



Flexible Working in Government

November 2017

Flexible working – the opportunity

“100 per cent of public service jobs will be flexible by 2019 on the basis of ‘if not, why not’. We’re changing our default position on the 8-6 deskbound job.”

Former NSW Premier Mike Baird, 8 March 2016

Rapid advances in technology and changing workforce dynamics have propelled a rise in the number of companies embracing flexible working practices.

The days of coming to work to sit at the same desk, surrounded by the same people, doing the same job – day after day – are disappearing.

Four in five (81 per cent) NSW residents say that having the option to work from different office locations or office hubs would have an impact on their employer of choice.¹

In ranking the top three benefits of flexible working, NSW residents cited better work/life balance (77 per cent), an increased likelihood of staying in the job longer (52 per cent) and an easier commute to work as their key priorities.²

Millennials are now the largest generation in the workforce³, and the office environment is an increasingly important factor when they are considering where to work.

While Generation X and baby boomers are likely to be enticed by a company’s reputation, culture or business practices, Millennials are more interested in commuting time, location, office design and flexible working.⁴

Quite simply, what mattered most to older generations matters less to Millennials.

As the State’s largest employer, there is a significant opportunity for the NSW Government to re-think its approach to office accommodation.

With the NSW Public Service Commission charged with implementing the flexible working policy across government by 2019, Property NSW will complement that work by developing accommodation strategies to support this change.

This report aims to provoke a deeper discussion on how the NSW Government workplace may look over the next decade.

Considering the NSW Government’s office accommodation portfolio across CBD, metropolitan and regional areas exceeds 650 buildings and one million square metres of space, small changes in the management of the portfolio will result in large benefits.

Ultimately, these changes have the potential to boost productivity, ease the call on infrastructure networks and improve service delivery.



* % of respondents who selected these as one of their top three benefits.

1 Galaxy research of 1000 NSW residents, September 2016, commissioned by Property NSW.
2 Ibid.

3 CBRE, Enhancing office buildings through placemaking, May 2017
4 CBRE, 2016, The future of corporate real estate: How technology will shape the next decade.

The benefits of flexible working

Productivity and workforce impacts

Studies have shown flexible working practices have a direct impact on productivity and workforce participation, including staff attraction and retention.

A global survey conducted by Morar on behalf of Vodafone found that 75 per cent of companies worldwide have introduced flexible working practices.⁵

61 per cent of these companies correlated the adoption of flexible working to increased profitability, 83 per cent reported improved productivity and 58 per cent believe the company's reputation has been positively impacted.⁶

A 2016 study by Morgan McKinley found 97 per cent of people feel that working flexibly has a positive impact on productivity.⁷

A study by Ernst and Young in 2013 found that workers that had flexible arrangements wasted less time at work, with the increase in efficiency worth \$1.4 billion a year to business.⁸

Citing a number of case studies, the Diversity Council of Australia's 2017 report, *Future-Flex*, said flexible work can help to meet business goals in areas such as customer service, innovation, growth and efficiency.⁹

“Bank retail branches that were supportive of flexibility and people’s personal lives had a 50 per cent higher retention rate and a seven per cent increase in customer retention, resulting in a \$106 million profit increase,” the report stated.

The report also highlighted the way in which flexibility can lead to higher engagement. Employees with access to flexible work policies were 55 per cent more engaged and had a 45 per cent lower turnover.

The risks of not embracing flexible working not only go to engaging talent, particularly Millennials, but also business performance.



Demographic shifts show the importance of flexible working

Demographic shifts have resulted in workplaces comprised of a mix of generations with different personal and professional backgrounds, working styles and expectations.

The implementation of flexible work practices within the private and public sectors can assist in addressing the changing nature of Australia's workforce while catering for respective employee needs, capacities and career aspirations.

In its current state, the Australian working population is comprised of:

- Baby Boomers (born 1946 – 1964);
- Generation X (born 1965 – 1980);
- Generation Y – “Millennials” (born 1981 – 1997); and
- Centennials (born 1997 and later).¹⁰

The implementation of flexible working practices has allowed many Baby Boomers to extend their retirement age and continue to work part-time through the increased acceptability of out of office working arrangements.

Due to the fact that a large proportion of Generation X workers are balancing families with career aspirations, flexible working can help them manage their multitude of responsibilities.¹¹

Generation Y – or Millennials – currently represent 35 per cent of the Australian workforce and are expected to reach 42 per cent of the Australian workforce by 2025.¹²

They are more adaptable to the changing nature of the global working environment, and can enjoy the freedom to develop their professional networks and relationships without the traditional constraints of the office environment.¹³

The fast-paced, digital-centric lifestyle of Centennials, has created a mentality that is characterised by a need to be challenged and avoid monotony. This generation consider flexible working practices the norm, and are somewhat unfamiliar with the traditional notions of a 9-5 working day in an office environment.¹⁴

5 Vodafone, 2016, Flexible: Friend or Foe?

6 Ibid.

7 Morgan McKinley 2016, Report on Flexible Work Practices in Australia 2016

8 EY, 2013, Untapped Opportunity

9 Diversity Council of Australia, 2017, Future-Flex

10 <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/>

11 JLL, 2012, Activity Based Working

12 <http://newsroom.kpmg.com.au/y-gen-y-this-is-y/>

13 Ibid.

14 Ibid.

Negative Impacts

It's important to note that the uplift in flexible working practices in recent years has not been without its problems.

In May 2017, technology giant IBM reversed a long-standing policy which allowed employees to work from home.

IBM said in order to compete with Microsoft and other companies in fields such as software development and digital marketing, small, self-directed and agile teams were required.

IBM said it wanted to bring people back together because there is “something about a team being more powerful, more impactful, more creative...when they are shoulder to shoulder.”¹⁵

Similarly, in 2013 Yahoo banned working from home for all employees. The reason cited was that the face-to-face interaction when in the office encourages team collaboration and opportunities for connecting with team mates was lost with too many people working remotely.¹⁶ Teams that do work flexibly or remotely have to make significant efforts to build rapport and proliferate ideas.¹⁷

The *Future-Flex* report states that while the design of flexible work practices often start with an individual requesting greater flexibility, policies must meet the needs of both the organisation and its employees in order to be successful.¹⁸

In assessing the requirements for flexible policies, organisations should examine the initiatives which will boost the performance and wellbeing of organisations, teams and individuals.

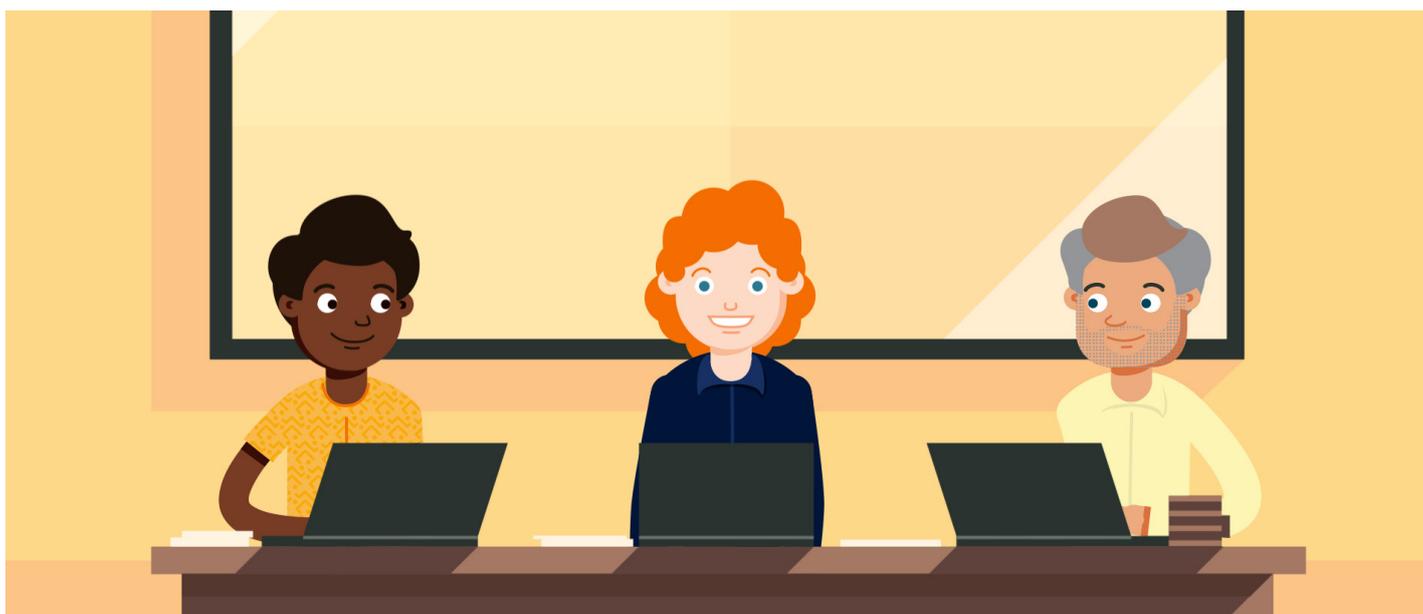
As noted in the Equilibrium Challenge (case study 1, page 7) the pressure to be constantly available can be a result of a flexible working culture.

“Our ability to trust each other has not advanced in parallel with the technology we have created”.¹⁹

Flexible workers often feel more pressure to be contactable to ‘prove’ they are working and allay employers’ concerns over abuse of the policy.²⁰ There is the potential this could impact employees’ focus on particular tasks.

A 2016 Morgan McKinley flexible work survey of 1,000 Australians found that 63 per cent of employees felt obligated to work in excess of their contractual / office hours, while 37 per cent felt that working flexibly limits their career progression.

Further, flexible working arrangements can also promulgate an ‘always on’ culture, which can have a negative psychological and physical toll on employees.²¹



15 *The Register*, https://www.theregister.co.uk/2017/02/08/ibm_no_more_telecommuting/

16 Goudreau, J. 2013, *Back To the Stone Age?* New Yahoo CEO Marissa Mayer Bans Working From Home, *Forbes*

17 Radigan D, *Think Globally, code locally: the secret to remote teams*, <https://www.atlassian.com/agile/remote-teams>, viewed October 2016

18 Diversity council of Australia, 2017, *Future Flex*

19 Kenyon, G, <http://www.bbc.com/capital/story/20160816-theres-no-such-thing-as-flexible-work>, viewed October 2016

20 Boston College, <http://workplaceflexibility.bc.edu/Barriers>, viewed October 2016

21 <https://www.theguardian.com/money/2016/jan/02/work-life-balance-flexible-working-can-make-you-ill-experts-say>

What are the impacts for property?

Portfolio costs

While flexible working practices have been shown to have a positive impact on the workforce, it can also help drive down commercial property portfolio costs.

The impacts on commercial property portfolios are significant. There are both savings and costs associated with the shift to flexible work. Property-related impacts include:

- Overall size of office tenancies;
- Rental costs;
- Utilities (heating, cooling, water, energy, waste);
- Service charges;
- Facilities management (reception, security, cleaning etc.);
- Fit-out costs;²² and
- Technology requirement costs.

To quantitatively demonstrate the financial benefits to companies relative to property-related costs, telecommunications giant BT indicated that through the introduction of their own flexible work program – the BT Workstyle Project – they were able to reduce their office portfolio by 40 per cent over a 10 year period. This translates to a saving of approximately €725 million a year.²³

Furthermore, adopting a program that allows 11,600 employees to work from home has saved the company an average of €104 million a year in accommodation costs.

Additional examples of property related savings associated with flexible working practices include:

- \$10-\$15 million savings in annual real estate costs – American Express (BlueWork Program);²⁴
- \$68 million savings in annual real estate costs – Sun Microsystems.²⁵

Research suggests that up to 48 per cent of seats are unoccupied throughout the day, meaning there are opportunities to improve utilisation for the public and private sectors.²⁶

A survey of occupiers by CBRE found that the decision to implement a shared-workplace strategy was mainly driven by a need to reduce costs (45 per cent), rather than promoting networking or collaboration (15 per cent) or promoting innovation (13 per cent).²⁷

Broader Impacts

As well as having a profound impact on an organisation's workforce and office portfolio, flexible working practices can ultimately create an environment where fewer people will physically travel to work. This can have a positive impact on traffic and congestion; a notion explored in the Brisbane Central Pilot (2009) conducted by the Queensland Department of Transport and Main Roads.

Flexible working also opens up opportunities for people in rural and regional locations to work in roles that may not have been available to them previously.

For example, in 2017 the NSW Department of Finance, Services and Innovation appointed two senior leaders under flexible working arrangements.

Jeannine Biviano, Deputy Secretary, Government and Corporate Services, lives in Bylong Valley, an hour outside of Mudgee. While Dr Maria Milosavljevic, Government Chief Information Security Officer, lives in regional NSW, near the ACT. Both have flexible work arrangements in place to allow them to be effective in their roles without having to relocate to Sydney.

A report produced by the Centre for Economics and Business Research (CEBR) in 2014 has concluded that flexible working has the potential to inject £90 billion into the U.K economy by unlocking contributions from citizens who are currently economically inactive.²⁸

CEBR maintains that “the currently unemployed or economically inactive population would be more inclined to work given access to more flexible working practices”.²⁹



22 Original Creative Co-op, 2010, Making Flexible Working Work
23 BT, 2006, Flexible Working: Can your company compete without it?
24 Meister, J. 2013, Flexible Workspaces: Employee Perk or Business Tool to Recruit Top Talent?

25 Ibid.

26 HOK, 2014, Workplace Benchmarking Report

27 CBRE Global Occupier Survey Report, 2017

28 CEBR, 2014, The productive value of the untapped workforce: A study into the potential economic impacts of a flexible working culture

29 Ibid.



What is flexible working?

Flexible work is often confused with teleworking, activity based working (ABW) and hot desking. These are physical modes of working rather than strictly human capital policies, although the two concepts are inextricably linked. Flexible work allows people to work from anywhere, at any time, with an emphasis on productivity rather than presence.

Flexible working practices have evolved over the past few decades, starting with Hewlett Packard in 1972, the establishment of Flextime in Germany in 1978, experiments in telecommuting following the gas crisis of the 1980s and the United Kingdom's Flexible Working Act (2003).³⁰

Australia is now at the forefront of flexible work practices.³¹ The NSW Government adopted their flexible work place policy in 1995³² and the former Premier, Mike Baird, has committed to a 100% flexible NSW Public Sector workforce by 2019.³³

Although flexible work practices have existed in a variety of forms in the past, a major shift towards flexible work place practices began after the 2008/2009 Global Economic Downturn while industry struggled to retain valuable employees with a downturn in revenue.³⁴

The emphasis on flexibility has been complemented by a broader focus on gender equality, with many companies looking to attract more women back to work after maternity leave and providing more flexibility for new fathers.³⁵

Flexibility has been slowly extended to all employees as the evidence for improving work life balance is growing.

Flexibility has also been enabled by improvements in technology; facilitating working from anywhere at any time. Companies are now flexible to the extent that some are choosing to go completely virtual with task based rather than time based reporting.³⁶

30 Santovec, M. 2013, Creating Flexible Work Policies: One Size Does NOT Fit All

31 Vermeulen, A. 2013, Where in the world to work if you hate being tied to your desk

32 New South Wales Premier's Department Public Employment Office, 1995, Flexible Work Practices

33 <http://www.smh.com.au/nsw/premier-mike-baird-announces-100-per-cent-flexible-public-service-20160307-gnd5sa.html>

34 Australian Government, 2011, Department of Social Services, A new "flexibility" normal? The case for work redesign

35 Australian Government, Workplace Gender Equality Agency, 2013, The Business Case for Gender Equality

36 Stillman, J. 2016 No Office, No Problem: 125 Companies Proving That Virtual Companies Can Thrive

Changing the culture of the NSW Public Sector

Public sector office accommodation in NSW is undergoing significant change, as agencies embrace flexible working practices and activity based working as a by-product (case study 2, page 7).

This paradigm shift in the workplace creates opportunities to consider how the public sector may work best in the future.

In the Sydney CBD alone there are around 75 agencies and nearly 15,000 staff located across 50 buildings, occupying more than 330,000 sqm of office space.

With Sydney CBD rents forecast to increase by circa 30 per cent over the next three years as demand outstrips supply³⁷, there is an opportunity to reduce costs and manage our property portfolio in a way that delivers the best value for money for taxpayers, and promotes economic activity and job growth across the state.

There are also significant 'ways of working' benefits for public servants.

Instead of having one building each, there are opportunities to share with other departments in flexible working hubs, improving government-wide collaboration.

This will be a reality at 4 Parramatta Square in late 2019, with the Department of Planning and Environment, Department of Industry and Department of Finance, Services and Innovation staff co-locating around 4,000 public servants in the one building in a coordinated, collaborative fit out (case study 3, page 7).

In addition, the NSW Government is piloting a Flexible Work Hub in Sydney's CBD, providing a temporary office space for senior executives (case study 4, page 7).

By promoting greater collaboration between and across agencies we can make the Government's property portfolio more efficient, improve flexibility across the public sector and relieve pressure on our city's infrastructure.



Regional NSW:

- Government occupies circa 385,000m² of office space in 467 buildings across 144 towns.
- More than 15,000 FTE in the regions.
- 575 leases



Metropolitan NSW:

- Government occupies circa 397,000m² of office space in 134 buildings across 55 suburbs in Metropolitan Sydney with annual rent of circa \$163 million per annum.
- More than 21,000 FTE
- 484 leases



Sydney CBD:

- Fragmented public sector CBD workforce with 75 agencies across 50 buildings.
- Nearly 15,000 staff
- Approx. 200 leases

* Figures above refer to office accommodation only

** Lease figures refer to head leases in Property NSW's leased portfolio

³⁷ <http://www.afr.com/real-estate/sydney-office-rents-to-rise-90-per-cent-over-next-three-years-bis-shrapnel-20160427-gofw0b>

Case Study 1 – Equilibrium Challenge

What?

In 2015, Mirvac, in conjunction with the Workplace Gender Equality Agency, Telstra, Corrs Chambers Westgarth and the Diversity Council of Australia launched the Equilibrium Man Challenge.³⁸ The Challenge involved recording the experiences of five men from different industry sectors as they moved to flexible work.

Why?

This initiative was established to challenge the traditional theory held by most men that flexible work will be detrimental to their careers. The five men that took part in The Challenge have demanding careers, with two holding senior roles at large organisations.

Outcomes

By the end of The Challenge, participants demonstrated the ways that boundaries around working hours could be established to find more time for family, sport and down time. One of the participants, Telstra executive Reid Johnson said, “I passionately believe what I’ve done is helpful for me as a man, but also a good working model for our business and the team around me.”

Although The Challenge was ultimately successful, participants were forced to overcome various hurdles along the way, including; managing performance with reduced hours, the pressure to be available around the clock and difficulties escaping technology.



Case Study 2 – NSW Government office accommodation

What?

The NSW Government is rolling out flexible workplaces across its office portfolio.

As outlined in the NSW Government Fitout Design Principles (Office Workplace Accommodation) Guide, Government workplace strategies are designed to see staff working across fewer workplaces (locations) and creating workspaces that are contemporary, flexible and encourage collaboration.

Flexible work spaces have already been implemented at 52 Martin Place in Sydney’s CBD, and at the McKell Building in Sydney’s CBD.

Why?

Flexible working is aligned to the Premier’s Priorities around job creation, including in regional NSW.

By building flexibility into all roles, working outside of Sydney will become a reality for more people.



Case Study 3 – 4 Parramatta Square

What?

4 Parramatta Square marks a step-change in NSW Government office accommodation by bringing together staff from the Department of Planning and Environment, Department of Industry and the Department of Finance, Services and Innovation into one building.

The new building will accommodate at least 4,000 public service roles, including more than 1,600 Planning and Environment roles relocating directly from the Sydney CBD by 2019.

The Government’s aim is to deliver a modern, efficient and flexible workplace.

Why

Bringing these agencies together in a contemporary environment that will provide:

- a coordinated and collaborative fit-out
- flexible work spaces
- modern shared facilities; and innovation and ideas sharing



Case Study 4 – CBD Flexible Work Hub

What?

The NSW Government is piloting a six-month CBD-based flexible work hub to provide a temporary office accommodation space where visiting public service executives can work and prepare for meetings.

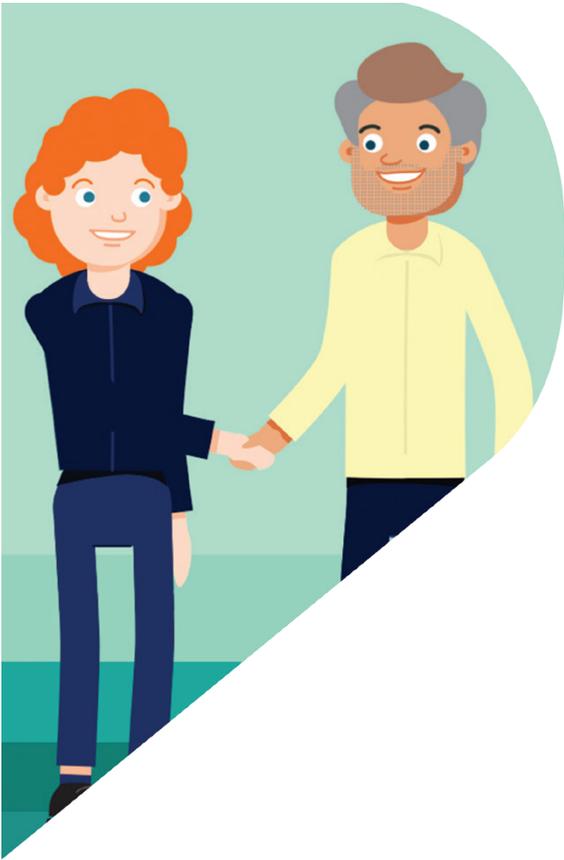
The Government’s aim is to deliver a modern, efficient and flexible workplace.

Why

As part of its Decade of Decentralisation policy, the NSW Government has committed to relocating 100,000m² of office accommodation out of the Sydney CBD by 2021.

Given a number of agencies have ongoing requirements to remain within the CBD, many public service executives from departments in metropolitan and regional hubs regularly attend meetings located in the Sydney CBD.

The CBD-based flexible work hub will allow Government employees to maximise their work hours by delivering state-of-the art ‘drop in’ accommodation they can utilise when required. This centralised inter-department collaboration also creates an inclusive whole-of-Government culture.



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