

IWG Hybrid Working Productivity Report

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IWG International
Workplace
Group

In partnership with

ARUP



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Foreword by Mark Dixon, Founder & CEO of IWG

The widespread uptake of hybrid and platform working has revolutionised how and where people work, bringing significant productivity benefits and lower costs to companies while transforming the working lives of their teams. Over the past few years, these more flexible ways of working have become the default model for a significant proportion of white-collar workers; with companies empowering their employees to work across multiple locations, splitting their time between local workspaces, a central office and home.

This is not simply a change in how people work, rather a rebalancing of where economic value is created. The days of needing to be tethered to a central HQ are behind us. Technology has changed everything, effectively removing the need for daily long and expensive commutes.

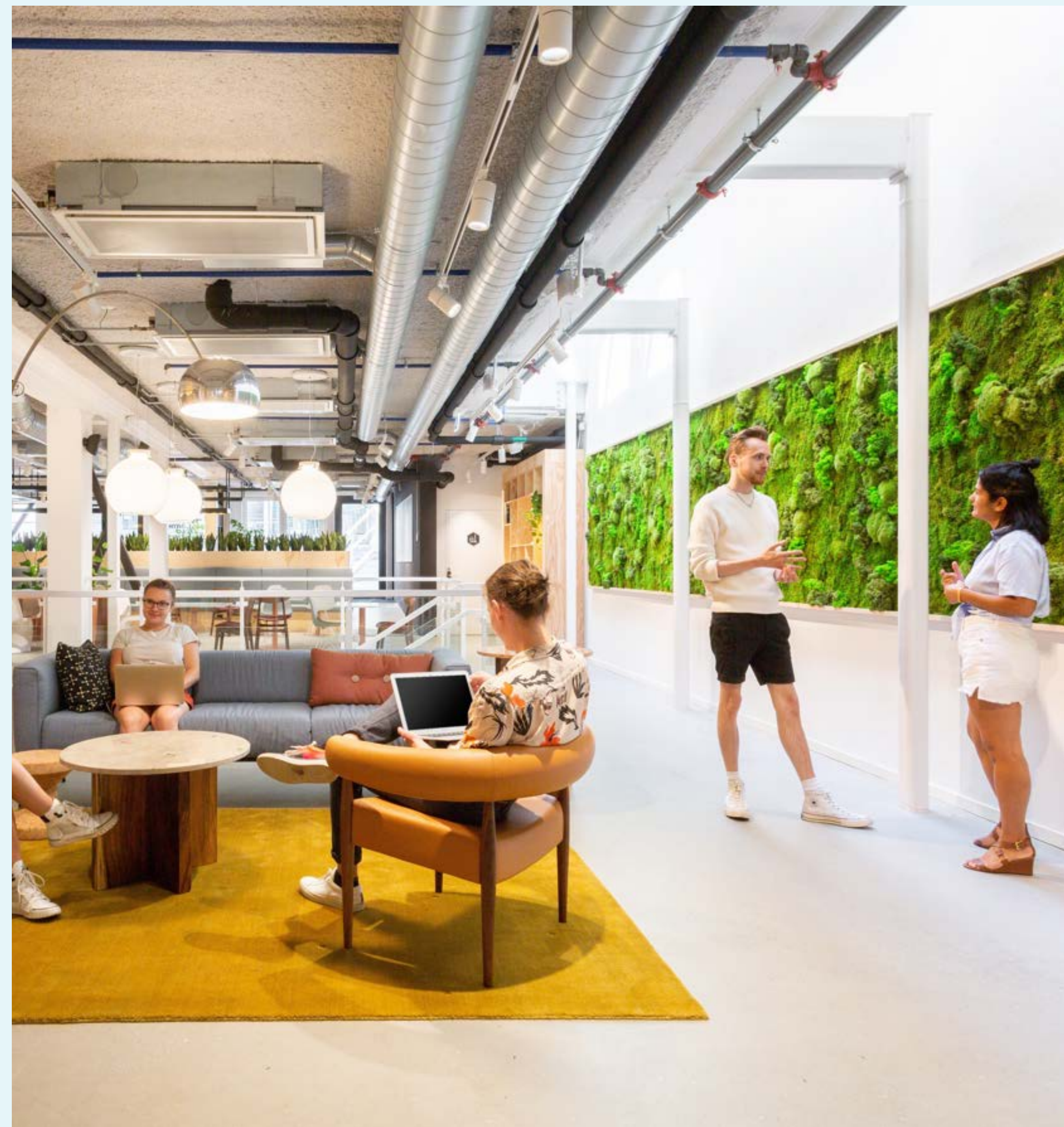
It is particularly rewarding to see over the past few years how academics, leading industry commentators and business leaders are now recognising the incredible benefits of this way of working for both companies and their people.

The research of leading academics has shown that about 40% of white-collar employees now work in this model and will continue to do so in the future.¹ However, up until now the productivity benefits of hybrid working have

only been explored in a limited number of studies, including the perennially significant work of Professor Bloom of Stanford.

I am very pleased that we had the opportunity to partner with Arup earlier this year to further explore the productivity benefits of hybrid and more localised working to businesses of all sizes, as well as the economic advantages for companies and local communities.

This new research confirms what we've long seen coming: working from local offices and workspaces closer to where people actually live, doesn't just improve the quality of life for employees, it also delivers major productivity benefits for businesses, cities, and entire economies.





The results of this new study are powerful. By 2030, flexible working could boost productivity by 11% in the US and 12% in the UK, contributing a staggering \$219 billion and £24 billion to their respective economies each year. By 2045, that impact could rise to \$566 billion and £46 billion annually – the equivalent of adding cities the size of Austin, Texas to the US economy or Leeds to the UK economy.

Why? Because local workspaces give people the kind of environment that supports real productivity: fewer distractions than home, less time spent commuting to a faraway office and more freedom to work in a way that suits them. In fact, employees using flexible spaces are 67% more likely to rate their productivity as ‘excellent’ compared to those working from home.

Commuting, one of the great inefficiencies of the 20th-century workplace, is finally being rethought. By working locally, employees can reclaim a significant portion of their day. In the US, workers spend an average of 55 minutes a day commuting², rising to 59 minutes in the UK³ (and 86 minutes in London⁴). Our research with Arup shows that when people work locally, up to 40% of this recovered time goes directly into additional work, while the rest is reinvested in family life, personal wellbeing, and local communities.

This has real financial benefits for both business and their employees too. US workers who ditch the daily city commute can save up to \$30,332 a year, while their UK counterparts can pocket as much as £13,188.

It’s no surprise, then, that people want to stay in jobs that offer this kind of choice. Our research shows employees are three times more likely

to stay in roles that let them work flexibly. This dramatically reduces costly turnover and means a stronger, more engaged company culture. Businesses that embrace this model don’t just save money – they also become more attractive employers, drawing the best talent in an increasingly competitive market.

Larger companies are keeping, but scaling back traditional city-centre headquarters and investing in local workspaces or suburban hubs. Businesses are using flexible spaces to grow rapidly and test new markets without the burden of long-term expensive leases. This latest report with Arup shows this ongoing shift could reduce real estate costs for businesses by up to \$122 billion in the US and £12.1 billion in the UK by 2045.

The future of work is not about a single skyscraper in the city. It’s about a network of locations enabling people to work minutes from home. It’s in towns where people want to live, not just work. And it works – whether you’re a startup scaling fast, a multinational diversifying its footprint, or any size business wanting to empower your people to work from wherever is most productive and convenient.

As this report will show, the impact of flexible working is not just a short-term trend – it’s a long-term driver of productivity for businesses and satisfaction for employees.

1 Stanford Institute for Economic Policy Research (SIEPR) Report, Nicholas Bloom, Hybrid is the future of work, 2021
2 National Bureau of Economic Research Report, Cevat Giray Aksoy & Jose Maria Barrero & Nicholas Bloom & Steven J. Davis & Mathias Dolls & Pablo Zarate, Time Savings When Working from Home, 2023
3 Trade Union Congress Report, Annual commuting time is up 21 hours compared to a decade ago, finds TUC, 2019
4 RAC Foundation Report, Warning: UK commutes pose significant hazards, 2007

Executive summary

Arup was commissioned by IWG to investigate how the rise of hybrid working and more localised work in the heart of local communities brings organisational value to different types of businesses and could support economic growth in the US and the UK. This work was carried out between October and December 2024.

The research explores the effects on company performances and the US and UK economies of an additional 1 out of 5 workers that are technically able to hybrid work (white-collar workers) doing all or part of their work from flexible spaces in local communities by 2045.

The study suggests that beyond real estate portfolio optimisation, these new flexible working arrangements could bring productivity benefits and cost reductions through increased focus time, time savings from commuting spent on additional work, employee engagement and increased satisfaction and retention.

As a result, better ways of working facilitated by flexible spaces could bring up to **\$219bn** and **£24bn** per year by 2030 to the US and UK economies respectively and **\$566bn** and **£46bn** per year by 2045, through:

- **Increased productivity:** up to **\$138bn** per year by 2030 and **\$399bn** per year by 2045 for the US. In the UK, given local characteristics, notably commuting time (on average 86 minutes per day for London workers), this would go up to **£15bn** per year by 2030 and **£29bn** by 2045.
- **Reduced turnover and replacement costs:** improved working arrangements can reduce voluntary turnover rates by up to 30%, reducing costs by **\$22bn** and **\$45bn** per year by 2030 and 2045 respectively in the US. In the UK, this would be equivalent to **£2.7bn** and **£4.7bn** per year by 2030 and 2045 respectively.
- **Reduced portfolio costs:** transferring part of businesses' portfolios to less central locations could save up to **\$58bn** per year by 2030 and **\$122bn** by 2045 in the US compared to a 'business-as-usual' scenario. In the UK this could go up to **£6.1bn** per year by 2030 and **£12.1bn** by 2045.

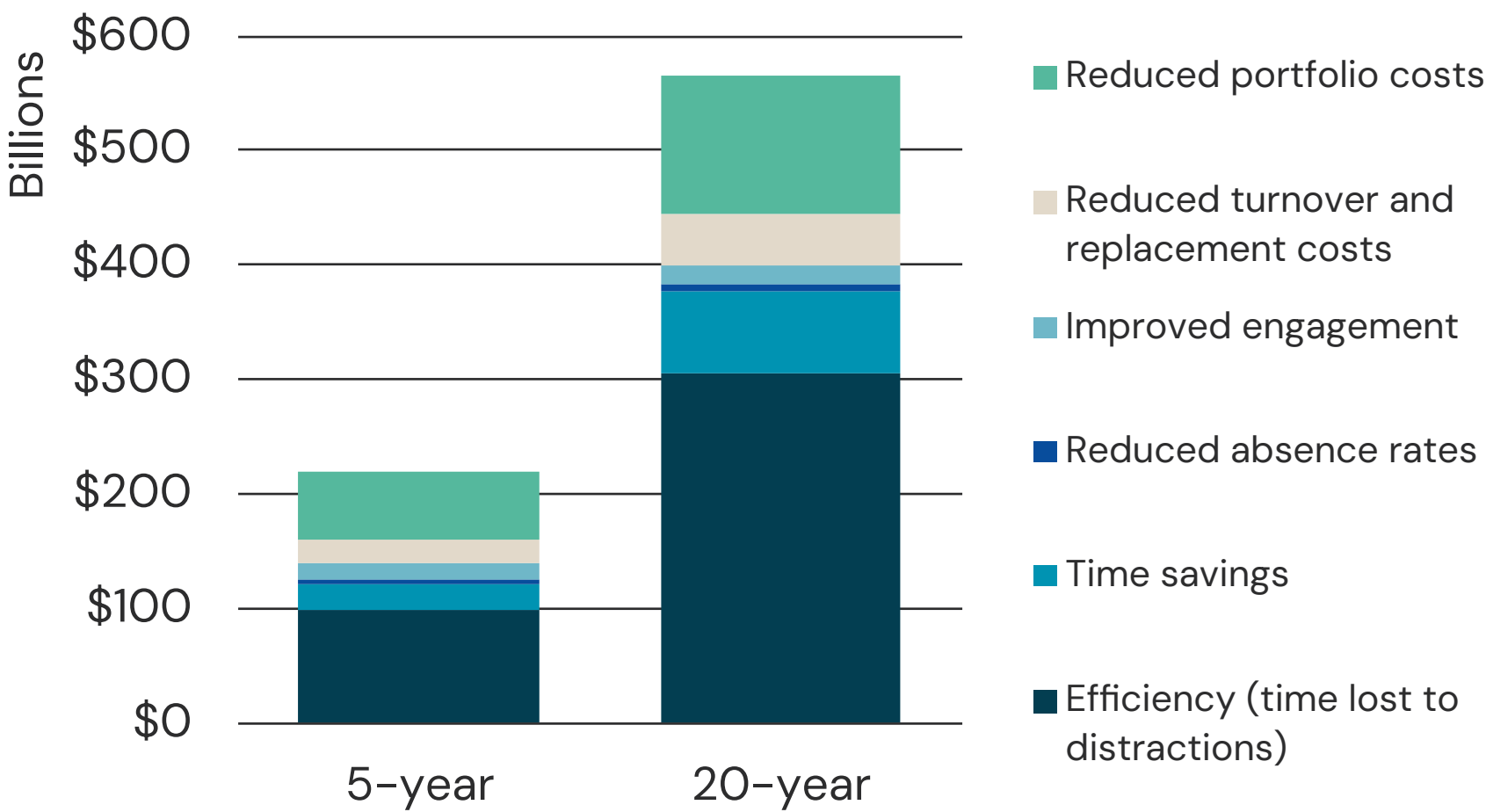


Figure 1: Benefits from improved working arrangements for selected business typologies (US)

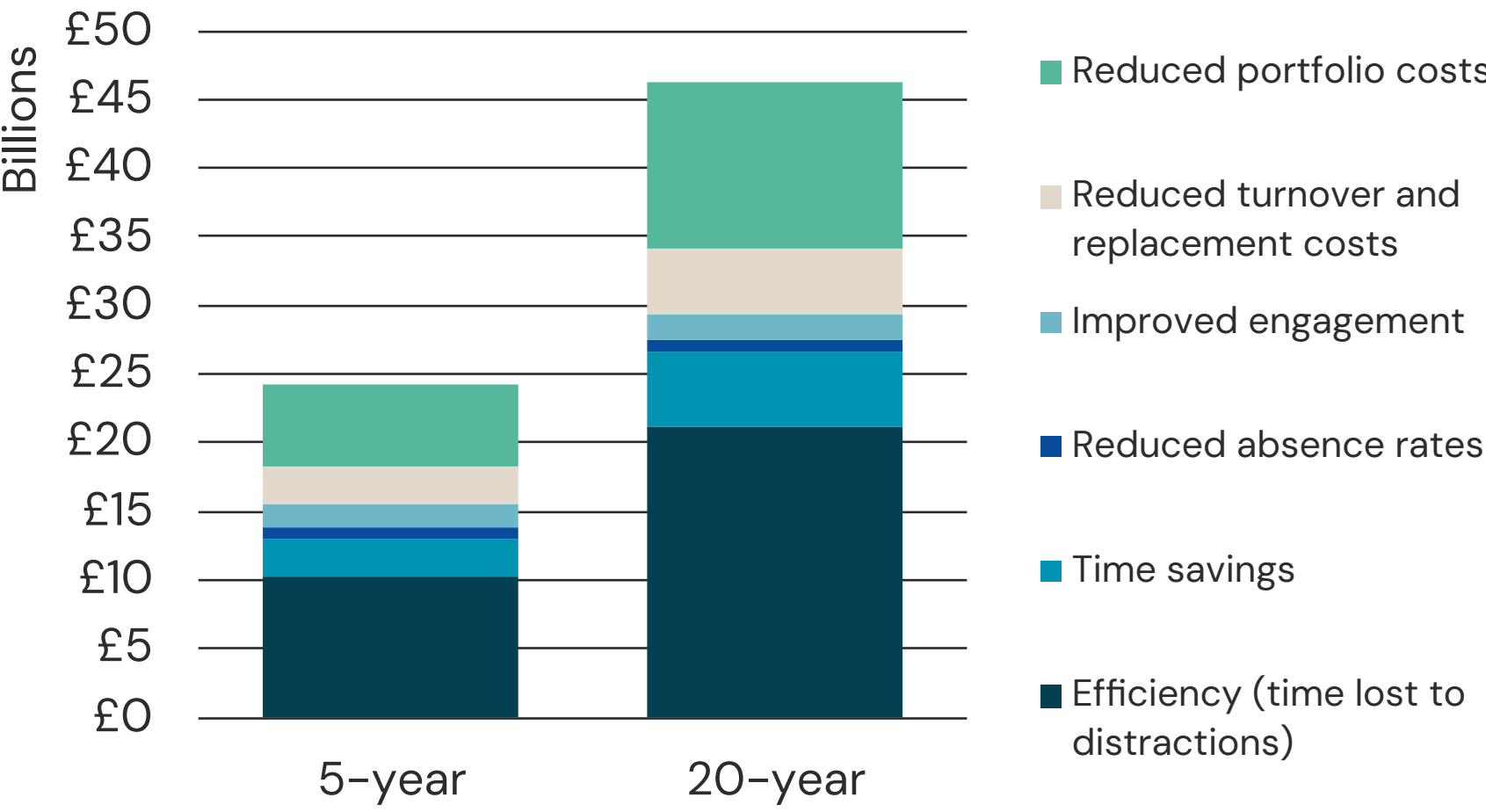


Figure 2: Benefits from improved working arrangements for selected business typologies (UK)

Introduction

The hybrid work revolution: 75% of companies to rethink office space within the next 5 years

The shift towards hybrid working models, accelerated by the COVID-19 pandemic, has brought significant changes to the traditional work environment. According to CBRE research, 38% of respondents to their survey expected portfolio growth (compared to 20% in 2023), while 37% anticipated contraction (down from 53% in 2023).¹ 58% of large companies plan reductions compared to 26% of all other respondents. The companies that foresee expansion cite reasons due to expected business growth and evolving workplace design standards that accommodate new work patterns. While around 50% of workers have a working arrangement that could facilitate hybrid working,² the current rate of hybrid working has only recently surpassed half of its potential. The transition towards hybrid working is expected to accelerate as long-term pre-pandemic leases come to an end in the second half of the 2020s, further unlocking the true potential of hybrid working.

Furthermore, increased market volatility pushes firms of all scales to demand higher flexibility on contractual arrangements. The pace of adoption of flexible working spaces is accelerating, as the share of flexible workspaces of the overall portfolio of workspaces is expected to rise from 17% to 24% by 2026,³ and to 30% by 2030.⁴ While every firm is expected to increase their share

of flexible spaces at different paces, at least 58% of them expect flexible spaces to cover more than 10% of their portfolio by 2025, up from 42% in 2023. Technology companies and smaller occupiers remain the largest flexible working spaces users.

Post-pandemic trends suggest an increase in employees' time spent physically in office spaces, with an average of 2.7 days per week being spent in the office in the UK in 2024, a figure that has risen from 2.3 days per week the previous year.⁵ This transition necessitates the integration of flexible spaces to the existing portfolio of assets, to maintain certain hybrid working benefits brought to employees, which in return affects organisational productivity.

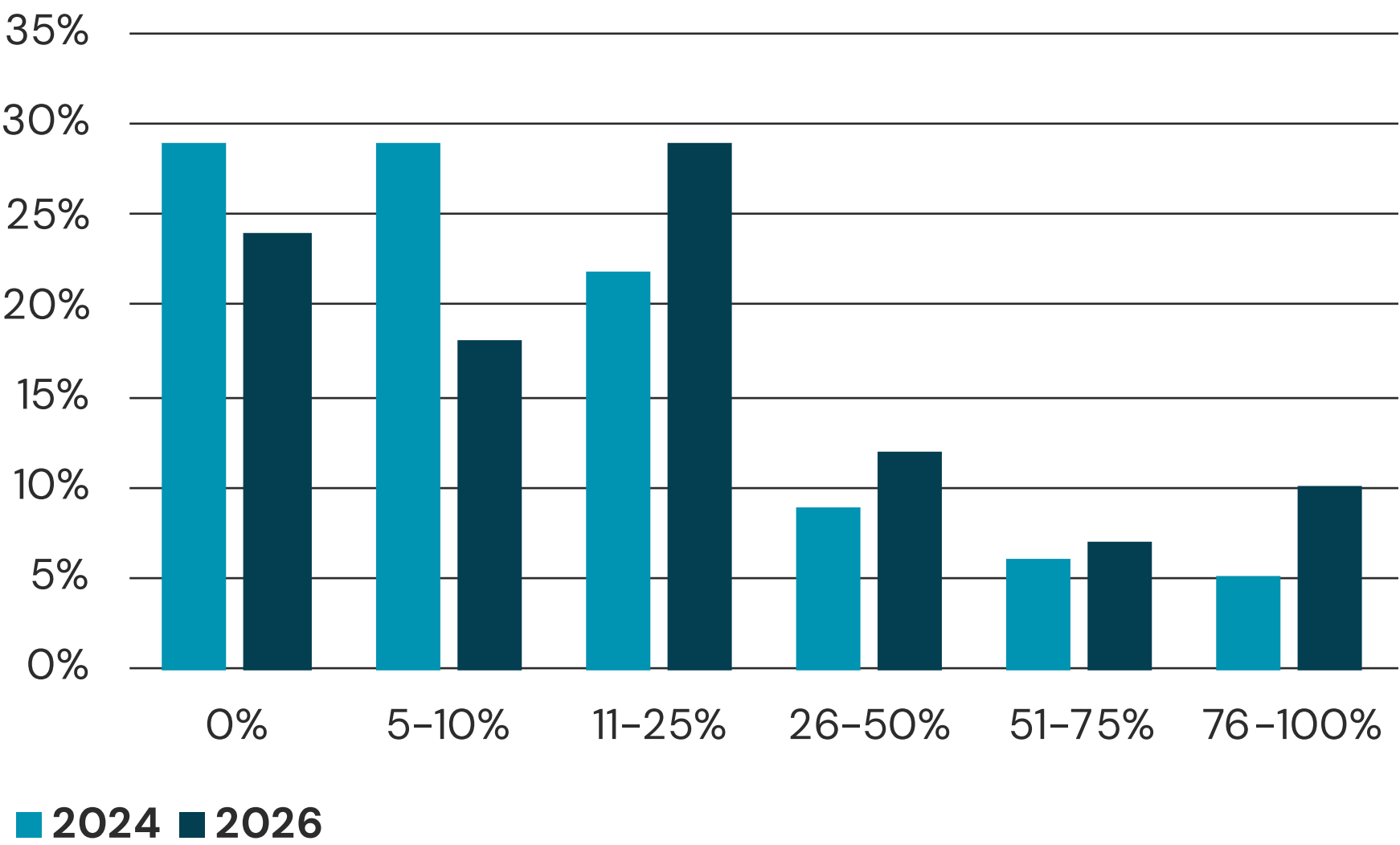
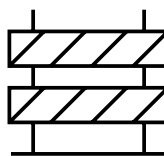


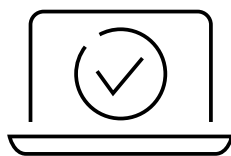
Figure 3: Allocation of Flexible Office Space in Portfolio, CBRE Research, May 2024

Beyond optimising portfolios: the broader benefits of flexible working for companies

Employees who work flexibly report fewer distractions and interruptions, which enhances their focus and efficiency.



Removed barriers in work participation



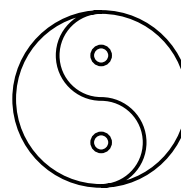
Increased focus in the workplace

The transition towards hybrid working requires effective management alongside the introduction of flexible workspaces, clearly communicating how flexible spaces meet a broad range of employees' needs. Flexible spaces remove barriers of participating in work by making workspaces more accessible and allowing employees to avoid blurred boundaries between work and personal life. Employees who work flexibly report fewer distractions and interruptions, which enhances their focus and efficiency. The rate of employees reporting their productivity levels as 'excellent' in flexible spaces is 67% higher than those working from home.⁶ A study by the Economist Unit reported that on average, workers lost 28% of their time to distractions.⁷ The same report also highlighted that the main sources of distractions when at home came from "The need to respond to demands from others in the household" (39%) followed by "Browsing social media or consuming other media content" (31%). For office workers, 36% reported face-to-face interruptions as a top distraction in 2023, along with 25% citing peripheral noise.⁸ Flexible office spaces provide an environment where these distractions are much less likely to happen, potentially boosting productivity of employees making use of them.

Employees who can work from local flexible spaces have better work-life balance while spending up to 40% of time saved from commuting doing additional work.



Time and money savings from less and shorter commutes



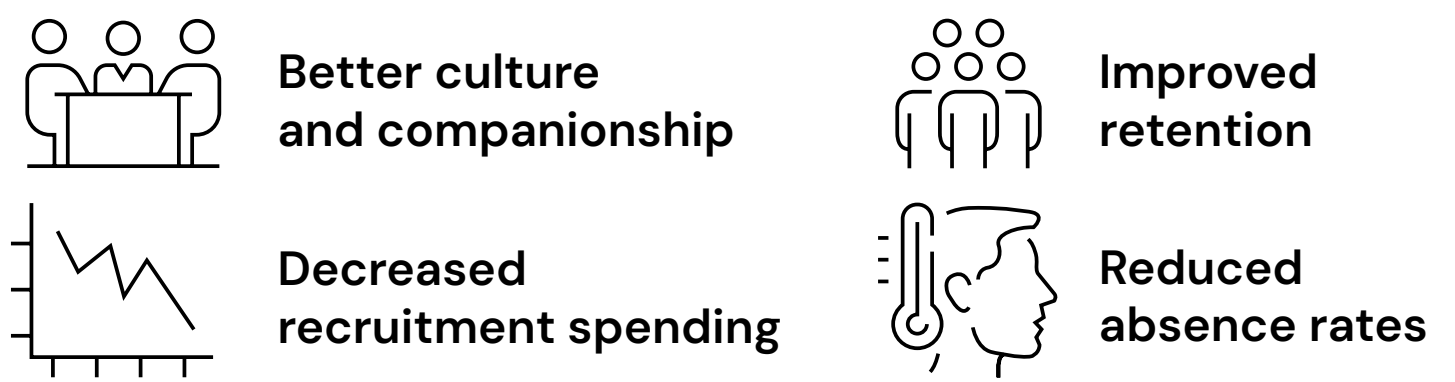
Improved work-life balance

Another benefit of flexible spaces comes from allowing employees to access workspaces locally, without the need to commute. Flexible working allows employees to better manage their work and personal responsibilities, leading to improved work-life balance. Employees with control over their work schedules experience lower levels of stress and higher job satisfaction, thanks to eliminating rigid work structures.

Up to 40% of time saved from commuting is spent doing additional work,⁹ and the remaining 60% allows employees to focus on personal matters, improving their mental health by providing a clearer separation between work and personal life. Additionally, IWG research showed that 76% of hybrid workers have saved money as a result of adopting hybrid working practices as they choose to work closer to home. US workers can save up to \$30,332 if they switch from a daily commute to a city centre to working locally four days a week, while in the UK savings reach up to £13,188 a year.



Employees are three times more likely to stay in their jobs if they can individually choose to work flexibly, and two times more likely if their team can choose to work flexibly.



Employees working primarily remotely report improved productivity thanks to reduced loneliness through connections made with other individuals in local workspaces, and on occasional ‘away days’ with other colleagues working remotely. Better management practices that lead to feelings of inclusion, support, recognition and personal development at work (defined as “engagement”) lead to an increase of 14% in productivity.

In return, reduced loneliness and improved mental health reduces absenteeism through the number of sick days taken by employees. IWG’s Hybrid Working Calculator has also shown that reduced commuting can also lead to savings and better financial wellbeing which increases satisfaction,¹⁰ improves sleep and dietary habits.¹¹

Offering flexible working options is a powerful tool for attracting and retaining top talent. In a competitive job market, flexibility is a highly valued benefit that can differentiate an employer from others. Employees are more likely to stay with organisations that support their need for work–life balance, reducing turnover rates and associated recruitment costs. Employees are three times more likely to stay in their jobs if they can individually choose to work flexibly, and two times more likely if their team can choose to work flexibly.¹² Effective management of working spaces can allow for organisational culture to be improved, thanks to an increase in more meaningful engagements in person.

Flexible working enables firms to reduce real estate costs while accessing higher quality workspaces.

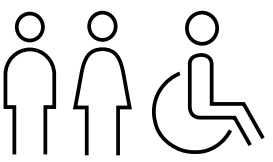


As the transition towards further hybrid working takes place, firms of different sizes and priorities could benefit from a significant reduction in the overall cost of real estate. In the next three years, most firms with 50,000+ employees plan to reduce office space, whereas firms with less than 10,000 expect to grow office spaces.¹³

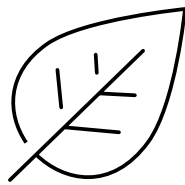
Flexible spaces are expected to be at the heart of both transitions, as larger firms will substitute unused central office spaces with flexible spaces, and smaller firms will rely on agile flexible spaces as they expand. Reduced CAPEX costs are expected to provide the ability to scale up or down rapidly to firms of all sizes, and access new business markets without the need for committing to traditional long–term leases. A driver of this change is the increased appetite for higher quality workspaces at a lower cost, and flexible spaces allow firms to upgrade their workspace at a lower cost.¹⁴



Flexible working supports workplace diversity and sustainability objectives.



Increased workplace diversity



Lower carbon emissions

Flexible working from local communities also brings a range of equally valuable and harder to quantify benefits, notably promoting sustainability as well as diversity in the workplace.

A reduction in carbon emissions is another benefit that flexible working brings to organisations. Fewer commutes contribute to lower carbon emissions, therefore further supporting environmental sustainability goals.¹⁵

Flexible working promotes diversity and inclusion by accommodating the needs of a diverse workforce, as workspaces become more accessible. In terms of female empowerment in business, 88% of women believe that the flexibility offered by hybrid working serves as an equaliser in the workplace. In addition, 66% said the model has led to them experiencing fewer biases, whether due to gender, race, or any other factors.¹⁶

Adopting flexible working presents a transformative opportunity for organisations to redefine the geography of work. By leveraging the benefits of flexible working, companies can create a more agile, inclusive and productive workforce, poised to thrive in the evolving landscape of work.

However, there is no one-size-fits-all model of hybrid working. The arrangements can vary by the firm sector, size, geographical spread or growth markets. Equally, not all employees seek the same benefits from flexible working arrangements and do not thrive in the same environments depending on their priorities and qualities.

For this reason, this research focuses on three realities of flexible working arrangements and quantifies the specific type of benefits they can bring.



Hybrid model(s): transforming work with endless possibilities

Selected business typologies for the study.

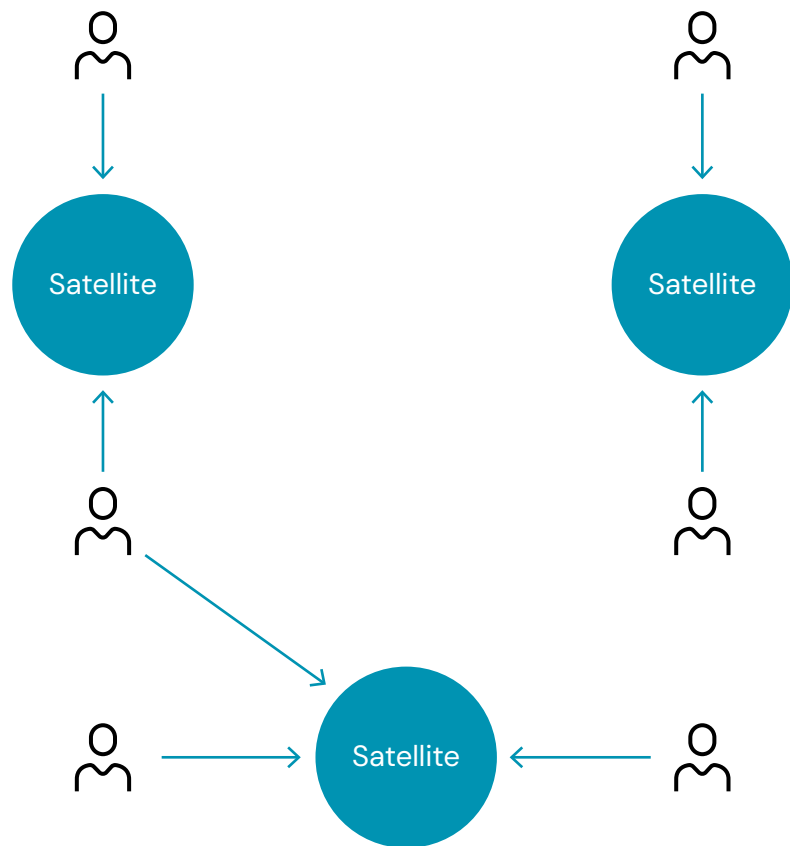
White-collar workers can work from a range of places, spanning from fully on-site to fully remote, with a number of hybrid variations in-between. For this study, we have identified three business typologies that specifically make use of flexible spaces and encourage working from local communities.

1 ‘Distributed locals’ firms

Employees work from multiple locations in assigned and privatised areas in flexible local spaces, mainly located in suburban and secondary towns. There is no central physical office or HQ. Organisations prioritise reducing real estate costs, commuting times for employees and their carbon footprint. Entering new markets and operational scalability are priorities.

Employees mainly work from:

- Home, collaborating digitally
- Flexible spaces (labelled as ‘Satellite’ on the diagram), where team members have regular access to high-quality workspaces locally, mainly for individual, focused tasks

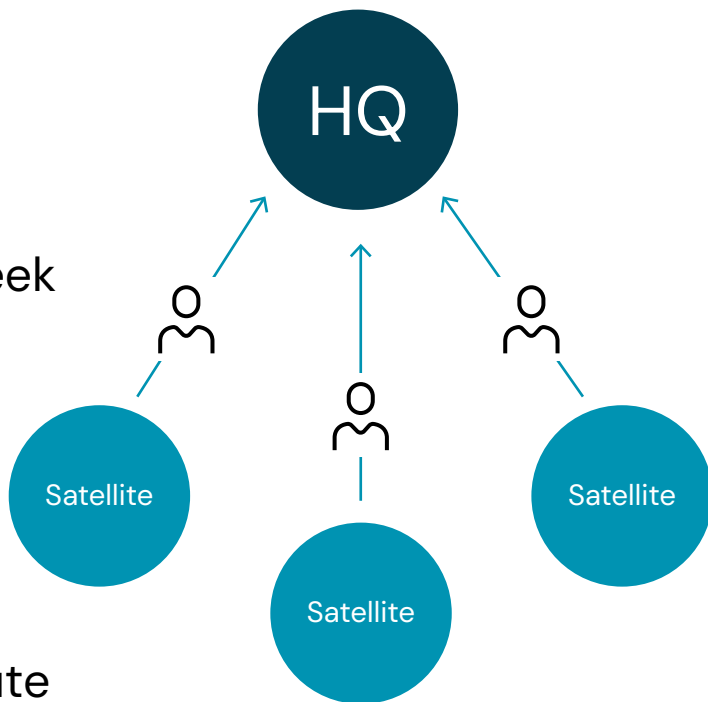


2 ‘Hub-and-spoke’ organisations

Usually medium to large firms that embrace a mixed use of workspaces. Organisations need local, well-located spaces for employees, providing a professional setting. They often have the means to test new working arrangements, and entering new markets and operational scalability are strategic priorities.

Employees work in a mixture of spaces:

- Central offices (labelled as ‘HQ’ on the diagram), primarily for strategic and planned teams’ collaboration on ‘team days’, which take place 1-2 times a week
- Flexible spaces (labelled as ‘Satellite’ on the diagram), primarily for tasks requiring local collaboration and individual focus
- Home, which is >45 min commute from the HQ. Employees usually live in suburbs, close to ‘Satellite’ offices

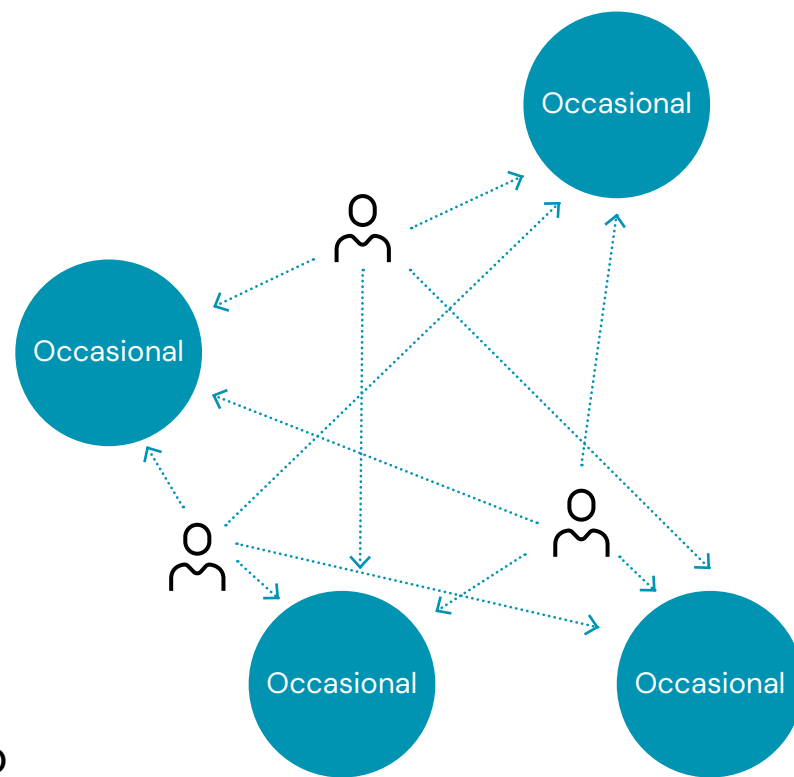


3 ‘Remote-first’ organisations

Firms whose operating model is mainly remote and that have no physical office or headquarters. Teams gather periodically (once a month / quarterly) in flexible spaces for in-person collaboration. Organisations have a regular need for large meeting spaces for in-person collaboration. In-person meetings help build company culture and more effective management.

Employees are spread geographically and mainly work from:

- Home, collaborating digitally
- Flexible spaces (labelled as ‘Occasional’ on the diagram), providing organisations a venue to host regular (monthly / quarterly) gatherings for sprint collaborations, strategic workshops and to allow coworkers to connect and collaborate



Driving factors of impact of hybrid working on organisations

To estimate benefits from an increased adoption of flexible working arrangements, six business typologies have been identified, based on distinct spatial work arrangements.

The three novel typologies of 'distributed locals', 'hub-and-spoke' and 'remote-first', which make use of flexible working arrangements and localised flex spaces, are accompanied by three traditional typologies, 'HQ only', 'HQ and home' and 'remote-only'. Each typology makes a unique use of a combination of three spaces: 'home', 'central office' and 'flexible workspace'.

In both the US and the UK, a sharp decrease in the three traditional typologies is expected, alongside a sharp rise in the three novel typologies in the next five and 20 years. To quantify the expected changes in the prevalence of typologies, two scenarios of futures of hybrid working have been identified:

- The base case or 'business-as-usual' considers that working arrangements remain consistent with the 2024 state of hybrid work, where between 1 in 3 and 1 in 4 white-collar workers spend some time working locally from elsewhere than HQ or home.
- The 'change scenario' assumes an increased adoption of typologies with more flexible spaces to allow for more agile and efficient ways of working. It is expected that **an additional 1 out of 5 white-collar workers will spend some time working locally from a flexible space by 2045.**

The difference between the two scenarios in additional net workers benefiting from flexible working arrangements allows the model to quantify expected benefits from the 'Change scenario' for both countries.



Findings by selected business typologies

In a novel approach, this research addresses how firms of various needs, structures and spatial arrangements are impacted differently by the rise of flexible working. The study focuses on three distinct firm typologies: 'distributed locals', 'hub-and-spoke' firms, and 'remote-first' firms. When looking at specific business typologies, our study finds that:

- **'Distributed locals'** – decentralised companies working from neighbourhood hubs – can boost employee satisfaction and efficiency by making the most out of the proximity economy.
 - o In the US by 2030, decentralised companies with distributed staff in local offices could **boost their productivity by 11%**, equivalent to **\$53bn** outputs and save **\$41bn** from real estate costs and **\$4bn** from retention by making the most of the 15-minute city.
 - o In the UK by 2030, these arrangements could boost **productivity by 12%**, equivalent to **£7.4bn** outputs and save **£4.4bn** from real estate costs and **£690m** from retention.
- Companies moving to **'hub-and-spoke'** models are improving their performance by reducing costs and boosting employee **productivity by up to 9%**.
 - o In the US by 2030, organisations transitioning to this model could save **\$17bn** in office space costs and **\$13bn** from staff retention and satisfaction while increasing productivity by 9% (or **\$68bn**) with optimised working arrangements.
 - o In the UK by 2030, 'hub-and-spoke' organisations could save **£1.6bn** in office space costs and **£1.2bn** from staff retention and satisfaction while increasing **productivity by 9%** (or **£5.6bn**) with optimised working arrangements.

- Beyond the remote office, flexible spaces empower 'remote-first' companies to create regular in-person gatherings that can help them improve strategic decision-making, build a company culture and increase performance.
 - o In the US, remote companies using flexible spaces occasionally could increase productivity by **\$17bn** by 2030, while reducing costs related to voluntary turnover by **\$5bn**.
 - o In the UK, companies adopting a remote-first model and making use of flexible spaces for occasional company gatherings can see productivity gains from collaboration and engagement increase by **4%** (or **£2.5bn** by year by 2030), while improving staff retention and satisfaction leading to **£825m** savings per year by 2030 from voluntary turnover.



Local hubs, global impact: boosting productivity and saving economies billions by 2030

Decentralised work models: how shifting to local offices boosts productivity by up to 12%.

In the context of the US, by 2030, this is equivalent to **\$53bn** in increased annual output, saving **\$41bn** from real estate costs and **\$4bn** from retention by making the most of the 15-minute city. In the UK, this is equivalent to **£7.4bn** in increased output, saving **£4.4bn** in real estate costs and **£690m** from retention by making the most of the 15-minute city.

Assuming workers in ‘distributed locals’ companies work half the time from a flexible office space where they can focus better than in an HQ office or at home,⁷ organisations would gain around 170 hours of productive time per worker per year, equivalent in the US to **\$42bn** GVA per year in 5 years and **\$109bn** per year in 20 years. In the UK, the economy could benefit from the equivalent to **£5.7bn** GVA per year in 5 years and **£11bn** per year in 20 years.

We estimate that an average employee changing

their commute from a centralised office to a nearby local office would translate to, in the US, 48 hours of more productive time, equivalent to **\$11bn** per year in 5 years and **\$30bn** in 20 years. The figures in the UK would amount to 50 hours more working, equivalent to **£1.7bn** per year in 5 years and **£3.4bn** in 20 years.

Companies renting space in neighbourhood hubs or providing coworking memberships to their employees, as opposed to space in central offices, are expected to reduce real estate costs by 55% in the US and 37% on average in the UK, equivalent to **\$41bn** and **£4.4bn** in the US and UK respectively by 2030 and **\$77bn** and **£9bn** by 2045.

Working locally boosts employee satisfaction and engagement, leading to higher retention, with an estimated reduction of voluntary turnover rates by 23%. This transition could represent up to **\$4.3bn not spent on recruitment costs** by 2030 for US companies moving their portfolios to neighbourhood hubs and **£690m** by 2030 for UK companies.

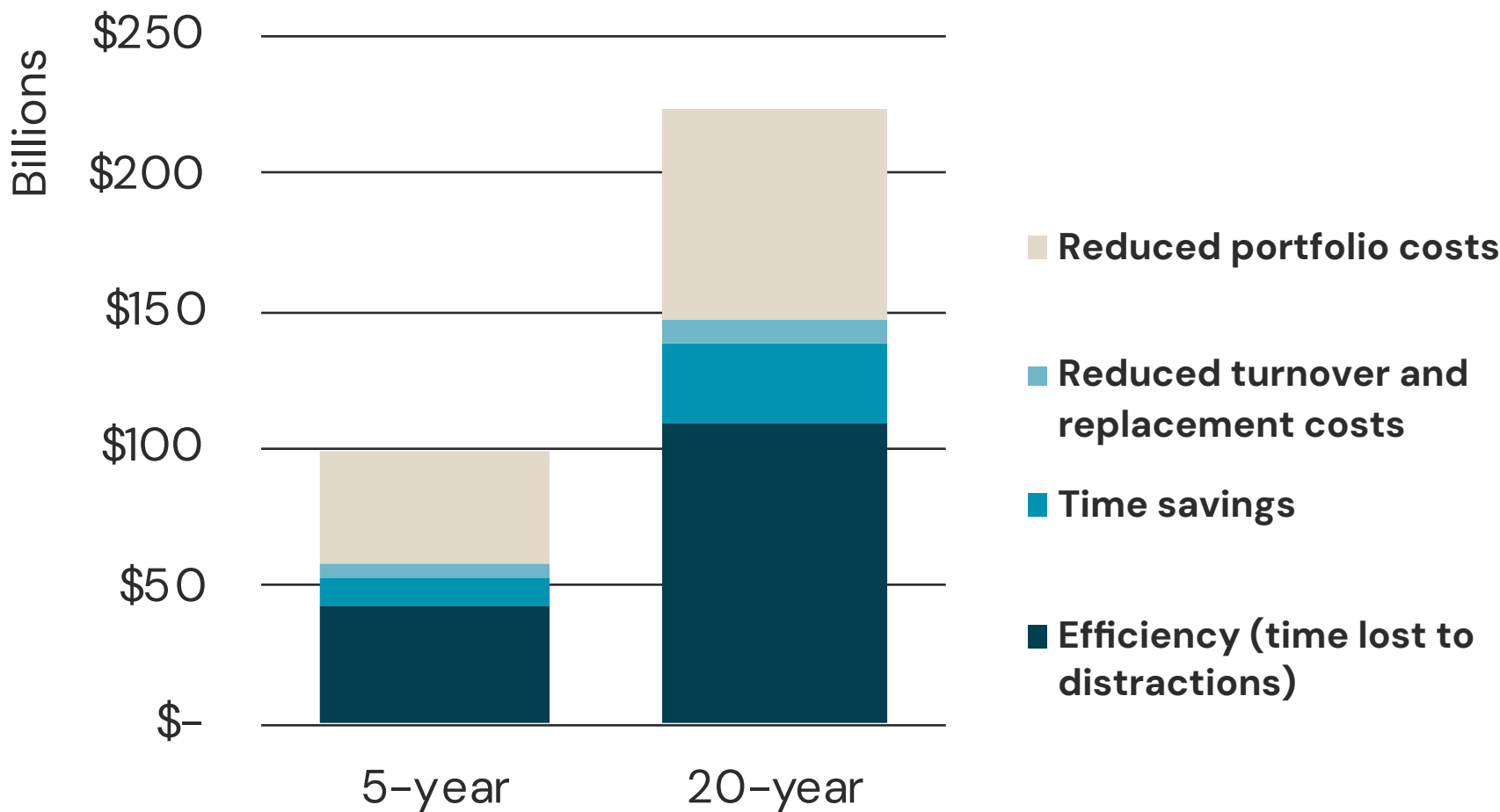


Figure 6: Expected annual benefits from new ‘distributed locals’ firms (US)

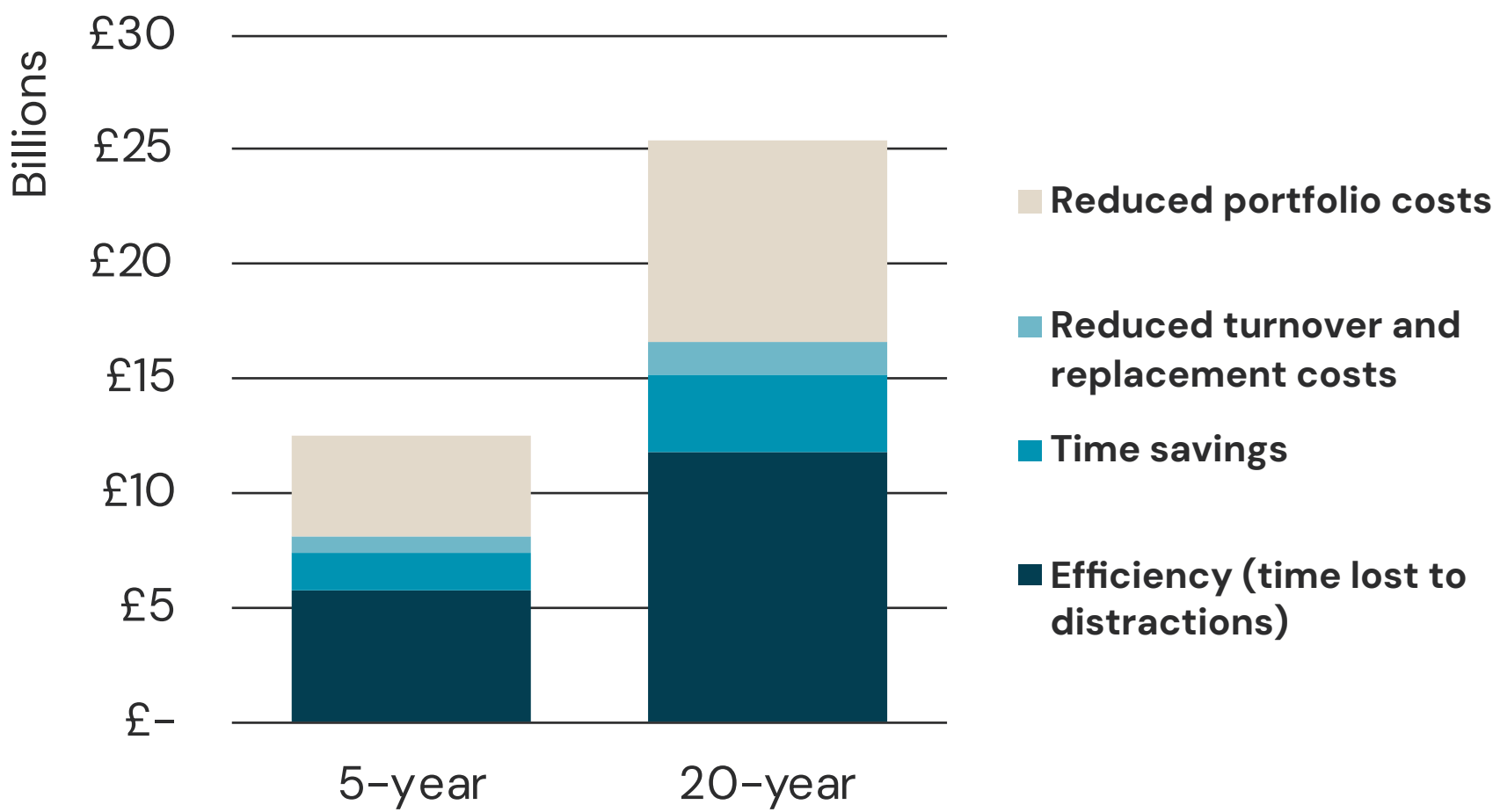


Figure 7: Expected annual benefits from new ‘distributed locals’ firms (UK)

‘Hub-and-spoke’ model could drive \$68bn in productivity gains by 2030 in the US and £6bn in the UK

By 2030, firms transitioning to a ‘hub-and-spoke’ model, where central offices are accompanied by flexible spaces, could further decrease their real estate costs by \$17bn annually in the US and £1.6bn in the UK.

In the context of the US, by 2030, this is equivalent to \$68bn (up to \$238bn by 2045) in increased annual output, saving \$17bn from real estate costs and \$12bn from retention by making the most of the 15-minute city. In the UK, this is equivalent to £6bn in increased output (up to £11.4bn by 2045), saving £1.6bn from real estate costs and £1.2bn from retention through optimised working arrangements.

‘Hub-and-spoke’ models combine the unique benefits of local spaces and unlock new opportunities for team collaboration, helping boost productivity and retain staff at all stages of their careers. Greater team diversity is created through accommodating all types of working preferences, reducing voluntary turnover by up to 40%.

Assuming ‘hub-and-spoke’ employees work 2 days per week from a flexible space, they could gain around 150 hours of productive time, equivalent to \$56bn GVA annually in 5 years

and \$198bn annually in 20 years in the US. In the UK, the corresponding figures are £4.6bn GVA per year in 5 years and £9.4bn per year in 20 years.

Companies transferring 40% of their portfolio from HQ to satellite offices can save up to 35% and 23% in real estate costs in the US and UK respectively while being more agile to enter new markets. This figure translates to \$17bn of net savings annually by 2030 in the US, and £1.6bn annually by 2030 in the UK, compared to ‘business-as-usual’.

Finally, reducing the number of days having to commute to an HQ office from 2.5 days a week to 1 day a week would allow workers to spend 30 more hours working, equivalent to \$11bn annually in the US in 5 years, and \$40bn in 20 years, and £1bn per year in 5 years in the UK, and £2bn in 20 years.

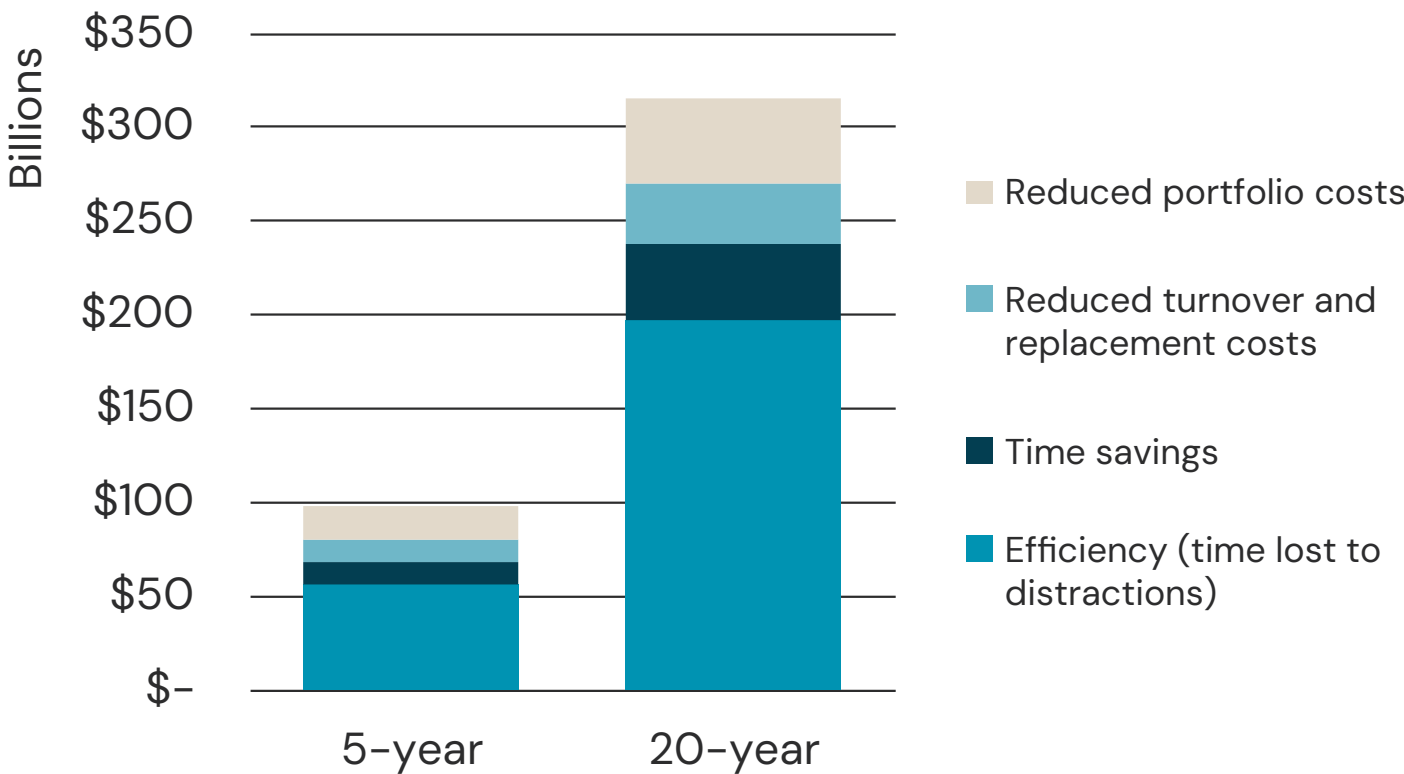


Figure 8: Expected annual benefits from new ‘hub-and-spoke’ firms (US)

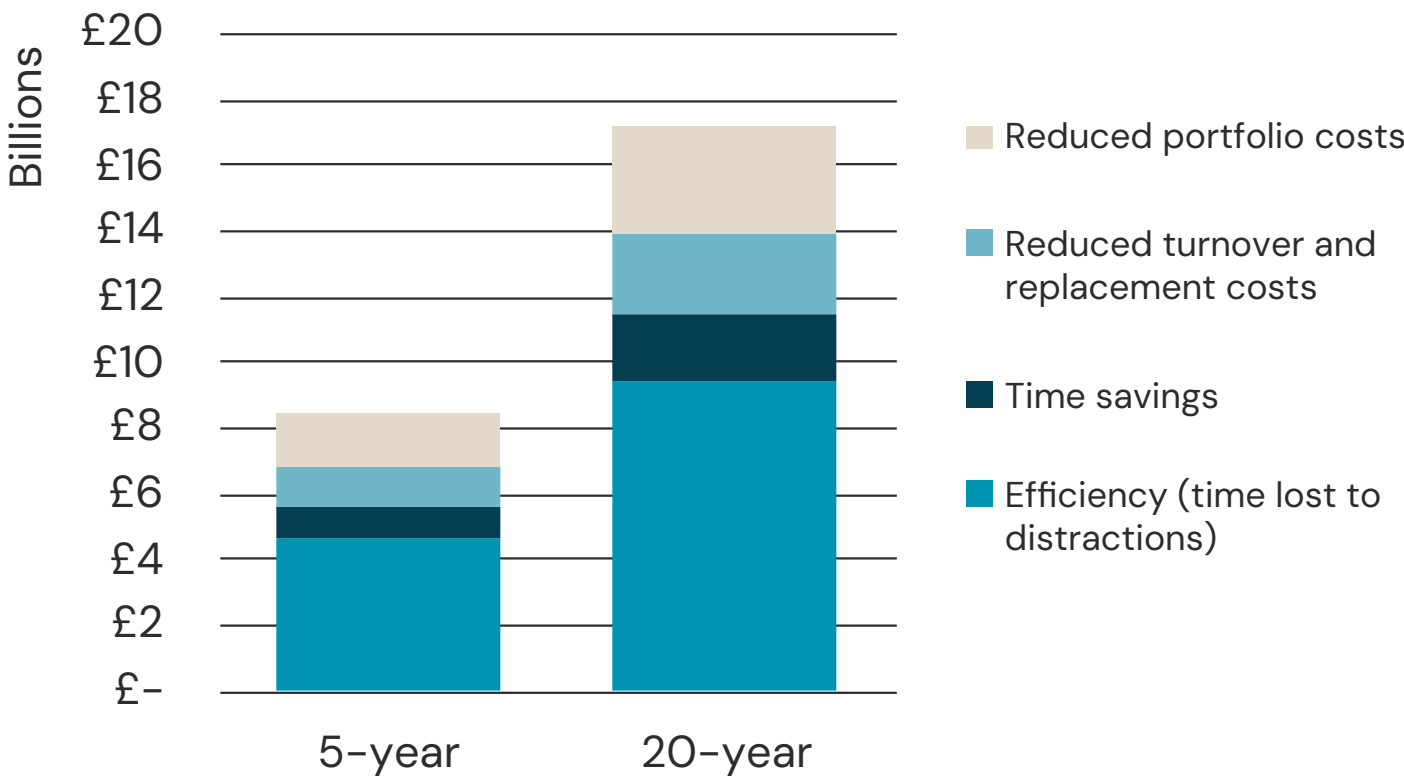


Figure 9: Expected annual benefits from new ‘hub-and-spoke’ firms (UK)

Unlocking potential: flexible spaces driving significant business gains for ‘remote-first’ companies

‘Remote-first’ firms making use of flexible spaces can see gains from collaboration increase by 4%, equalling overall annual gains of over \$17bn in the US by 2030 and over £3.4bn in the UK, and slash sick day costs by \$5bn in the US and £836m in the UK.

‘Remote-first’ companies benefit from more engaged employees when making use of flexible spaces for occasional gatherings. This can help reduce the feeling of loneliness and improve employees’ wellbeing, especially for younger workers. Moreover, studies show that better management practices, feelings of inclusion, support, recognition and personal development at work (defined as “engagement”) are related to 14% better productivity. Flexible spaces could facilitate that, further boosting total company productivity by 3% from an increased number of “highly engaged” workers through reduced isolation. In the US, this could represent up to **\$13bn** per year by 2030 and **\$15bn** per year by 2045. In the UK, this would be equivalent to **£1.7bn** per year by 2030 and **£2bn** by 2045.

In the US, employees take around 8.1 days of formal sick leave. In the UK, remote employees take on average 9.6 days of formal sick leave, compared to 6.3 days for the average

worker, partly due to isolation and feelings of loneliness. By reducing average worker absence rates through increased interactions and a sense of inclusion, we estimate that this could represent up to **a \$5bn reduction in sick leave costs** by 2030 and **\$7bn** by 2045 in the US, and **£836m** and **£907m** in the UK per year in 2030 and 2045 respectively.

Access to regular team collaboration spaces improves employee engagement and company culture. Employees working in ‘remote-only’ arrangements often report lower levels of satisfaction from work and higher detachment from the purpose of their organisation, compared to those working in hybrid settings. This is due to a lack of in-person engagement with colleagues and management. We estimate that this could reduce levels of voluntary turnover, saving US companies up to **\$5bn** per year by 2030 and **£825m** per year for UK companies by 2030.

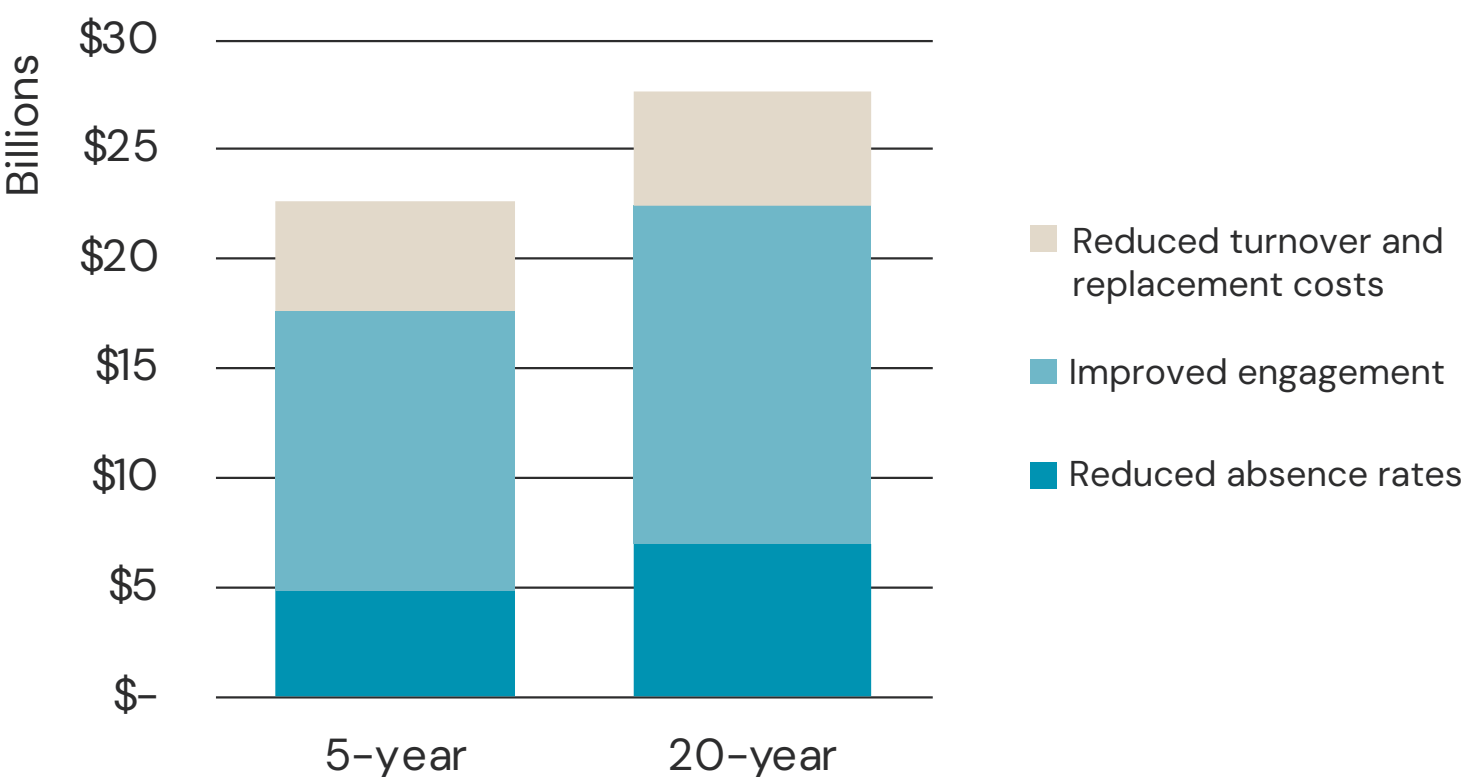


Figure 10: Expected annual benefits from ‘remote-first’ firms (US)

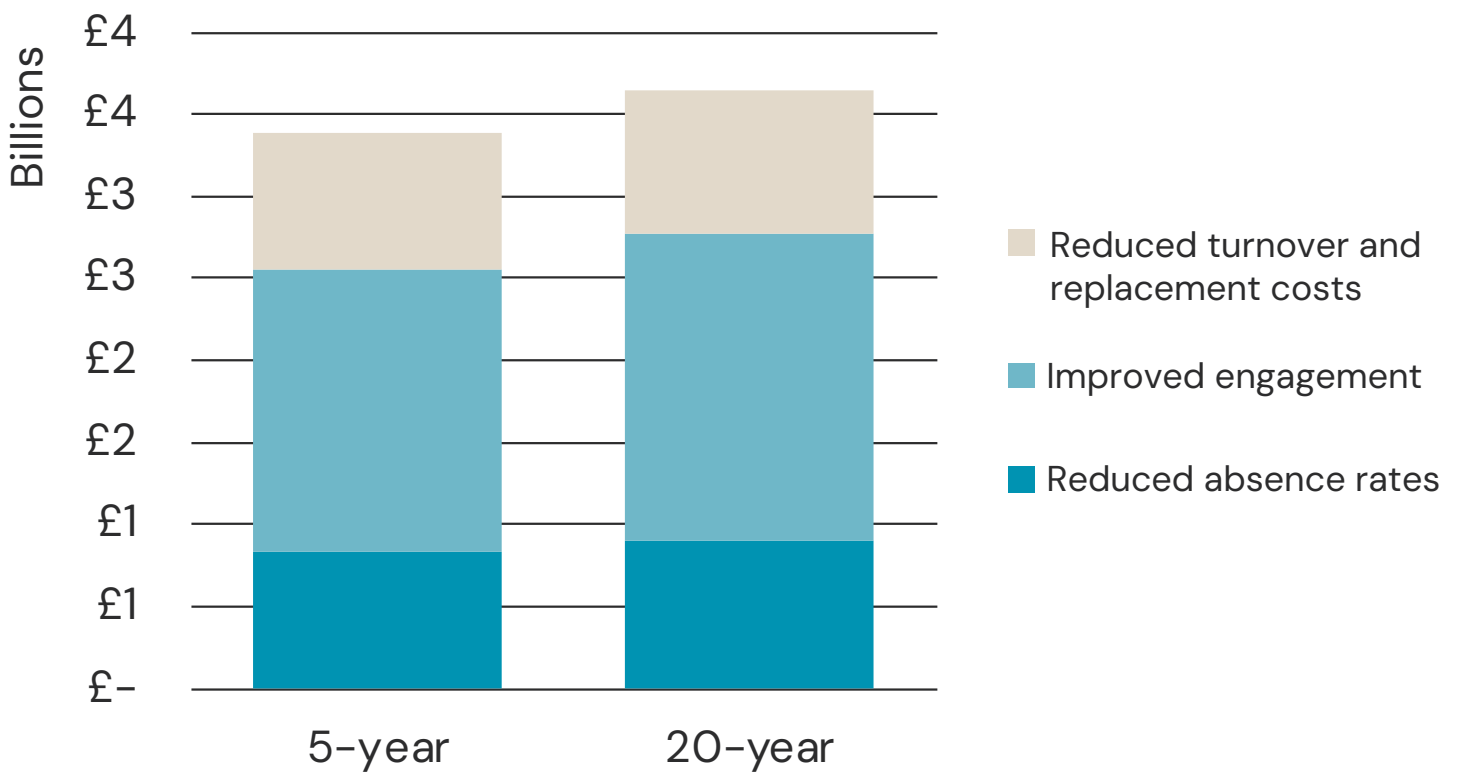


Figure 11: Expected annual benefits from ‘remote-first’ firms (UK)

Conclusion

The future of work: why hybrid is the secret to enhanced productivity, cost efficiency and business appeal

The future is hybrid: improved ways of working facilitated by the flexible working transition could bring up to \$219bn and £24bn annually to the US and UK economies respectively by 2030, and \$566bn and £46bn annually by 2045, equivalent to the GVA of Austin (Texas) or Leeds in the UK.

For the US, this is equivalent to the GVA of Austin (Texas), and a 13% increase on a 'business-as-usual' scenario. For the UK, this represents a 12% increase compared to a 'business-as-usual' scenario and is equivalent to the GVA generated by Leeds over a year.

Figure 12 and Figure 13 quantify the sum of economic benefits for the above detailed three business typologies for the next 5 and 20 years, based on our projections in flexible working trends.

Values shaded in grey demonstrate the 'business-as-usual' GVA growth trends based on current growth trajectories and the growing estimated number of workers projected to benefit from flexible working arrangements, whereas values shaded in colours highlight expected contributions on top of the 'business-as-usual' GVA as a result of the flexible working transition.

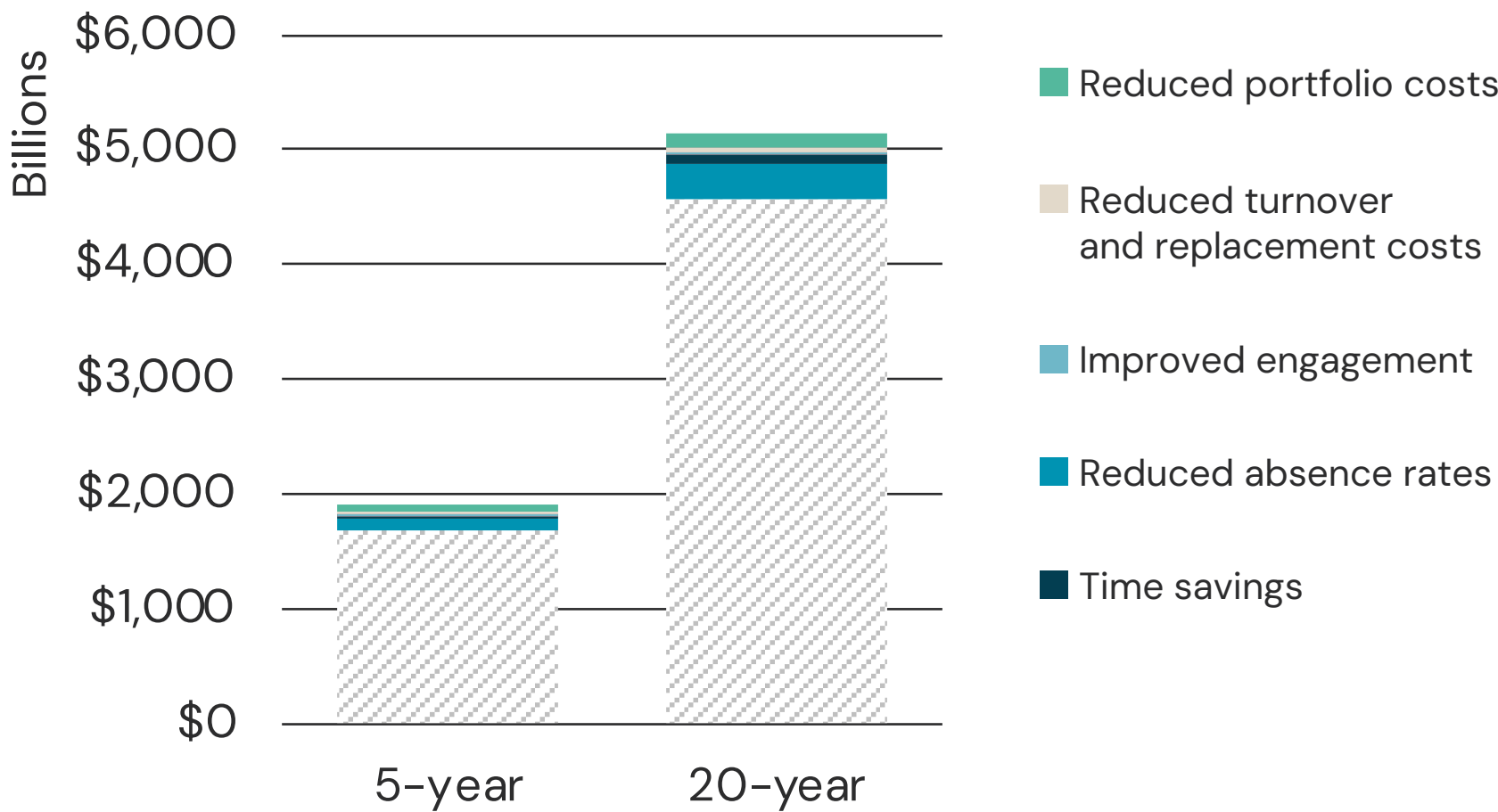


Figure 12: Annual benefits from improved working arrangements for selected US business typologies compared with 'business-as-usual' GVA (US)

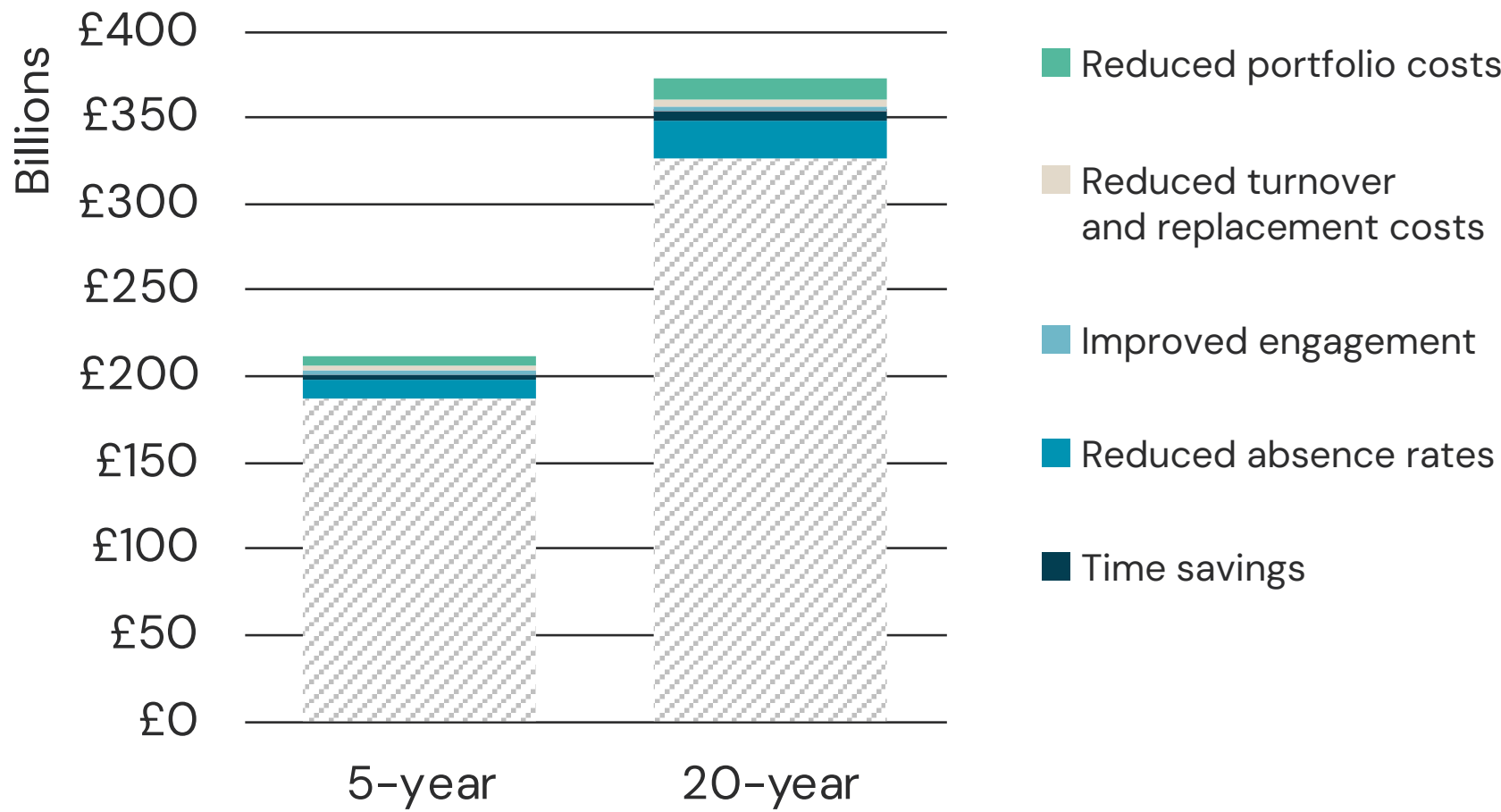


Figure 13: Annual benefits from improved working arrangements for selected UK business typologies compared with 'business-as-usual' GVA (UK)

Expected benefits from novel ways of working can be classified under three categories, with detailed summaries per category below:

Expected productivity gains from flexible working reach \$17.6bn and \$22.4bn per year in the US by 2030 and 2045, and £2.5bn and £2.7bn productivity benefits in the UK by 2030 and 2045.

Gains in productivity can be explained by changes to daily commutes, time lost to distractions in the office and at home, and reduced absence rates.

Time savings from commutes

Both the US (55 minutes) and the UK (59 minutes and up to 86 minutes for those commuting to London) present similar average commuting times. Reducing these by working locally and assuming 40% of that time is spent doing additional work that would benefit companies could lead to potential productivity gains in both countries.

This could lead to benefits of up to **\$23bn** per year by 2030 and **\$70bn** in the US by 2045, and **£2.7bn** and **£5.5bn** for the UK for 2030 and 2045 respectively.

Efficiency (time lost to distractions)

Another metric impacting employee productivity is the reduction in time lost to distractions. Employees lose around 27% of their time to distractions, mainly from excess unproductive socialising and noise in the office; and difficulties in task-switching when at home. These distractions can be significantly reduced when working from a flexible space.

Working in a flexible space as opposed to working from home or in the office could reduce distractions by up to 81 minutes per day. When applied to additional workers, using these spaces as part of new working arrangements, this could lead to significant productivity benefits. In the US this could represent up to **\$98bn** per year by 2030 and **\$306bn** per year by 2045. For the UK, by 2030 this would equate to **£10bn** per year and **£21bn** per year by 2045.

Improved engagement and reduced absence rates

Flexible spaces can improve employee engagement (which is related to productivity) by facilitating regular company gatherings and in-person collaboration. This also helps reduce absence rates by reducing the feeling of isolation and loneliness for some of the remote workers. Put together, this contributes significantly to the productivity gains brought by hybrid working. A shift towards more flexible working is modelled to reduce annual days of sick leave by 2.9 days in the US and 3.5 days in the UK while increasing the number of “engaged” employees.

This translates to **\$17.6bn** and **\$22.4bn** productivity gains per year in the US by 2030 and 2045, and **£2.5bn** and **£2.7bn** productivity benefits in the UK by 2030 and 2045.

Reduced portfolio costs.

Transferring part of businesses’ portfolios to less central locations could save up to **\$58bn** annually by 2030 and **\$122bn** annually by 2045 in the US compared to a ‘business-as-usual’ scenario. In the UK, this figure could go up to **£6.1bn** per year by 2030 and **£12.1bn** per year by 2045.

These gains mainly come from transferring offices to less central areas with lower rent and/or having some employees hotdesking in flexible office spaces, using membership subscriptions allowing them to work from multiple locations.

Improved working arrangements can increase retention by up to 20%.

The key benefit of the flexible working arrangements allowing more local working is the enablement of the 15-minute city, where individuals are able to access work and key amenities within a 15-minute radius of their residence.

Improved working arrangements can increase retention by up to 20%, leading to reduced costs of **\$22bn** and **\$45bn** annually in the US by 2030 and 2045 respectively. In the UK, this would be equivalent to **£2.7bn** and **£4.7bn** per year by 2030 and 2045 respectively.



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Disclaimer

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Appendices

A.1 Appendix

A.1.1 Purpose of the study

IWG and Arup have partnered to investigate how the rise of flexible working brings organisational value to different types of businesses. The rise of digital working technologies and changing employee expectations post-pandemic have spurred a surge in flexible work arrangements. This shift has generated substantial cost savings for firms, changing their ways of working. Additionally, flexible work schedules can improve employee work-life balance, leading to higher retention rates while also leading to increased productivity thanks to increased employee autonomy over their time. Furthermore, flexible work allows for a more dynamic use of office spaces, optimising them for collaboration when needed.

There is an increasing amount of research on the demand for, and availability of, flexible workspaces. However, existing literature mainly assumes that every organisation reacts similarly to changes in flexible working.

In a novel approach, this research addresses how firms of various needs, structures and spatial arrangements get impacted differently by the rise of flexible working.

The study focuses on three distinct firm typologies making use of flexible spaces to improve their working arrangements:

- **‘Distributed locals’** organisations – Firms whose employees work from multiple locations in assigned and privatised spaces in local flexible spaces, mainly located in suburban and secondary towns. There is no central physical office or HQ.
- **‘Hub-and-spoke’** organisations – Medium to large firms combining a central office with hybrid working arrangements from home or from firm-dedicated flexible spaces.

- **‘Remote-first’** organisations – Firms whose operating model is mainly remote and that have no physical office or headquarters. Teams gather regularly (once a month / quarterly) in flexible spaces for in-person collaboration.

Embracing hybrid working can make businesses more productive, cost-efficient and attractive.

As such, it is timely to consider the potential economic impact of an increased number of firms using flexible and more efficient ways of working, and the opportunities for growth going forward. In the scenario-based analysis created for this report, we discuss:

- The new geography of work and how companies are adapting their hybrid working arrangements and transferring portfolios to flexible spaces.
- The broader benefits of hybrid working such as reduced commutes and the money saved, increased focus time, real estate savings, satisfaction, and health and wellbeing benefits.
- The potential impact of localised hybrid working in decentralised offices in increasing employee satisfaction and retention.
- The implications of adopting a ‘hub-and-spoke’ model and how it can improve management practices and efficiency, as well as reduce real estate costs.
- The impact on remote companies making use of flexible spaces to build employee engagement, increase collaboration and improve retention.

This study was carried out between October and December 2024.

A.1.2 Definitions

For the purposes of this study, we have defined the following terms:

Hybrid working: a working pattern which includes working from a company’s office some of the time and remote working – including from a satellite workspace and from home – some of the time.

Flexible working: a way of working that suits an employee’s needs, for example having flexible start and finish times, or working from home or a space that is not the company’s main office.

Remote working: working from a location other than a company’s office.

Flexible space: a flexible office space is a type of workspace which enables workers and businesses to work in various locations and provides them with flexibility in their ways of working. They are a space from which hybrid workers can work, other than their company’s main office and other than home.

Working from home: employees working from their own residences.

White-collar / office worker / people who can hybrid work: a white-collar worker is a person who performs professional service, desk, managerial, or administrative work. White-collar work was traditionally performed in an office or other administrative setting. We consider all jobs falling within this definition to have a potential for hybrid working. In this report, we use white-collar workers and office workers interchangeably.

A.1.3 Modelling principles

To estimate benefits from an increased adoption of flexible working arrangements, six business typologies have been identified, based on distinct spatial work arrangements. Three novel typologies, ‘distributed locals’, ‘hub-and-spoke’ and ‘remote-first’, are accompanied by three traditional typologies, ‘HQ only’, ‘HQ and home’, and ‘remote-only’. Each typology makes a unique use of a combination of three spaces: ‘home’, ‘central office’, and ‘flexible workspace’

In both the US and the UK, a sharp decrease in the three traditional typologies is expected, alongside a sharp rise in the three novel typologies in the next 5 and 20 years. To quantify the expected changes in the prevalence of typologies, two scenarios of futures of hybrid working have been identified:

- The base case or ‘business-as-usual’ considers that working arrangements remain stable as of the 2024 state of hybrid work.
- The ‘change scenario’ assumes an increased adoption of typologies with more flexible spaces to allow for more agile and efficient ways of working.

The difference between the two scenarios allows the model to quantify expected benefits from the ‘change scenario’ for both countries. Potential benefits of the ‘change scenario’ have been identified based on:

- Real estate costs
 - Turnover and replacement costs
 - Time savings
- Efficiency gains
 - Retention
 - Changes in absenteeism

The model’s components are outlined in Figure 14. Note, the diagram is a schematic representation of benefits but not all apply to the selected typologies. More explanation is provided in the method note below.

The commercial impacts model calculates the potential outcomes in the US and UK of scenarios where the distribution of organisations’ working arrangements shifts towards options that involve flexible workspaces (‘remote-first’, ‘distributed locals’ and ‘hub-and-spoke’).

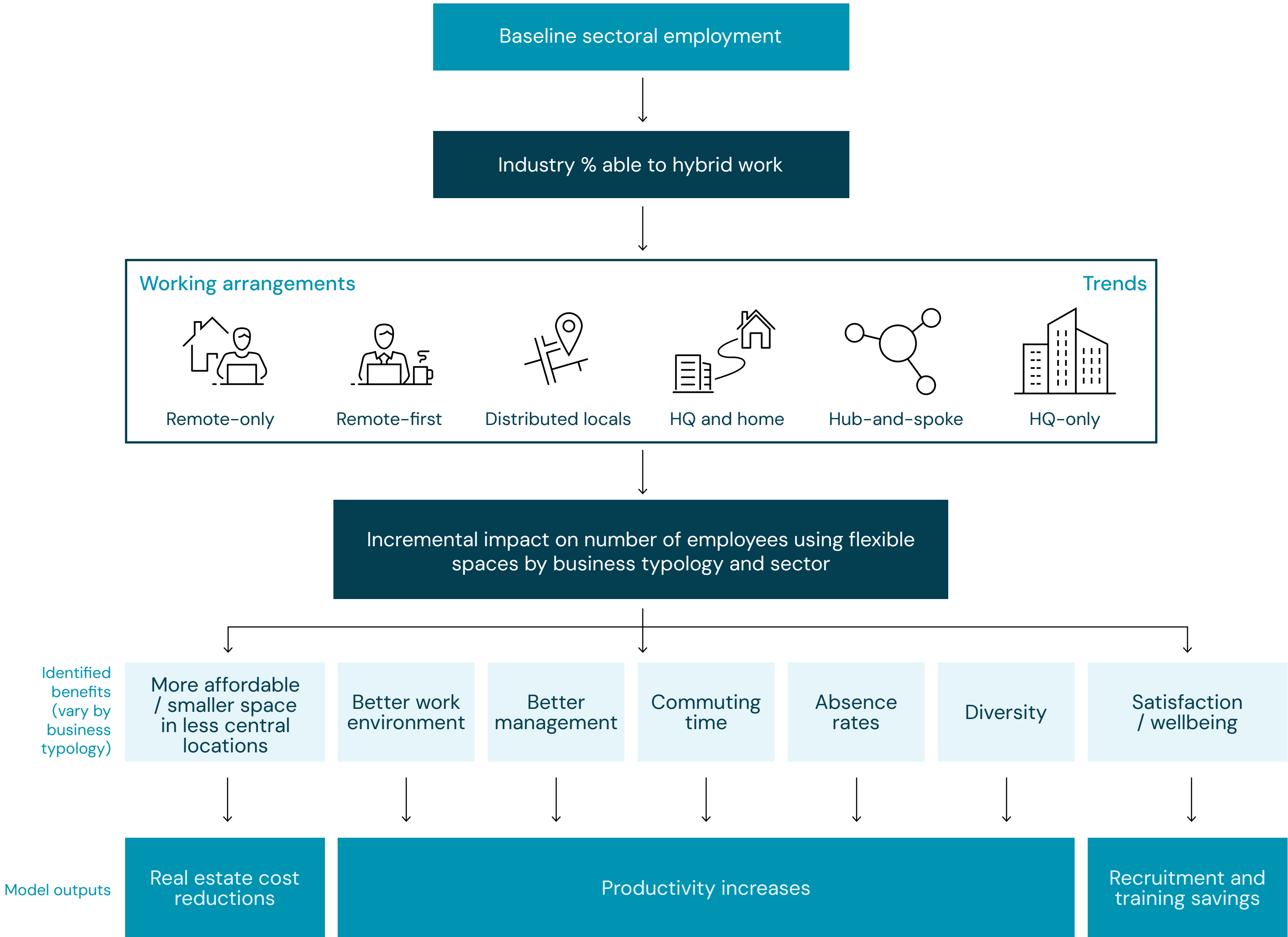


Figure 14: Outline of the model of commercial impacts from using flexible workspaces

The methodology is based on assigning identified benefits from a literature review of working arrangements to the different typologies, and how the change in number of employees using the different typologies would impact real estate costs, productivity and recruitment and training costs.

The main assumptions driving the model are that the change in working arrangement will impact:

- **Real estate costs:** Using a flexible workspace involves a different pricing level and system to office leases.
- **Efficiency:** The level of distractions while working from home and in a traditional office are different to working in a flexible workspace, which can impact employees' productivity.
- **Retention:** Changes in working arrangements can influence employees' wellbeing and connection to their employer, which could impact their propensity to leave their company. Replacing an employee can subsequently incur additional costs of recruitment and training.
- **Absenteeism:** Changes in working arrangements can influence employees' wellbeing, which can impact the number of days they take in absence.
- **Time savings:** The time employees take commuting varies by working arrangement. Part of the time saved can be spent on working longer.
- **Engagement:** Engagement towards work can vary by working arrangement, which can influence employee productivity.

To estimate the number of residents able to hybrid work in selected towns, we have used an occupation-based approach for both US and UK, defining specific occupations that could be considered as being able to have an important share of their tasks being done remotely from the main workplace.

The US and UK models use employment categorisation from the Bureau of Labor Statistics (BLS) and Business Register and Employment Survey (BRES) respectively.

Costs

- **Real estate costs:** To calculate real estate costs for the different typologies, data on prices was collected on leasing offices in London (UK) and a metro city (US), and desk and office rentals in flexible workspaces.
- **Retention:** For the US model, data was collected on quit rate per year by industry, along with data on the reasons for voluntary turnover. Combined with employment by industry, voluntary turnover rates were calculated for each working arrangement typology, accounting for the reason for quitting that the working arrangement would address. Due to a lack of specific data on quit rates, the UK model collected data on the turnover rates per industry and voluntary turnover rates for the UK labour force overall, to create an assumption around the quit rate. Both US and UK models used an assumed figure for the cost of an employee being replaced. The cost savings were subsequently calculated through a product of the quit rate and cost of replacing an employee.

Productivity

The productivity outputs were based on projections of GVA per worker by industry and employment number by industry. For the UK model, data on GVA per worker and employment was collected from BRES. For the US model, data on GVA per worker and employment was collected from BLS. For the US model, due to a lack of data on GVA per worker, this was estimated by dividing GVA produced in each industry by the number of workers in the industry.

- **Efficiency:** Estimations of time lost through distractions of working from home, a flexible office space and a headquarter were calculated. This informed the GVA that would be lost through distractions.
- **Absenteeism:** Assumptions for the annual number of days taken off for formal absence by typologies were based on data on absence rates between remote working and hybrid working. Difference in assumed absence rates subsequently informed the differences in GVA lost through absence.

- **Time savings:** Assumptions were based on average commute times in the US and UK and the proportion of time saved that was used for extra hours of work. The extra hours worked per year were combined with the GVA per worker data to calculate any added GVA through time savings.
- **Engagement:** Adopting Gallup's definition, the term "employee engagement" describes a psychological commitment to one's work, team and organisation. Engagement is not a characteristic of employees, but rather an experience created by organisations, managers and team members. Gallup's work shows that teams scoring in the top quartile on employee engagement saw 14% higher productivity compared with bottom-quartile teams. Taking the assumption that 'remote-first' companies accessing flexible spaces could increase employee engagement from country average levels to top quartile levels, we calculated the associated productivity gains using GVA per worker levels.



A.1.4 Key assumptions

A.1.4.1 The ‘business-as-usual’ arrangements

Using publicly available data from the ONS and US Census Bureau on the share of workers working fully on-site, hybrid or fully remote, current working arrangements of white-collar workers were identified and further broken down into the six identified typologies.

Some initial differences exist between UK and US workers related to cultural and managerial practices in both countries. For example, hybrid working is much more common practice in the UK while more US employers require their workers to be fully on-site despite capacity to work flexibly.

Table 1: Distribution of white-collar workers between typologies

	Remote-only	Remote-first	Distributed locals	HQ and home	Hub-and-spoke	HQ-only
US	12.5%	12.5%	5%	15%	8%	47%
UK	15%	15%	5%	31%	15%	19%

The ‘change scenario’ explores how these current arrangements are expected to change.

A.1.4.2 The ‘change scenario’

Changes anticipated in the prevalence of working arrangements in both the US and UK are based on macroeconomic trends and are visualised in the flow charts in Figure 15 and Figure 16.

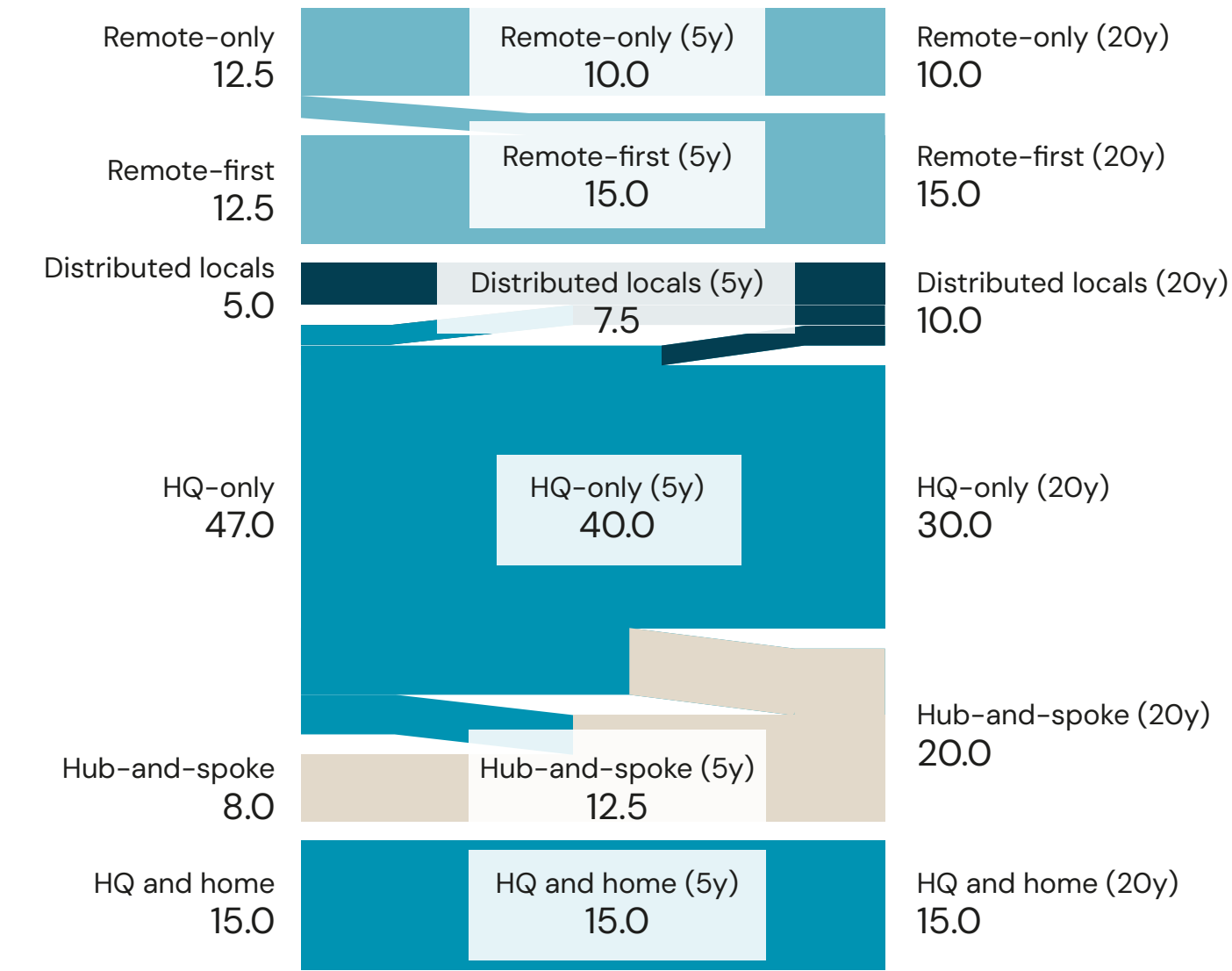


Figure 15: Change of typology distributions in 5 and 20 years (US)

For both the US and the UK, it is anticipated that the number of companies using fully remote arrangements will remain stable (between 25% and 30% respectively), while a share of the workforce working ‘remote-only’ is expected to shift to a ‘remote-first’ work arrangement, as companies with ‘remote-only’ arrangements will capitalise on the opportunities of organising ‘away days’ where employees meet in a flexible workspace.

In the US, the relatively limited share of employees working from the ‘HQ and home’ model is expected to remain stable, while the ‘HQ-only’ model is expected to shift to ‘hub-and-spoke’ and ‘distributed locals’ as long-term, pre-pandemic leases come to an end in the second half of the 2020s, and employers understand the benefits of providing flexibility to their employees while ensuring they have a dedicated office setting, even when working locally.

In the UK, the shift from the ‘HQ-only’ model for white-collar

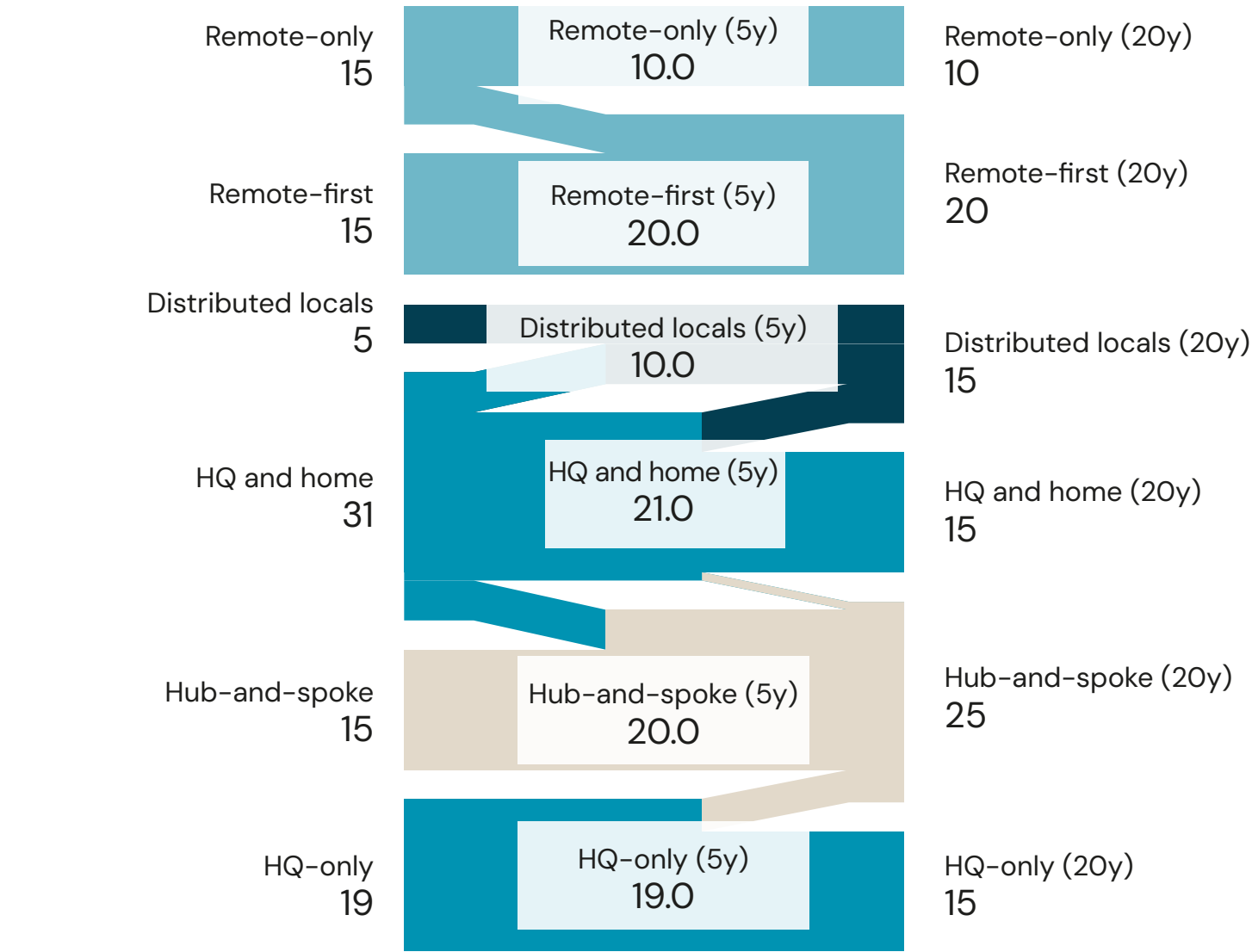


Figure 16: Change of typology distributions in 5 and 20 years (UK)

workers has occurred and is expected to stabilise, with a limited number of firms choosing a ‘hub-and-spoke’ model as an alternative. On the other hand, the ‘HQ-only’ model has been replaced by the ‘HQ and home’ model, which is now prevalent. These arrangements are also expected to change as employers and workers alike realise some of the limitations of working from home but acknowledge the benefits of working locally. As an alternative, it is expected that companies will transition to more formal localised spaces in the form of flexible spaces serving as either ‘spokes’ of a ‘hub-and-spoke’ model or smaller distributed local offices.

As a result, the ‘change scenario’ assumes a progressive shift of up to an additional 1 out of 5 white-collar workers being able to work locally from flexible spaces by 2045, either in ‘remote-first’, ‘hub-and-spoke’ or ‘distributed locals’ organisations.

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