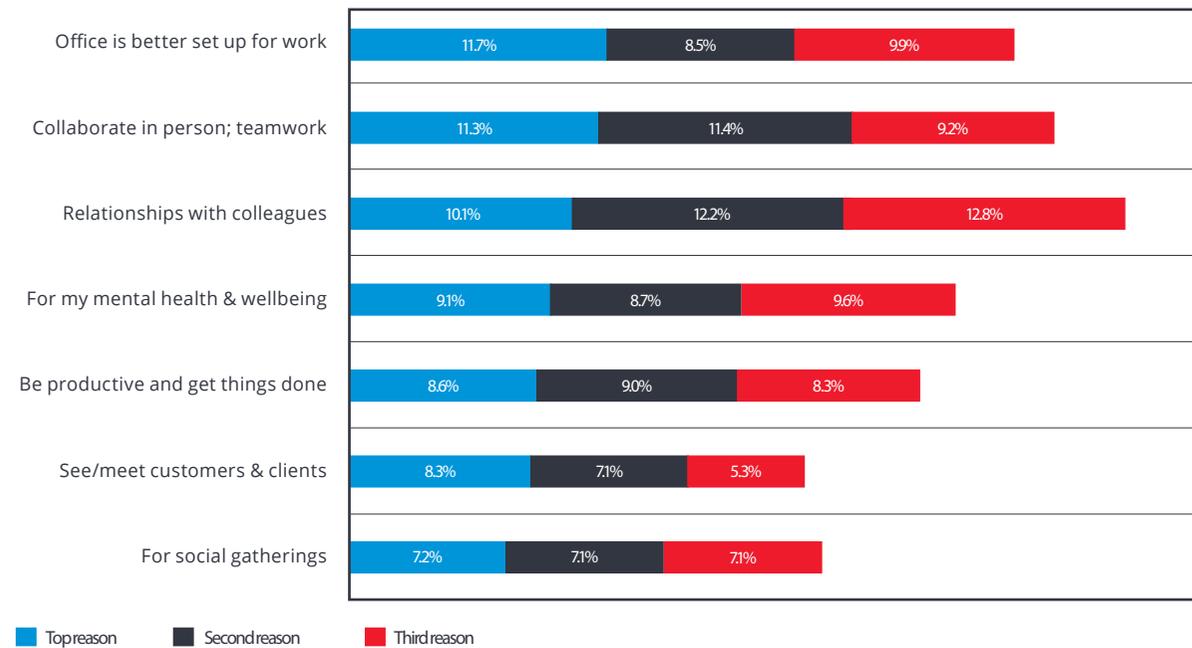
Question: *What are your top three reasons FOR wanting to work in the office post-pandemic? Please rank your top three from most important ranked first, second most important ranked second and so on...*

Pains: Reasons against returning to office post-pandemic

Consistent with the Productivity Commission report which found the costs of the commute as the leading positive influence on working from home, we found the commute is the leading reason against returning to the office. But this does not give a complete picture about negative influences on returning to the office.

In the choices we gave respondents, two types of negative influences emerged as most important: costs and loss of flexibility. For costs, the commute (opportunity cost) was the top ranked 'pain' in returning to the office, whereas the costs associated with working at the office ranked fourth. The loss of flexible working hours and a poorer work-life balance took second and third place.

To overcome these concerns, employers must do more than simply 'earn the commute', they must also 'protect flexibility'. Our research reveals that a common concern workers have is that 'things will simply go back to pre-COVID-19 office routines'.

Reasons against working in the office

Reason	Top reason	Second reason	Third reason
The commute	17.8%	14.3%	12.2%
Loss of flexible working hours	12.6%	12.4%	10.5%
Poorer work-life balance	10.6%	10.1%	13.4%
Costs of working at the office	9.4%	10.1%	11.4%
COVID-19 exposure	7.3%	8.4%	7.9%
Stricter 9-to-5 routine	6.1%	6.4%	8.0%
Sustainability factors	5.9%	5.5%	4.4%

Top reason ■ Second reason ■ Third reason
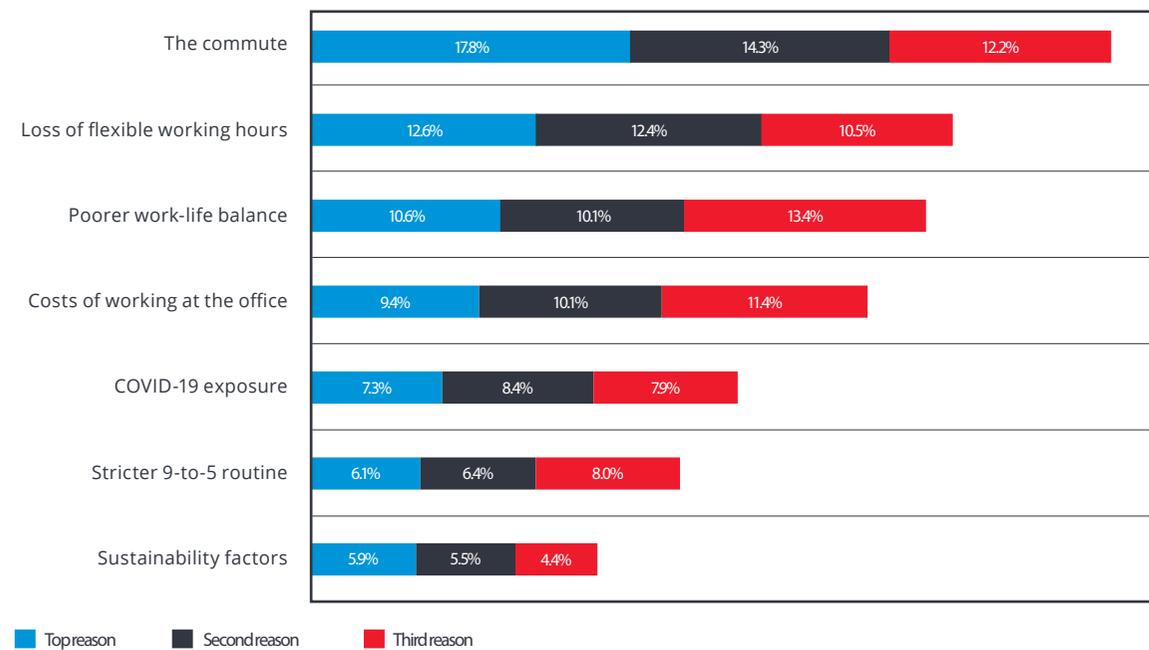
Question: *What are your top three reasons AGAINST working in the office post-pandemic? Please rank your top three from most important ranked first, second most important ranked second and so on...*

Methodology

In late August 2021, CNeW surveyed and analysed responses from 1,126 knowledge workers across Australia. The sample targeted 18-65+ year old workers who had a university degree as a proxy for those workers whose work is not location-based. We worked with our survey partner YouGov to determine this sampling and to ensure the sample was representative of these workers across the economy.

To better understand the sample population, respondents were first asked a range of demographic questions (sex, age, geography, income, household and industry) and asked to self-select the most appropriate response in categories such as income, residence, education level, work status, job function, type of company and industry.

The main body of the survey was divided into 16 questions. Where multiple responses were possible (e.g. 'select all that apply'), responses were rotated randomly for respondents. Where ranking of responses was required, the order of options was randomised.

Working arrangement definitions given to respondents are detailed in the table, along with the definition of generations used.

Option	Description
Home	where you live; working from home means working remotely through virtual technologies (e.g. Zoom, Teams, email, etc)
Office	the physical premises of your organisation, where you would have a workspace
Flexible	being able to work flexibly between office, home and/or third space
Third space	working remotely from places other than home and the office, such as a co-working space (e.g. WeWork), café, library or hotel, etc., through virtual technologies
Other	self select

Generation	Year of birth	% of sample
Gen Z	1997-2009	6.0%
Millennial	1981-1996	51.2%
Gen X	1965-1980	33.0%
Baby Boomer	1946-1980	9.8%

Workplace wellbeing components and measures

Drawing from several workplace wellbeing models, we evaluated five components – subjective wellbeing, work engagement, social wellbeing, accomplishment and health, as described in the table.

We measured 22 variables and grouped according to the relevant component. Across several questions, the respondents were asked to think about their work and consider randomised lists of statements during their work over the 'last three months', i.e. June-August 2021, and to select all that applied to them.

For job satisfaction, the question given to respondents was 'How satisfied are you with your job? On a scale of 1 to 7 where 1 is completely dissatisfied and 7 is completely satisfied.' The score used in workplace wellbeing was the weighted average.

We then added the scores of all the measures in each component for each working arrangement, except for subjective wellbeing where we added the scores separately for positive sentiments, negative sentiments and job satisfaction. The cumulative scores were then compared across working arrangements.

Component	Measure
Subjective wellbeing	
Positive sentiments	I felt my work-life balance improved. I felt happier. I had positive mental health and wellbeing.
Negative sentiments	I felt alone. I felt hopeless. I felt like leaving my job.
Job satisfaction	How satisfied are you with your job?
Work engagement	
Engagement	I was able to zone out and not be distracted when I needed to.
Meaning	I worked on tasks that had a meaningful impact.
Growth	I had access to learning and development opportunities.
Motivation	I felt motivated to work.
Purpose	I felt I had purpose and meaning at work.
Social wellbeing	
Quality connections	I felt connected with my organisation. Learned new things from colleagues.
Social capital	I have grown my connections with colleagues outside my team. I could easily collaborate with my team.
Quality exchange relationships with leaders	I received feedback frequently.
Social support	I felt trusted. I felt supported.
Accomplishment	I was able to work effectively and get things done.
Success	I knew exactly what I needed to do most of the time.
Health	
Physical health	I was able to take a break when needed.

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About the report
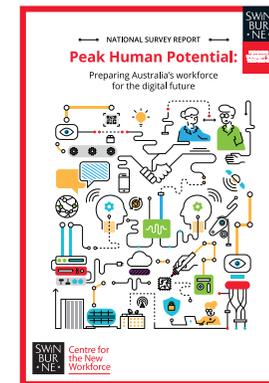
Dr. Sean Gallagher is one of Australia's leading experts on the future of work. He works with leaders to empower their organisations and workforces to create value in a complex world. Based on national surveys of Australian workers, the twin reports "Peak Human Potential" (2019) and "Peak Human Workplace" (2021) set out how organisations can create value in the digital economy and disruptive environments through reimagining work as a pathway to innovation. Both reports have been widely endorsed, including by APEC, Engineers Australia, TAFE Directors Australia. His research has shaped policy outcomes, including the Victorian Government Inquiry into the On-Demand Economy. Sean holds a PhD in chemistry.