Future Workstyles and Future Workplaces in the City of London

RESEARCH REPORT

PUBLISHED BY THE CITY OF LONDON CORPORATION AND THE CITY PROPERTY ASSOCIATION

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Foreword

The City of London, as one of the world's leading financial and business centres, provides a unique and highly distinctive workplace environment for its businesses and workforce. The City has a dense concentration of financial and professional services, a young and highly skilled workforce, and a diverse range of workspaces, where ancient and modern sit side by side.

This report examines the characteristics of the City's evolving workforce and trends in office space requirements, and explores how the City can meet changing needs to remain a world-leading location for businesses and workers over the next ten years. The City of London Corporation has commissioned this work jointly with the City Property Association, reflecting the importance of the City's physical infrastructure to its success as a business environment.

The past few decades have seen significant shifts in ways of working, with the rise of agile working across different locations and the impact of technology. This has led to a concomitant change in office design, as occupiers look for more flexible and interactive space. With 18% of Central London's jobs concentrated in the City, and a growing workforce over the next decade, we are seeing an expanding and increasingly diverse range of businesses here; it is critical that our built environment supports them.

To help ensure that our office buildings and designs are fit for the future, the findings of this report include a number of practical implications for developers and property managers. More broadly, this research demonstrates the growing importance of the role of the public realm in the City's future attractiveness and competitiveness.

There is work already underway in the City which will support many of the identified requirements. This includes the delivery of significant enhancements in many areas of the City, such as Cheapside and St Paul's, through to working with BT OpenReach in developing new products that will deliver affordable high-speed broadband solutions to businesses and residents; these new approaches will complement the existing City-wide WiFi network, which is free to all users.

The future attractiveness and competitiveness of the City depends on its ability to continue to evolve – as it always has – to support the future needs of both businesses and workers; this report helps to identify the steps that are needed.

Mark Boleat
Chairman of Policy and Resources
City of London
March 2015

Executive summary

The City of London is one of the world's leading financial and business centres, operating and competing on a global platform, and so highly responsive to changing market trends and economic shifts. These features mean that in a UK context, the City is often at the forefront of change in the workplace and the built environment.

Evidence suggests that the City's economy is robust, with significant growth forecast over the decade ahead; though employment growth will not automatically translate into space demand as occupiers strive for 'spaceless growth'. The blend of industry sectors in the City is becoming more diverse, and at the same time, the traditional boundaries between sectors are eroding in business terms as firms require increasingly similar skill sets. This will have a growing impact on workplace requirements as workers and work processes become increasingly similar.

Workplaces are increasingly used less as static backdrops to routine solitary work, and are increasingly managed more like hotels than a traditional office, with a high level of service and experience for 'guests'. Space allocation in the workplace has changed significantly with the traditional mix of desks and offices yielding to a richer palette of work settings.

The City of London has a young, highly skilled and highly productive workforce that is ever more demanding, prioritising flexibility and choice. The City's workforce will become an increasingly important consideration in workplace provision as employers seek to provide workplaces that not only attract and retain highly skilled staff, but which also provide an environment aimed at maximising productivity.

The corporate landscape is changing dramatically, and workplaces in the City are increasingly being designed and managed so that they can react quickly to new business priorities. The role of the workplace in supporting business agility and connectivity cannot be overstated, with workplaces themselves becoming more team-based and collaborative. The traditional corporate real estate focus on furniture and space metrics is no longer valid; there is now a need for metrics that acknowledge the multidisciplinary input necessary to create the required workplace experience.

The workplace is a powerful conveyor of messages to staff and clients about the values and culture of an organisation. Corporate office buildings are becoming increasingly permeable as organisational boundaries are becoming less clear. Alongside this, agile working practices are becoming the norm. As a result offices must now be managed in a manner which enables increasingly complex relationships to flourish, with work being redefined as an activity rather than a place.

Despite increasing levels of mobility, office spaces that support the co-location of teams are still recognised as being of importance and remain a core requirement for most firms. Co-working and other forms of on-demand space are increasingly available and sought by new and small firms in particular.

Our research has shown the growing importance of 'spaces between buildings' – the public realm. The City's public realm has become more important as workers expect their high quality, well serviced and supportive workplaces to be mirrored outside the building.

There are a number of overarching themes that run through this research, which are common to the interests of businesses, the workforce, workplaces and the public realm. These themes include: flexibility and adaptability; choice and experience; agility and connectivity; and permeability. These themes encapsulate the direction in which working practices and workplaces will evolve over the coming decade.

1 Introduction

1.1 Context

The last few decades have seen significant shifts in workstyles and the workplaces needed to support them, raising questions for what these might look like in the future. As the pace of technological change accelerates, what impact will this have on the workforce of the future? As new kinds of skills and workstyles become more important, what role will the workforce need to play, and how will the nature of office space and the supporting infrastructure need to change to support this? This research, commissioned by the City of London Corporation and the City Property Association, examines ways in which the world of work is changing, and in particular what the consequences are for the City of London – often called the 'Square Mile', or simply the 'City' – with its dense concentration of financial and professional services firms, its young and highly skilled workforce, and its diverse range of workspaces, where heritage and modern sites sit side by side within a relatively small geographic area.

Over the last 30 years, technology has had an increasingly profound impact on how we carry out work. In 1985 the Apple 'Mac' introduced desktop icons, Windows Excel was launched, the first '.com' was registered, and Cat 1 cabling (used to transfer voice data in telephones) was introduced. These and other innovations provided the first glimpses of how work was going to change, but few guessed how fundamentally it would alter workstyles, with the later arrival of mobile phones, laptops, the internet, email and social media.

Reflecting the wider macro-economic transition from labour intensive work to knowledge-based work, the role of the office was increasingly acknowledged as enabling people to interact and collaborate. The office was expected to provide a wider range of settings in which individuals and groups could work in more dynamic ways compared with much of the more solitary work of the past. The office was becoming less a place to go to work on a set of prescribed tasks, and more somewhere to visit and interact with colleagues.

In parallel, the impact of 'Big Bang' in 1986 meant the City was at the epicentre of many of the changes in office design. Deregulation of financial services in that year led to a demand for buildings to provide major 'technology infrastructure' as well as large dealing floors. The property industry responded with a new built form, as exemplified in the Broadgate buildings of 1987 onwards. Raised floors, drop ceilings, large riser capacity and deep plan floors were all symptoms of the new era. Building specification has not changed significantly since this period.

More recently, the 2008 financial crisis brought a renewed emphasis on cost and was a seminal moment in terms of the workplace being used to improve corporate efficiency and enable agile working[1]. The need to address profit and loss pressures focused the minds of senior leadership teams on the real cost of property, and many organisations pushed for major reductions in space demand, with up to 40% space reductions being not uncommon.

At the same time that cost became a key driver for corporates' decision-making, technology continued to develop, becoming more reliable, ubiquitous, user-friendly and convenient. Advances in mobile technology meant that working on the move and working remotely, outside the office, was no longer hindered by unreliable technology or poor connectivity.

Given these changes, it is now appropriate to ask an important question: have the changing technology and culture of work fundamentally altered our demands on the workplace? The Big Bang-inspired reorganisation of the City during the 1980s was profound: not only did it change the City physically, it changed perceptions of the City, and it altered business relationships. So deep did these changes run that until recent times few questioned the underlying rationale of workplace design, yet the profound changes in business in the more recent past make it necessary to question current approaches.

1 'Agile working' is a broad term used to describe a style of work which includes practices such as working remotely away from the office, or sharing desks and other spaces within the office.

1.2 The research

Given the changing nature of workstyles and workplaces, this report focuses on the ways in which the City of London can meet the needs of its future businesses and workforce, whilst maintaining its position as a competitive and attractive location. This report explores the changing nature of the City's unique workforce, and considers the potential impact on workplace requirements and demand for different types of office space over the next ten years.

In doing this, it is important to consider the impact of economic and technological change on occupancy patterns and existing evidence highlighting a shift in office design, as occupiers look for more flexible and 'social' space, with fewer fixed workstations. Workforce demographics and concomitant outlooks on work are also changing, raising the possibility that expectations of the workplace are evolving away from what might be viewed as 'traditional' workplace design.

The report brings together a range of perspectives from published research on workforce and workplace design, in combination with data on the City's economy and demographics, and primary research in the form of interviews with City occupiers, owners and developers, consultants and property advisors. Full details of this approach are contained in Appendix A and a list of the interviewees, to whom we are grateful for their participation, detailed in Appendix B.

1.3 The report

The following chapters are structured around a number of key questions:

Chapter 2:
What does the City currently look like in terms of its economy, firms and key sectors and how is this likely to change over the next ten years?

Chapter 3:
What currently characterises the City's workforce, and how are changing demographics impacting on workplace considerations?

Chapter 4:
How is the world of work changing, and what does this mean for the City's workplaces?

Chapter 5:
How are ways of working changing, and what does this mean for companies' space and design requirements?

Chapter 6:
How are workplaces being managed to adapt to new corporate agendas?

Chapter 7:
How are business and people using the City as a place of work, and what is the role of the public realm to support new working practices?

Chapter 8:
What does this body of evidence mean for the City in terms of how it is used and designed, and how does the City ensure it remains fit for the future?

2 The City economy and industries

- The City has a strong and growing economy, with an additional 50,100 jobs forecast to be created between 2013 and 2023, with significant uplift in the professional, scientific and technical services sector, and the information and communications sector.

- Alongside employment growth, economic output is projected to rise from £48.7 billion in 2013, to £67.5 billion in 2023.

- The City is highly productive with output per job at £112,000, over 50% higher than Central London's productivity (£71,000) and almost three times the UK's rate (£42,000).

- Although employment is dominated by financial and professional services (66%), the Information and Communications sector is a key growth area for the City accounting for around 30,200 jobs in 2013.

- There is a diverse and continually evolving range of businesses in the City from large multinational corporations, to small and medium sized businesses (SMEs), including start-ups and more established City firms.

- Our research suggests a narrowing of differences between sectors in terms of their workplace requirements, as workers and work processes increasingly overlap.

2.1
A strong and growing economy

The City of London is a highly distinctive workplace environment. Often referred to as the 'Square Mile', reflecting its small geographic area, it is one of the world's leading financial and business centres, situated in one of the oldest parts of London. Despite a relatively small resident population of around 7,400 people, the City sees the highest daytime densities of any part of London, as 392,400[2] people come in to work, the vast majority (66%) in jobs in financial and professional services.

The City's working population is highly educated and well-paid, and importantly, is highly productive, delivering a high level of economic output relative to the size of its workforce. In 2013, the City contributed £48.7 billion Gross Value Added (GVA) to the economy, representing 28% of Central London's economic output and 15% of the Greater London's economy.[3] Output per job in the City is over 50% higher than in central London and around three times the UK average. This productivity level is reflected in wages, with most workers earning over £1,000 per week – more than twice the UK average.[4]

Going back to 2005, the number of employees in the City was a little over 300,000. However in 2013 that figure stood at nearly 392,400 for total employment, rising from 331,900 in 2009. As Figure 1 shows, the City has experienced a period of steady employment growth from 2009 to 2012, followed by a small dip in employment during 2013. Over the longer term to 2023, employment is predicted to continue its strong and stable growth, with 50,100 additional jobs projected between 2013 and 2023.[5]

FIGURE 1
Employment in the City of London (000s of jobs)

The City is currently home to approximately 15,105 enterprises[6] covering a diverse range of businesses from large multinational corporations to small and medium sized businesses (SMEs) including start-ups and

2 Office for National Statistics (2014a) *Business Register and Employment Survey 2013* Provisional Release; published 25th September 2014

3 Oxford Economics (2014) *The Economic Outlook for the City of London* City of London Corporation

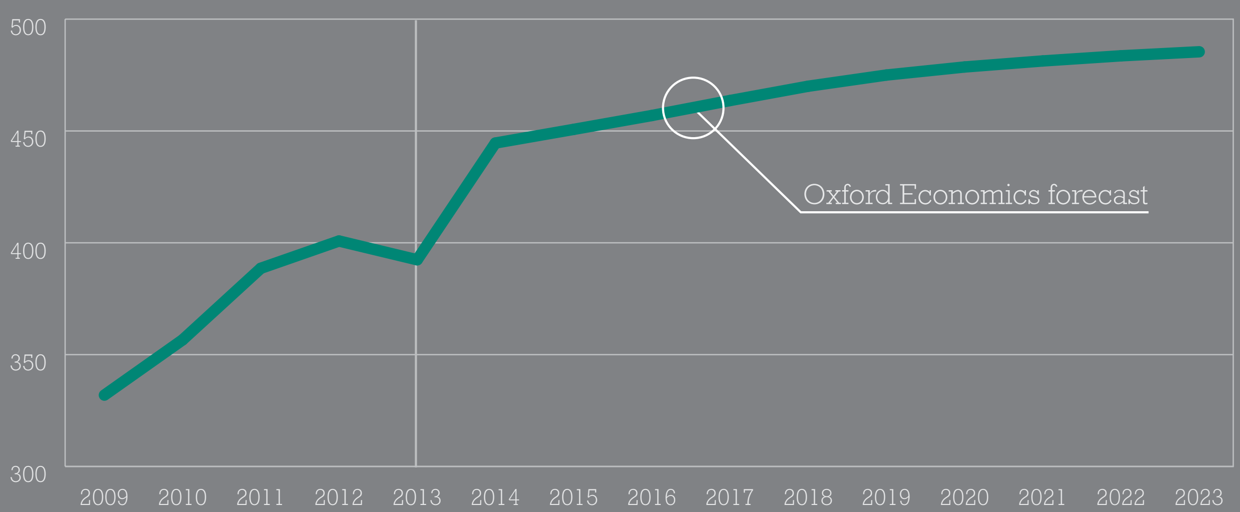
4 Oxford Economics (2014)

5 Oxford Economics (2014)

6 'Enterprise' in this context refers to the Office for National Statistics' definition used in its UK Business: Size, Activity and Location dataset, in which an enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy within an Enterprise Group.

FIGURE 1
Employment in the City of London (000s of jobs)

Sources: 2009 to 2013: ONS Business Register and Employment Survey (2014)
2014 onwards: City of London Corporation, The Economic Outlook for the City of London, by Oxford Economics (2014)



established City firms. Underpinning the upward trend in employment growth is the continually evolving population of businesses in the City. This reflects businesses expanding or downsizing within the City's boundaries, as well as the movement of firms who choose to relocate to the City from elsewhere, or to migrate outwards.

A recent City of London Corporation report by TBR highlights just how important these business movements are to the City's economic health.[7] Over the 2008 to 2012 period, for example, inward firm migration was responsible for a positive net inflow of over 200 businesses, an increase of over 13,500 jobs and a gain of £3.5 billion in output. Additionally, over this same period, new businesses in the City were being started at the rate of 1,000 to 1,300 each year, equivalent to 6% to 7% of business stock.

The following sections take a more detailed look at the workers, businesses and sectors that make up the City's work ecology, and review how these are changing.

7 TBR (2014) *The Impact of Firm Migration on the City of London* City of London Corporation

2.2 A diverse economy

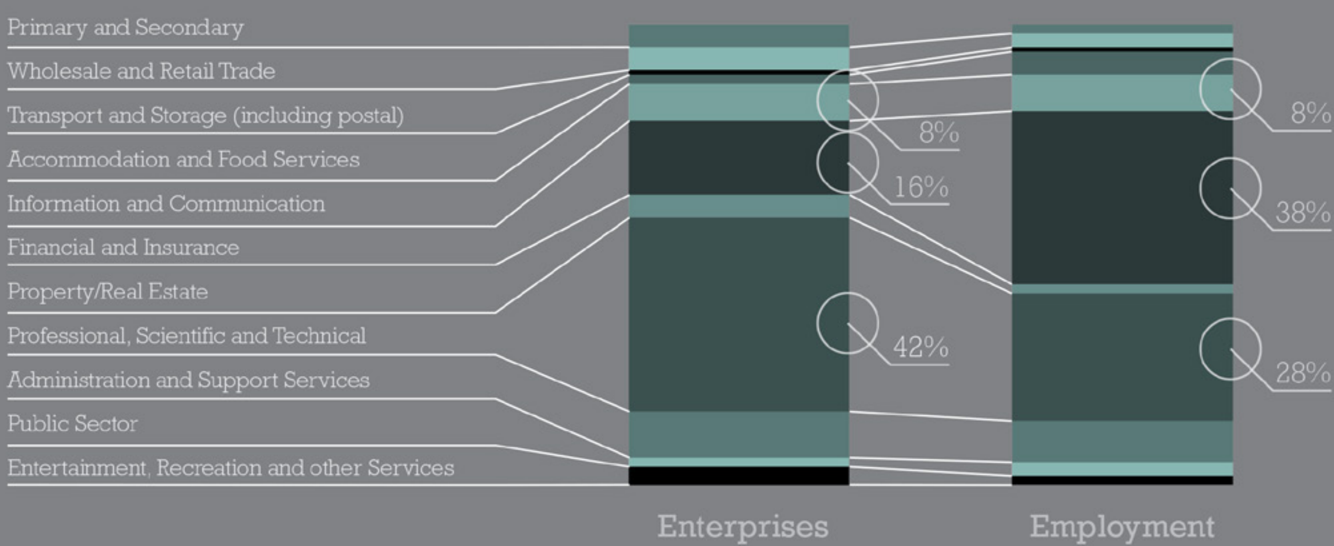
The City is well known for its concentration of financial and professional services expertise, and this is reflected in the breakdown of businesses and employment by sector shown in Figure 2. The Financial and Insurance sector is the biggest employer in the City employing 147,600 workers (38% of total employment), while the diverse Professional, Scientific & Technical sector also accounts for a significant 28% or 110,700 workers.

FIGURE 2
Workforce and firms by sector in the City of London (%), 2014

Highly specialised professional services subsectors such as accounting, auditing and tax consultancy play a significant role in the City's economy, and the sector as a whole accounts for 42% of all businesses in the City, while the Financial and Insurance sector makes up a smaller proportion of total businesses at 16%. Comparing the employment proportions with business proportions for both sectors suggests that financial and insurance services employment is concentrated in a smaller number of firms, while professional services employment is

FIGURE 2
Workforce and firms by sector in the City of London (%), 2014

Sources: Enterprises: ONS UK business: activity, size and location (2014)
Employment: ONS Business Register and Employment Survey (2014)



distributed across a larger number of firms. Official statistics from 2012[8] show that 74% of financial and insurance services employment was registered in firms employing 250 or more employees.

It is worth noting that the vast majority of businesses in the City (14,900 or 98.6%) are classified as SMEs with fewer than 250 employees; while 12,080 or 80% have fewer than ten employees. While this is not unusual compared to the London-wide or national picture, it is perhaps less well known that there are just 205 firms in the City with 250 or more employees.[9] These figures reinforce the diversity of firms in the City and associated breadth of workplaces required.

2.3
What is changing in the City?

In order to identify what is changing in the City, and in particular whether there is any evidence of diversification away from the core base of financial and professional services employment, we can look at both the changes which have been observed in recent years and what forecasts suggest will happen going forward.

8 This data is from the 2013 Business Register and Employment Survey (BRES) release, and has not been updated as part of the 2014 release.

9 Office for National Statistics (2014d) *Inter Departmental Business Register, Number of Local Units in VAT and/or PAYE Based Enterprises by Employment Size Band*

As Figure 3 shows, the Financial and Insurance sector remains key for the City, though employment has been relatively stable over the past few years, with a slight contraction of 11,700 jobs in 2013. Despite this, the sector's productivity continues to rise, from £186,000 per job in 2013 to a projected £246,000 by 2023, and is forecast to account for 53% or £10 billion to the City's projected £18.8 billion uplift in output between 2013 and 2023, by far the strongest contribution to GVA growth by sector highlighting its continued and future importance to the City's economy.[10]

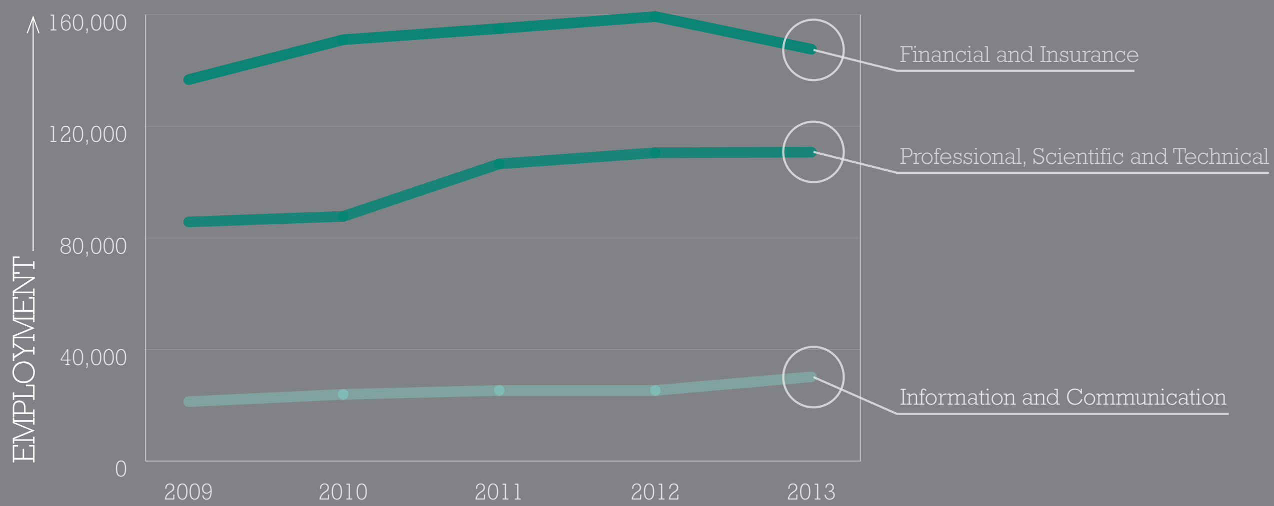
FIGURE 3
Workforce trends over time by sector in the City of London, 2009 to 2013

Employment in the professional services sector grew by 29% between 2009 and 2013 and is projected to rise by another 37,900 jobs by 2023. As well as the already well-established professional services sector becoming increasingly important to the City's economy, the Information & Communications sector, also known as Technology, Media and Telecommunications (TMT) has seen growth over the same period, with a 42% increase in employment. Now the fourth largest sector in the City accounting for 30,200 jobs in 2013, it is also a key growth area with 34,800 jobs in

10 Oxford Economics (2014)

FIGURE 3
Workforce trends over time by sector in the City of London, 2009 to 2013

Source: ONS Business Register and Employment Survey (2014)



the sector forecast by 2023 according to Oxford Economics – 7% of projected total employment.

While the traditional City 'core' of financial services remains strong, these trends hint at a growing diversity of business ecology in the City, with the increasing importance of the 'tech' sector and uplift in professional services particularly notable. Looking at the wider context these City trends are reflective of trends in the London economy, with professional services forecast to make the strongest contribution to employment growth to 2023, according to Oxford Economics projections. Oxford Economics suggest that City employment accounts for almost one-fifth of all jobs in central London and that employment in the City is 60% higher than it was in 1991. By comparison, central London has grown by 40% over the same period.[11]

Oxford Economics estimate of an additional 50,100 City jobs between 2013 and 2023 suggests a potential demand for an additional six million square feet of space over the coming decade (leaving aside currently vacant space). A fundamental question addressed in this report is whether evolving workstyles and real estate management practices will alter the traditional relationship between headcount and space demand.

2.4 The blurring of sectors

The evidence shows that the City's economy is robust with significant growth projected for the decade ahead. It is also clear that the mix of sectors in the City is evolving; the traditional dominance of the finance sector, though still of key importance, is yielding to a more diverse business ecology in a trend which looks set to continue.

The interviews undertaken as part of this research highlighted an increasingly important factor to consider regarding the traditional definitions of business sectors. The reliance on technology skills to provide competitive advantage in a wide range of sectors means that the traditional boundaries between sectors are increasingly blurred, even in the apparently tightly-defined business cluster in the City.

Large financial services organisations now include growing numbers of employees with technology expertise and most of these consider 'pure' technology companies as competition in attracting and retaining talent. Some management consultants, for example, have established specialist advisory practices for the technology sector, and located them in the City fringe. There is also the fast growing 'FinTech' sector which comprises of firms applying technology specifically to financial services; should these enterprises be classified as 'Financial and Insurance' or 'Information and Communication'?

This is a particularly relevant consideration when examining what kinds of workplaces are required by different sectors – an issue that we return to later in this report. It is worth highlighting at this point, however, that our interviews indicated a narrowing of differences between sectors in terms of their workplace requirements, as workers and work processes become increasingly similar and the focus is on supporting technology-enabled work. Therefore, with a number of notable exceptions for specific requirements, such as dealing floors or media production rooms, workplace styles have been converging and, by implication differences between sectors eroded.

11 Oxford Economics (2014)

3 The City's workforce

- The City has a notably youthful workforce compared to that of London and the UK's workforce as a whole.

- Almost half of the City's workforce is part of Generation Y (those born between 1979 and 2000).

- Despite the young profile this is a highly skilled workforce with a greater proportion of managers and professional occupations in the City than in London generally. In the City 68% of workers are classed as managers, directors or senior officials; professionals; or associate professional or technical occupations, compared to 51% across London and 38% looking at the UK as a whole.[1]

- Tomorrow's offices will need to accommodate up to four generations of worker who have a shared priority for flexibility and choice.

- There is an increasing focus on wellbeing among employers and employees alike.

- The workforce will be an increasingly important consideration in workplace provision, as employers seek to attract and retain highly skilled staff, and maximise productivity.

1 Office for National Statistics (2015), *Annual population survey workplace analysis*, accessed in January 2015

3.1
A multi-generation workforce

Over the past five or so years, there has been much speculation by the workplace community on the characteristics of the younger generation of workers – Generation Y (those born between 1979 and 2000) – with a focus on how to design spaces that attract this group and facilitate their workstyles.[12] The most recent census data shows that in 2011, 39% of the City workforce was born between 1965 and 1978 (Generation X) and 48% between 1979 and 2000 (Generation Y).[13]

> 'Young talent wants to be in a place that is fun and blurs the boundaries between work and social life'

These figures illustrate that Generation Y is already well-established within the City's workforce and by the end of the decade the next generation of workers, Generation Z (generally recognised as those born post-2000) will also be entering the workplace.[14] Furthermore, the impact of changes in retirement law[15] and improved longevity[16] are leading to a growing proportion of older employees continuing to be active in the workplace.

FIGURE 4
Changing workforce demographics in the City of London, 1991 to 2011

Figure 4 shows the changing age structure of the City's workforce over the past two decades. Since 1991, the number of City workers in the 30 to 39 age range has increased significantly, rising by 91%, while the proportion of workers in this age bracket has risen from 27% to 36%. Similarly, the number of workers in the 40 to 49 range has increased by 80%, and the respective proportion of the workforce has risen from 18% to 23%.

While the absolute number of workers under the age of 30 has remained relatively stable over 1991 to 2011, they remain a key age group in the City, with 20 to 29 year olds accounting for a quarter (26%) of the

12 AECOM (2014) *See Further: the Next Generation Occupier*

13 City of London Corporation (2014) *City of London Workforce Census 2011 – Analysis by Age and Occupation*

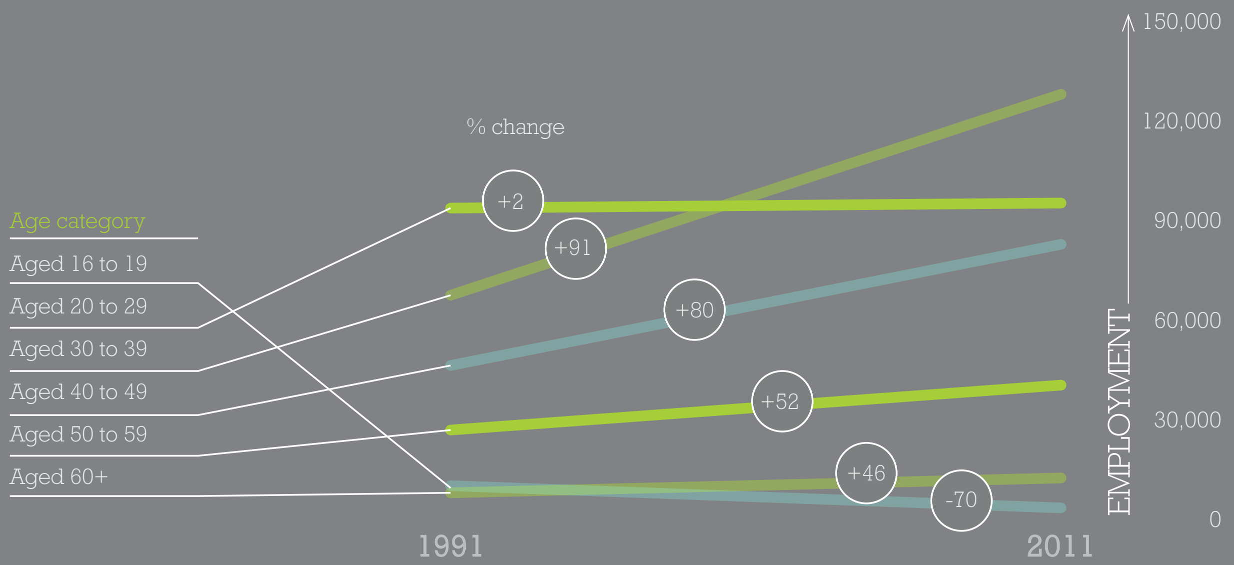
14 O'Neill (2014) *How Will We Design the Offices of the Future? Arch Daily, 6 September*

15 CBRE (2014) *Genesis Research Report: Fast Forward 2030 – the Future of Work and the Workplace*

16 Hansen (2012) *The Future of Knowledge Work, White Paper, Workplace Transformation* Intel

FIGURE 4
Changing workforce demographics in the City of London, 1991 to 2011

Source: 1991 Census – Special Workplace Statistics (data based on a 10% sample), 2011 Census - Industry by age (Workplace population)



current workforce. Workers under the age of 19 account for the smallest proportion of the current workforce, but this may reflect the high level of skilled workers in the City and increased time spent in education. The City workforce is typically younger than for London as a whole, with significantly more workers in the 25 to 39 year old age groups in the City (55%) than across Greater London (44%).[17]

> ‘The workforce is changing but it is not as black or white as the industry portrays it’

Contrary to much of what has been written, our interviews revealed much less concern about the perceived different characteristics of Generation X and Generation Y, and more around the implications of the multi-generation workplace. Tomorrow’s office will need to accommodate up to four generations of worker, and cater for their different workplace needs, covering a wider spread of ages than ever before due a growing proportion of older employees continuing to be active in the workplace.[18,19,20] Existing research has looked to highlight differences in the needs of workers by age group. For example, one survey has found that Generation Y tend to favour informal breakout spaces to formal meeting rooms for interaction.[21]

It was widely accepted in our interviews that older workers will be more sensitive to lighting and acoustic conditions[22], but existing evidence also highlights a growing concern that the younger generation will have increased problems related to health issues such as vision, hearing, posture, weight and mental health by the time they commence work.[23] Facilitating health and wellbeing in the workplace is therefore a critical consideration and our interviews demonstrated a growing awareness of these issues among occupiers and workplace

17 City of London Corporation (2014)

18 AECOM (2014)

19 Perkins + Will (2014) *Design and Insight Report: What Will be the Leading Design Trends of 2014?*

20 Sodexo (2013) *How Britain Works: Key Trends in a Workplace Environment*

21 Puybaraud M (2010) *Generation Y and the Workplace Annual Report 2010* Johnson Controls, Haworth and Idea

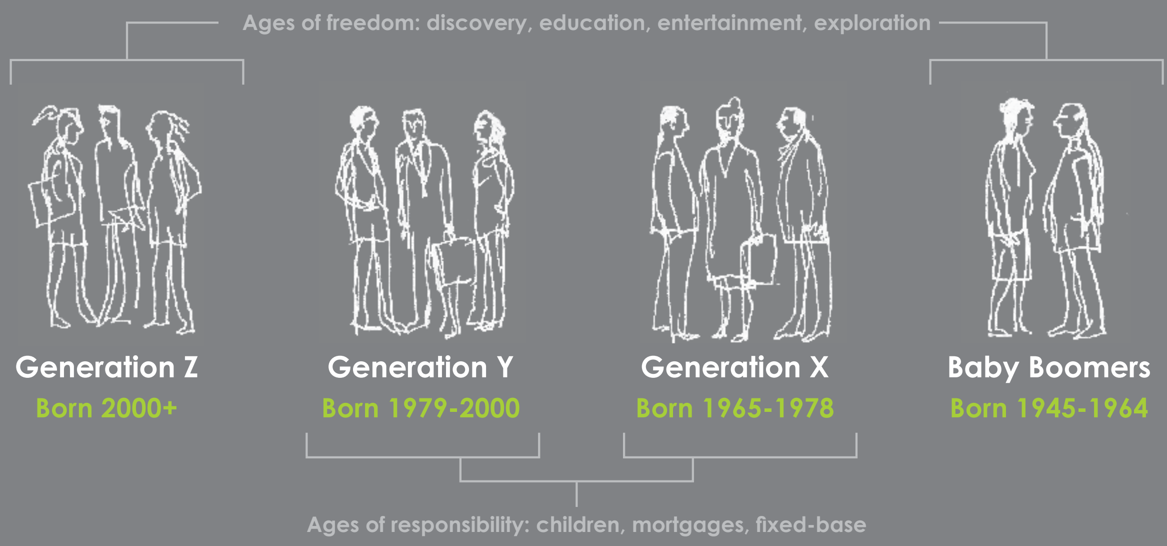
22 Myerson, Bichard & Erlich (2010) *New Demographics, New Workplace: Office Design for the Changing Workforce* Farnham: Gower Publishing

23 Milind, Jyoti & Sushil (2013) *Lifestyle Related Health Hazards* International Research Journal of Pharmacy, 4(11)

FIGURE 5

The multi-generation workforce

Source: Based on a figure by AECOM, See *Further: the Next Generation Occupier*, 2014



designers. The considerations for future design of the workplace need to deliver a variety of environments to provide choice and support diverse ergonomic and environmental requirements.

However we might try to differentiate the needs of the various generations in the City's workplaces, our interviews revealed an awareness of overriding demands common to all groups. These demands centre around choice and flexibility to access the right tools and places to work effectively. Regardless of the different generations in the workplace, we found that the boundaries of generational characteristics are not as fixed as might have been suggested, but rely more on the life cycle stage, as demonstrated in Figure 5.

FIGURE 5

The multi-generation workforce

While we may have four generations in the workplace, each at different stages of the life cycle, they show similar expectations around choice and flexibility. This is now one of the top priorities of organisations in the City wishing to attract the best talent. A few examples of key worker expectations are given below:

- Flexibility and choice of when and where to work inside and outside the office.
- Knowledge sharing, mentoring, collaborating and socialising opportunities.
- The availability of efficient and inexpensive travel to and from their place of work.
- A good range of local amenities including coffee shops, supermarkets and restaurants.
- Access to nearby recreation and leisure facilities – bars, cinemas and gyms.

The fundamental link between all these factors is choice. Today's workforce in the City expects choice at all levels: career development, work-life balance, leisure options and so on. This expectation of choice is increasingly reflected in the workplace; where employers are seeking to provide a range of services to attract staff.

As outlined, the nature of work is changing and as a consequence the skill sets required are also changing. For example, financial institutions who traditionally required roles such as analysts and processors find themselves now demanding 'creative skills' and application developers. These more 'tech savvy' recruits are likely to have different expectations of their workplace.

Different skill sets clearly match different roles, and different personality types may even prefer to work in specific roles and sectors. However, the traditional roles and skills required by certain sectors are also changing. For example, our interviews demonstrated clearly how the financial sector has moved from manual processing and face-to-face transactions to automated processing and on-line transactions. Some of those we interviewed referred to the more rounded nature of many of their employees, often including technology expertise as well as people skills.

3.2 A highly qualified workforce

During the past two decades the proportion of workers with a degree has more than doubled nationally, and the City in particular has a strong graduate-based economy. The most recent Office for National Statistics (ONS) workforce data (2011) show that 66% of the City's workforce hold a degree-level qualification or higher, compared to 39% across London and 27% of the workforce at an England and Wales level.[24]

The potential influence of these graduates on the workplace was highlighted recently in a report from the Chartered Institute of Personnel and Development (CIPD).[25] It found that most graduates consider happiness, career development, challenging work, training and development, a good relationship with their manager and company culture as very important factors in making career decisions. The study suggested that employers are most likely to fulfil graduates' needs by creating strong company culture and good relationships between employees and managers. It has been widely reported

24 Office for National Statistics (2011), *Census Workday population data*

25 CIPD (2006) *Graduates in the Workplace: Does a Degree Add Value?*

that younger generations focus more on what their employer can do for them and how they can best develop themselves. Together with the results of the CIPD study, in what is often referred to as 'the war for talent', such considerations could be important influences on the workplace.

> 'Gone are the days when you stayed 25 years'

The nature of the City's highly qualified workforce is further reflected in the breakdown of occupation levels shown in Figure 6. Over two thirds of City workers (68%) are classed as mangers, directors or senior officials; professionals; or from associate professional or technical occupations. This compares to 51% across London at this level and 38% looking at the UK as a whole, according to official figures.[26]

FIGURE 6
Workforce occupations in the City of London

Businesses are becoming more flexible about how they access the skills they require, and often this involves taking on workers in addition to their core workforce. There are growing numbers of contract or freelance workers employed in the City for specific projects and expertise, or to supplement in-house resources. In this sense, corporate boundaries are becoming more permeable, underlining the importance of the agility and connectivity themes running through our findings. The quality of the workplace, location and the surrounding facilities will influence the attraction and retention of these workers, because contract workers and those with more flexible working arrangements will be less likely to work the traditional 'nine to five' and will expect office buildings to be open and serviced late and at weekends.

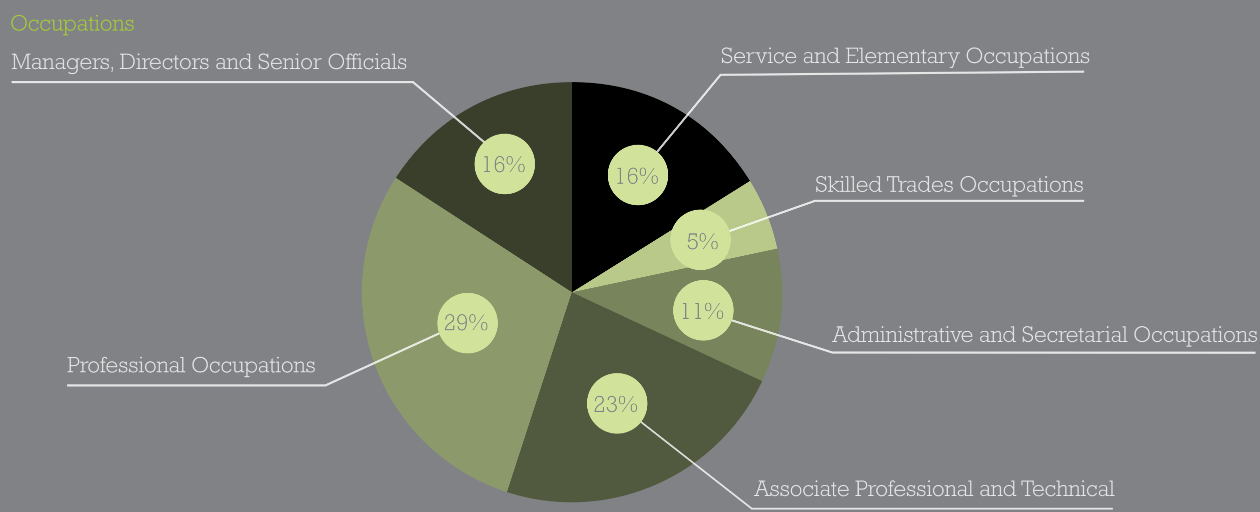
The young, tech savvy employees discussed earlier, may have an expectation for a different kind of public realm offer as well as different style of workplace. If the innovativeness and organic growth of the City fringes appeals then the question is whether an element of this can, or even should be, replicated in the City. A café culture with boutique places offering high speed Wi-Fi and power may appeal more than large restaurant chains and more limited technology infrastructure.

London is renowned for being multicultural with a highly culturally diverse population. Similarly, the proportion of overseas

26 Office for National Statistics (2015), *Annual population survey workplace analysis*, accessed in January 2015

FIGURE 6
Workforce occupations in the City of London

Source: ONS Annual population survey – workplace analysis (October 2013 to September 2014)



professionals working in the City is also increasing, suggesting its ability to attract a highly qualified workforce also applies on an international basis. In particular, the number of Chinese and Indian graduates in employment is increasing in the City, and the proportion of such workers is significantly higher than elsewhere in the country. The increase has been partly driven by the growing importance of Chinese and Indian firms and London's moves to become a regional hub for those companies.[27] Continuing changes in the cultural mix and background of those employed in the City will undoubtedly influence workplace requirements and surrounding spaces.

3.3 Wellbeing in the workplace

The workplace generally is beginning to see a greater focus on user control, health, wellbeing and work-life balance, and this was reflected in our research and interviews in the City. The occupiers and designers that we interviewed confirmed a sharpened focus on wellbeing, particularly its role as part of a package of benefits to attract and retain staff.

Our interviews revealed widespread concerns over the physical and mental health of workers and the importance of encouraging employee wellness through workplace design in the City. Those we interviewed showed a clear awareness of the role that design can play in encouraging a positive relationship between work and environment. The increased focus on wellbeing and stress reduction might encourage employers to rethink the interiors of buildings in the City to provide breakout green oases for contemplation and recharging. Other design elements such as living walls, internal winter gardens and roof garden terraces, would punctuate and animate the environment and differentiate the workplace offer.

The British Council for Offices (BCO) reports that outdoor space and the need for reflective areas rank highly with employees, with almost all UK office workers viewing access to outdoor space as a key requirement for their wellbeing.[28] Likewise, the World Green Building Council reported our increasing affiliation with nature has "*implications for those involved in office design and fit-out, developers and urban planners alike*".[29] Others have suggested that happy and productive workers need access to amenities such as good food, high-end coffee bars, exercise facilities (including on-site and off-site gyms), healthcare and a focus on 'active design', for example encouraging use of stairs rather than lifts.[30,31]

The City has a variety of green spaces, quiet places, piazzas and hidden architectural gems that support contemplation and invigoration. The challenge is to ensure these places are easily found, accessible and promoted as public spaces with a high standard of amenities, including free high speed broadband. There is an opportunity for developers within the City to ensure 'active design' is considered within their buildings and where possible to provide public green spaces adjacent to their buildings. The new Leadenhall Building, for example, has been designed to include public gardens at its base along with public restaurants, creating a balanced mix of space.

3.4 Inclusion and diversity

Inclusion and diversity in the workplace are issues that have been on the workplace agenda for some time, and our interviews revealed their importance in the City. Diversity refers to respecting and valuing all forms of difference in individuals, including gender, race, ethnicity, culture, age, sexuality and disability. Interviewees confirmed that in terms of office design, the core focus has been on accommodating disabilities. However, growing numbers of workplaces in the City are now offering facilities for a wider range of workers from different ethnic and

27 Astbury Marsden (2014), *Profile of the City*, http://www.astburymarsden.com/documents/life%20working%20series/report_12_a_profile_of_the_city_1415_email.pdf

28 BCO (2014) *Making the Business Case for Wellbeing: The Wellbeing at Work Study* July, British Council for Offices

29 World Green Building Council (2014) *Health, Wellbeing & Productivity in Offices: The Next Chapter for Green Building*

30 Brown R & Campbell J (2014) *Five Ways to Put More Wellness into Your Workplace* Work Design Magazine, 15 August

31 Gensler (2014) *Design Forecast: Top Trends Shaping Design*

cultural backgrounds, such as faith rooms and more diverse catering. This requirement will roll out to the public realm: in the future the City's amenities will cater for a wider range of requirements as it accommodates a more multi-cultural workforce and continues to provide an infrastructure that supports those with disability needs.

It was recently reported that the proportion of women making up the City, and Canary Wharf's workforce has increased from 20% in 2013 to 29% in 2014[32], and we are seeing more women in senior roles.[33] This is partly due to flexible working enabling mothers to return to work more easily.[34] In addition, there is a growing number of female graduates, with one-third of new hires now women, and *"in three years, 70% of graduates leaving university will be women eager for a career"*.[35]

Taking the example of parents returning to work, flexible working hours and remote working could help support this but workplaces with easy transport links or those near crèche facilities may also appeal. There is an opportunity to understand and improve other amenities to support parents returning to work.

> 'The generational thing is not compelling. What is more compelling is accommodating introverts versus extroverts'

Recent research suggests that in order to enhance worker performance, provision should be made for the preferences of those with different psychological needs, including variations in personality such as introversion and extroversion to attain optimum worker productivity.[36,37,38] This suggestion was mirrored by a number of our interviewees who were concerned about how different personality types of workers can be accommodated. One interviewee commented that a twenty-something introvert is likely to have more in common with a fifty year old introvert than an extrovert colleague of a similar age.

3.5 Cross generation priorities are driving change

In summary, the City's workforce is younger and more highly qualified than that of London as a whole and will soon comprise four generations in the workplace. While much has been written about the distinctive expectations of the youngest age cohort, our research and interviews suggest that the picture is more complex. One of the issues uniting different generations is a shared level of priority for flexibility and choice. The workforce is also increasingly diverse and organisations and their offices are more inclusive. Health and wellbeing in the workplace is a growing concern for employers and employees alike and provide many opportunities for rethinking workplace design.

The City's workforce will become an increasingly important consideration in workplace provision. Employers are seeking to provide workplaces that not only attract and retain highly skilled staff, but which also provide an environment aimed at maximising productivity. This will mean an increasing focus on ensuring that workplace design reflects the needs of a multi-generation and culturally diverse workforce, as outlined above. For example, the provision of health services and facilities for relaxation as well as work will be important. Furthermore, the City's role as a global business hub will serve to accentuate these trends because it is competing in a global labour market, and will need to work hard to maintain its attractiveness to overseas workers, as other global cities compete for highly skilled talent.

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32 Hutchinson B (2014) *London's Finance Firms Hiring More Female, Overseas Staff* Reuters 27 October 2014

33 Sodexo (2013)

34 AECOM (2013)*Productivity: a Homemade Recipe?* White Paper, July

35 Regus (2012)*Meeting the Future of Work: Transforming Organisations – Responding to Cost, Productivity and Competitive Positioning Pressures*

36 Oseland N (2009) The Impact of Psychological Needs on Office Design *Journal of Corporate Real Estate*, 11 (4), 244-254

37 Cain S (2012) *Quiet: the Power of Introverts in a World that Can't Stop Talking* Penguin

38 Hansen T (2012)

4 Organisational change

- The corporate landscape and the world of work are changing dramatically.

- Workplaces in the City are increasingly being designed and managed so that they can react quickly to new business priorities.

- While there are many factors involved in this change, two are fundamental – the growing pressures to be more competitive, and the changing nature of work, driven by technology.

- The role of the workplace in supporting agility and connectivity cannot be overstated: workplaces are becoming more team-based and mobile.

- The workplace is just one aspect of corporate resource provision and management.

4.1
Agility and connectivity

Our research highlighted the profound impact of two features on today's businesses – first, the need to continuously adapt to change and, secondly, the need for agility and connectivity. We examine each of these features in terms of what they mean and how they lead to changing requirements for workplaces.

Figure 7 illustrates how symptoms of adaptability and connectivity in organisations are expressed through new workstyles. For example, the growing pressures on organisations to be more competitive, agile and customer-focused are leading to work being more team-based and time-pressured.

FIGURE 7
Changing organisations, changing work

A number of our occupier interviews reported leaner, flatter and more agile structures and an almost continuous level of change as businesses respond to market opportunities and pressures. They also revealed an evolving pattern of work to reflect these traits, one that is increasingly mobile, collaborative and technology-enabled. As a direct result, workplaces are being increasingly designed to support organisational agility and connectivity.

> 'We are constantly responding to a changing business landscape, and the workplace can't hold that back'

4.2
Continuous adaptability

The corporate landscape and the world of work are changing dramatically. Our interviews revealed an unexpected and almost universal level of change. They underscored that most corporate workplaces in the City (seemingly with little distinction between business sectors) are being designed and managed so that they can react quickly to new and sometimes unpredictable business priorities. Whether responding to a merger, to changing markets or to new technology, organisations need to respond quickly and this means workplaces that can be easily reconfigured.

Under the 'old model' workers tended to receive security, benefits and a regular salary 'for life', while employers in return received a stable workforce in which they could invest.[39] However, the 'old model' is being redefined, and our interviews revealed just how much

39 The Economist (2015) Briefing: the Future of Work *The Economist* January 3rd 2015, pp13-16

FIGURE 7
Changing organisations, changing work

Source: Heerwagen, et al

Organisations are
- Leaner and more agile
- Focussed on identifying value from the customer perspective
- Tuned to dynamic competitive requirements and strategy
- Less hierarchical in structure and decision authority
- Less likely to provide lifelong careers and job security
- Continually reorganising to maintain or gain competitive advantage

Work is more
- Cognitively complex
- Team based and collaborative
- Dependent upon social skills
- Dependent upon technological competence
- Time pressured
- Mobile

things have changed. Figure 8 summarises the main features of the 'new model'. Together they underline the need for organisations to continuously adapt – and this includes in the workplace.

> 'The basis upon which we have done business in the past is changing – radically. So now we're redesigning the workplace to enable people to work differently'

FIGURE 8
The evolving corporate landscape

Our interviews revealed many of the features highlighted in Figure 8 and the tensions they bring about. For example, as corporate structures are changing, more employers are relying on workers that they do not employ as part of their core workforce. Some of our interviewees estimated that non-core staff (contractors, freelancers, supply chain, business partners, etc.) could reach 30 to 40% of the workforce at certain times. As a result, agile team structures supported by hired contractors are becoming the norm.[40] This raises a number of critical questions: How should non-core staff be accommodated? How are they motivated? What facilities should they be provided with? Several of our interviewees suggest this is a key consideration currently influencing their workplace planning.

What does continuous adaptability mean for the City's workplaces? The implications for traditional buildings could be profound as the 'new model' evolves. What purpose will the office serve in the future? Will it become the physical manifestation of an intangible corporate ethos? Or will it become a high-tech 'coffee shop', where networked individuals meet, share, collaborate and develop ideas, strategies and solutions? Our interviews suggest that some of the long-held assumptions about the design and management of workplaces will need to be re-appraised. The implications include more services being required in the workplace; different approaches to space allocation

40 Hansen T (2012)

FIGURE 8
The evolving corporate landscape

- **Connectivity** and access to knowledge is a defining feature of contemporary business and society; it will continue to redefine how and where work is accomplished. Connectivity will help change how businesses interact with each other, and it will alter work in a way that has only just begun. The power of networks will be profound.
- **Corporate structures** will alter as the traditional employer-employee relationship evolves. Flatter, more agile organisations staffed by knowledge workers will expand, workers will have greater control over their work, and the activity of work will dovetail with home, leisure, health and educational needs.
- **Relationships** between organisations will take precedence over the 'corporate island'. More commoditised and non-core activities will be undertaken by specialists. More work will be undertaken corroboratively to create value and returns. More work will be undertaken by small companies.
- **Knowledge workers** are far more independent of 'place' than the City's traditional workforce. They are also less driven by status, hierarchy and traditional rewards. More people spend less time working on the same set of tasks, in one place, simultaneously with the same set of colleagues.

and the introduction of a wider variety of settings. We return to this in Chapter 6 when we take a closer look at the workplace.

As well as the impact on the workplace itself there are also implications for property in the City. For example, while the workforce in the City might continue to grow, the traditional binary relationship between headcount growth and demand for space is likely to change and become more complex. The reliance on talent networks will dramatically change the requirements for space as the focus will increasingly be around supporting agile and more diverse teams rather than traditional hierarchical organisational structures. The amount of space and characteristics of the workplace will change accordingly to reflect the agile nature of the work being undertaken and the emphasis on using the workplace as a tool for connectivity and engagement.

> 'It's no longer just about cost and densities, the challenge is more complex. It is about amenity value and flexible floor plates'

4.3 Responding to agility and adaptation

Organisational agility and connectivity are essential features of modern businesses, enhancing their ability to respond, or adapt, to unpredictable market conditions.[41] For example, in the workplace, agility and connectivity might involve bringing people together in teams to share knowledge and collaborate on a project. Similarly, the workplace itself must be easily reconfigured so that they can quickly and efficiently facilitate the formation and evolution of teams.[42] In this section we highlight two particular aspects of the response to agility and adaptation.

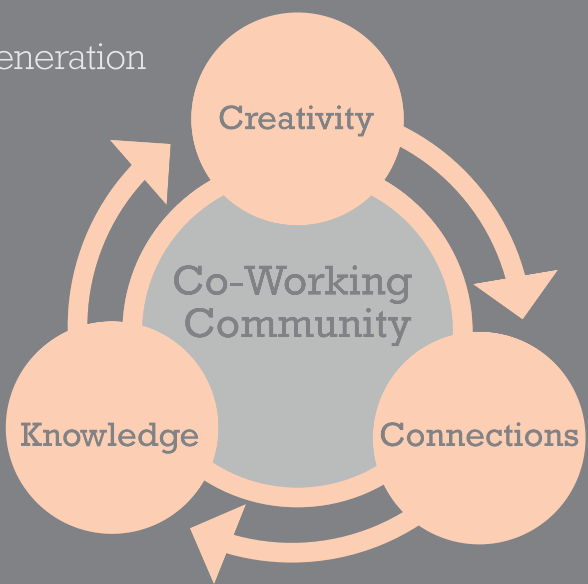
First, the workplace must enable and encourage the sharing of experience, knowledge and corporate culture. A key term here is 'sharing' – both within the workplace and between workplaces. Gensler argue that the sharing and co-working phenomenon is the confluence of a sharing economy and a sharing generation, and has been accelerated by both the financial crisis and the proliferation of 'contingent workers'. Gensler also predict that the arrival of a 5G network, allowing ultra-high speed data transmission up to several hundred times faster than today's 4G network,

41 Cheese P; Silverstone Y & Smith DY (2009) *Creating an Agile Organization Outlook:* The Journal of High Performance Business, Accenture

42 Cushman & Wakefield (2014) *Pace of Business*

FIGURE 9
The sharing generation

Source: Gensler



will further encourage flexible co-working and inter-dependencies. It is clear that the growth of the flexible space market in the City, complete with co-working spaces, reflects the need for agility and connectivity.[43]

FIGURE 9
The sharing generation

Our second illustration of responding to agility and adaptation is the growing interconnectedness of corporate resource planning. Many corporate organisations now recognise that the workplace is a complex ecosystem of connections, and that interventions must respect interconnectedness of organisational culture; the times and places where work is carried out and the technologies that carry the information life-blood of an organisation.[44]

Such an approach requires integrated business resource management. Our interviews confirmed that business support functions working in unison is now a common thread, which underlines that the physical workplace is not an end in itself, but part of a continuum of activities that support the overall experience of work and contribute to business success. Interviewees were familiar with business change programmes involving various corporate resource functions (Figure 10) in a co-ordinated and integrated manner.

FIGURE 10
Integrated workplace and resource planning

4.4
A focus on furniture and space metrics is increasingly obsolete

In the context of the integrated workplace and resource planning illustrated, the traditional corporate real estate focus on furniture and space metrics is arguably no longer valid. To accurately assess the impact of the workplace on change, we need to use a more balanced scorecard set of metrics that acknowledges the multidisciplinary input necessary to create the workplace experience.

As corporate organisations become more agile and connected; and as they continually adapt to change, the implications for traditional buildings could be profound. Questions will increasingly be asked about the function of the office, its role in supporting corporate goals and its physical form. In this sense there is a tangible link between the nature of organisational change and the role of the physical workplace in supporting and enabling that change. The following chapter examines evolving workstyles.

43 Philip Tidd, Gensler *personal communication*
44 Regus (2012)

FIGURE 10
Integrated workplace and resource planning
Source: Ramidus

WORKPLACE EXPERIENCE
CORPORATE REAL ESTATE
CORPORATE SERVICES
FINANCE
HUMAN RESOURCES
PROCUREMENT
ICT

5 Workstyles

- Agile working practices are becoming the norm. They help attract and retain talent and as such are increasingly reflected in workplace design.

- Agile working is not just a younger person's preference; the level of variation and take-up of agile working practices within sectors is contingent on culture and function.

- Offices must now be managed to enable increasingly complex relationships to flourish, with the redefinition of 'work' as an activity rather than a place.

- Agile working is not simply a benefit offered to staff, it is also a means of controlling costs and demand for expensive real estate by enabling 'spaceless growth'.

- Despite increasing levels of mobility, office spaces supporting the co-location of teams remain a core requirement for most firms.

- Co-working and other forms of on-demand space are increasingly available and sought by smaller and newer organisations.

5.1 Flexible and agile working

The term 'flexible working' largely refers to allowing employees to have flexible (rather than fixed) start and finish times or to work from home. 'Agile working' and variations including 'new ways of working', 'smart working' and 'activity-based working', are broader terms more familiar to those we interviewed. It includes working away from the office but also the sharing of desks and other spaces when at the office.

A recent CIPD survey found that agile working is considered to be one of the top tactics to improve worker productivity by more than half of UK organisations.[45] It found that almost half of employees work from their company's core office most of the time while half occasionally work from home. The most popular alternative work locations are at home and on the move using 'third places' such as coffee shops or cafés. Around half of the organisations provide flexibility of moving across company offices and client sites, and a quarter use co-working offices.

Our interviews demonstrated that while agile working is growing, it is by no means accepted by all organisations and there are significant variations in the level of agile working within sectors. Most organisations require an element of their employee base to be in the office at all times and currently expect the majority of their employees to be in the office at least some of the time. The level of agile working is highly contingent upon the culture and function of the organisation, and this has generated a major debate about co-location (see section 5.2).

Increasing pressures on infrastructure, cost and travel time will encourage more agile working. For example, the BCO found that almost half of UK office workers complain that they endure an unpleasant and stressful trip to work, with almost three-quarters of train commuters and nine in ten tube passengers citing overcrowded journeys as their chief grievance.[46] Such pressures are likely to worsen, with travel to work becoming more expensive and time consuming, thereby increasing the draw of agile working. The City is however working to improve transport links through Crossrail and other initiatives.

One issue that is clear is that agile working is not just a 'young' person's preference, the benefits of agile working are recognised across all generations. For example, PwC highlight that *"a significant number of employees from all generations feel so strongly about wanting a flexible work schedule that they would be willing to give up pay and delay promotions in order to get it"*.[47]

5.2 The co-location debate

Co-location refers to the practice of bringing people together to perform work functions. Given the points made earlier in this report around technological developments, this raises a question – if technology enables agile working, then why bring staff to a single place of work each day? There has been a recent assumption in workplace planning that more and more people will work remotely more of the time. However, our interviews reveal a more complex picture that has implications for the City in terms of anticipated demand.

The office is a space for bringing colleagues together – it creates a place for socialising, sharing knowledge, mentoring and teamwork. In a survey of attitudes towards work, Ross suggested that *"people still want to get out of the home, they want to come in and they need that kind of buzz"*.[48] It is likely that the future location of work will vary widely and offices will serve as temporary anchor points for interaction rather than daily travel destinations.[49] The BCO also cite data confirming the continued

45 CIPD (2014) *HR: Getting Smart About Agile Working, Research Report.* November, CIPD

46 BCO (2014) *Making the Business Case for Wellbeing: the 2014 Wellbeing at Work Study*

47 PWC (2014)

48 Ross P (2012)

49 Hansen T (2012)

importance of the office as the place where we do business.[50]

A 2012 study on communication in high-performing teams concluded that patterns of communication are the most important predictor of a team's success, and that the most valuable form of communicating is face-to-face.[51] A study tracking office workers found that *"creating collisions – chance encounters and unplanned interactions between knowledge workers, both inside and outside the organization, improves performance"*.[52]

Other research suggests that while business ideas can be borne from social settings such as coffee shops, it is really in the workplace when an idea is shared, shaped and agreed, and becomes reality.[53] Co-location is also important because it is known to spur knowledge spill-over, serendipitous interactions and innovation. Clearly, co-location is seen to bring benefits. Marissa Mayer, CEO at Yahoo, famously rescinded home working, and oil giant Shell has recently made a similar announcement.

> 'We need to shift the balance from a focus on desks and PCs to enabling collaboration between colleagues across the globe'

But a balance of office and remote working is key. Corporate offices should be designed to accommodate both virtual and face-to-face interaction allowing work activity to extend to those not physically present.[54] Such design will provide a level of support that workers will not be able to find at a coffee shop, and so entice people into the office.

50 BCO (2014)

51 Pentland A (2012) The New Science of Building Great Teams *Harvard Business Review*, April

52 Waber B; Magnolfi J & Lindsay G (2014) Workspaces that Move People *Harvard Business Review*, October

53 Miciunas G; Payne G; Bangham B & Macaraeg R (2014) The Destination *Workplace Work Design Magazine*, October

54 Herman Miller (2012) *New Technologies, New Behaviours*

In summary, *"The best outcomes of remote working are likely to be when those ways of working are combined with working from the office or other collaborative work environments, at least some of the time. It is usually not an 'either or' but a 'both and' solution"*.[55]

The relationship between agile working and co-location is clearly a complex one. While at first glance apparently suggesting opposite outcomes, it seems that they might work in parallel, giving workers the ability to blend both work and home environments, dependent upon need. Certainly our interviewees endorsed technology-enabled mobile work, but were more sceptical that large swathes of workers would, in the future, work from home.

5.3 The growth of shared space

Workstyles are being increasingly influenced by factors such as those we have examined in earlier chapters of this report, for example: organisational change, the growing complexity of relationships between organisations, the importance of choice and flexibility and the competitive environment for talent. In one example of such change, a financial services organisation with distributed retail portfolios has, over the past few years, leveraged underutilised space in its branches to create 'touch down environments' close to where employees live, as well as to create places to support partnering organisations they are investing in. As commuting costs increase and overcrowding on transport continues to be an issue, such solutions deliver more choices and options for employees to achieve a work-life balance while remaining connected to their organisation.

One notable feature of the City's building stock and its occupation in recent years has been the rise of serviced offices, catering for the growing diversity of firms in the City. Serviced office space in the City has quadrupled over the past two

55 AECOM (2013)

decades. Today, two million square feet of service offices house an estimated 2,250 businesses and 18,000 workers.[56] This represents 3% of the City's total stock but is estimated to increase to 10% in the near future. We include serviced offices as shared space because they allow small organisations to share in the City's ecology of spaces and flexible space for larger corporates. Moreover they reflect changing workstyles, not only in terms of agile and mobile working, but also in terms of the growing numbers of small businesses working in tandem with larger organisations in the City, as described elsewhere in this report.

We are also seeing the rise of co-working spaces in the City. This is a response to "*technology enablement, the growth of the tech, online and creative industries, generational change and an increase in micro businesses and independent workers*".[57] There is a "*growth of co-working spaces in cities: clubs where members can work alone or interact with like-minded people on a pay-as-you-go basis*" and "*corporate headquarters are showing signs of opening up, allowing the public in and presenting a more permeable engagement point to their brand from the City*".[58]

CBRE report that corporations are tapping into the creativity of more vibrant communities and allowing their people to work in co-working centres as well as their own workplaces.[59] For example, large corporates increasingly fund co-working spaces at 'Silicon Roundabout' (Old Street) in order to co-locate their innovation teams with start-ups, both to support innovation and to be close to new investment opportunities.

56 Ramidus (2014) *Serviced Offices and Agile Occupiers in the City of London* City of London Corporation

57 DTZ (2014) *The Co-working Revolution*

58 AECOM (2014)

59 CBRE (2014)

Our interviews confirmed the importance of shared space. A key opportunity for the City is provided by the permeability of the main corporate hub and the surrounding area to offer a greater mix of options. Large corporates are rethinking their real estate portfolios to reduce space, and while co-location is a priority, agile working and new contractual relationships change the amount of core space required.

Currently unused but available workspace could be unlocked (by organisations such as Liquidspace, which provides temporary and longer term office spaces of different types for rent) and shared by newer, smaller, and more 'nimble' companies.[60] The City has the opportunity to provide incubator hubs in underutilised buildings to attract a greater diversity of users. It is also likely that developers will increasingly provide co-working facilities in their buildings, for example, developer British Land has leased space to WeWork at 199 Bishopsgate and to ServCorp at Leadenhall Street.

5.4 Balancing agile working with co-location

In summary, agile working practices are becoming the norm for many more workers and organisations. They also help to attract new talent and are increasingly reflected in workplace design and the diversity of work spaces now on offer. However, agile working is not simply a benefit for staff, it is also an organisational means of controlling costs and demand for expensive real estate. Many organisations are balancing staff demands for choice with a board-level need to reduce costs.

Furthermore, despite increasing levels of mobility, offices supporting the co-location of teams, where colleagues can come together to share knowledge and socialise, remain a core requirement for most firms. Co-working and other forms of on-demand space are increasingly available for small and new organisations. The need

60 CBRE (2014)

for cost reduction and the spread of agile working is supressing demand for space. Headcount growth no longer necessarily means new demand for space, because agile work environments can absorb growth, referred to as ‘spaceless growth’. However, this reduction in traditional leased space in the City will be balanced by an increasing demand for ‘third spaces’ and on-demand offices; the provision of which is steadily improving in the City.

This research has revealed a more complex picture than the traditional binary split between working in the office and working at home. People are working in a wider variety of settings in an agile manner. There are important implications here, which are picked up in Chapters 7 and 8, in terms of the management of pub realm, and the experience that it offer agile workers.

6 Workplaces

- In recent times real estate has come to be regarded as a ‘corporate resource’, to be planned and managed like other resource areas.

- Workplaces are increasingly used less as static backdrops to routine solitary work, and more as ‘hotel-style’ facilities, where ‘guests’ demand a high level of service and experience.

- The workplace is a powerful conveyor of messages to staff and clients about the values and culture of an organisation.

- Buildings are now less about the ‘hardware’ of work – desks, partitions, technology, electricity, and so on, and more about the ‘software’ of work – the cultural, social and value system of the organisation.

- As technology has liberated people from a static workplace, giving them choice of locations, so measures to increase densities and utilisation rates have spread.

- Workplace space allocation has changed significantly: the traditional mix of desks and offices has yielded to a richer palette of work settings.

- Corporate office buildings are increasingly permeable and focused on experience.

6.1 The workplace as corporate resource

As the workforce has undergone change, from essentially process workers to knowledge based workers, so too has the role of the workplace. While the concept of the 'knowledge worker' was introduced back in 1959[61], their recent rise means they now account for almost half of the workforce, changing the role of real estate. Previously companies owned real estate because it was an integral part of the production process. By contrast, companies in the knowledge economy rely on the creative ideas and the knowledge skills of their employees. The workplace is the stage and setting for the activity of work.

Our interviews confirmed the idea that real estate is now used and managed in a fundamentally different manner.[62,63] Where previously real estate was considered to be a financial burden, real estate managers now recognise that it is the means by which they can ensure the "*alignment of their efforts with the central organisational strategy*".[64] This does not mean that cost is no longer an issue but this shift in emphasis has important implications for the demand for space in the City.

In this sense, property has become more akin to a commodity; a factor of production rather than a defining feature of the business itself.

61 Drucker P (1959) *Landmarks of Tomorrow* New York, Harper & Row

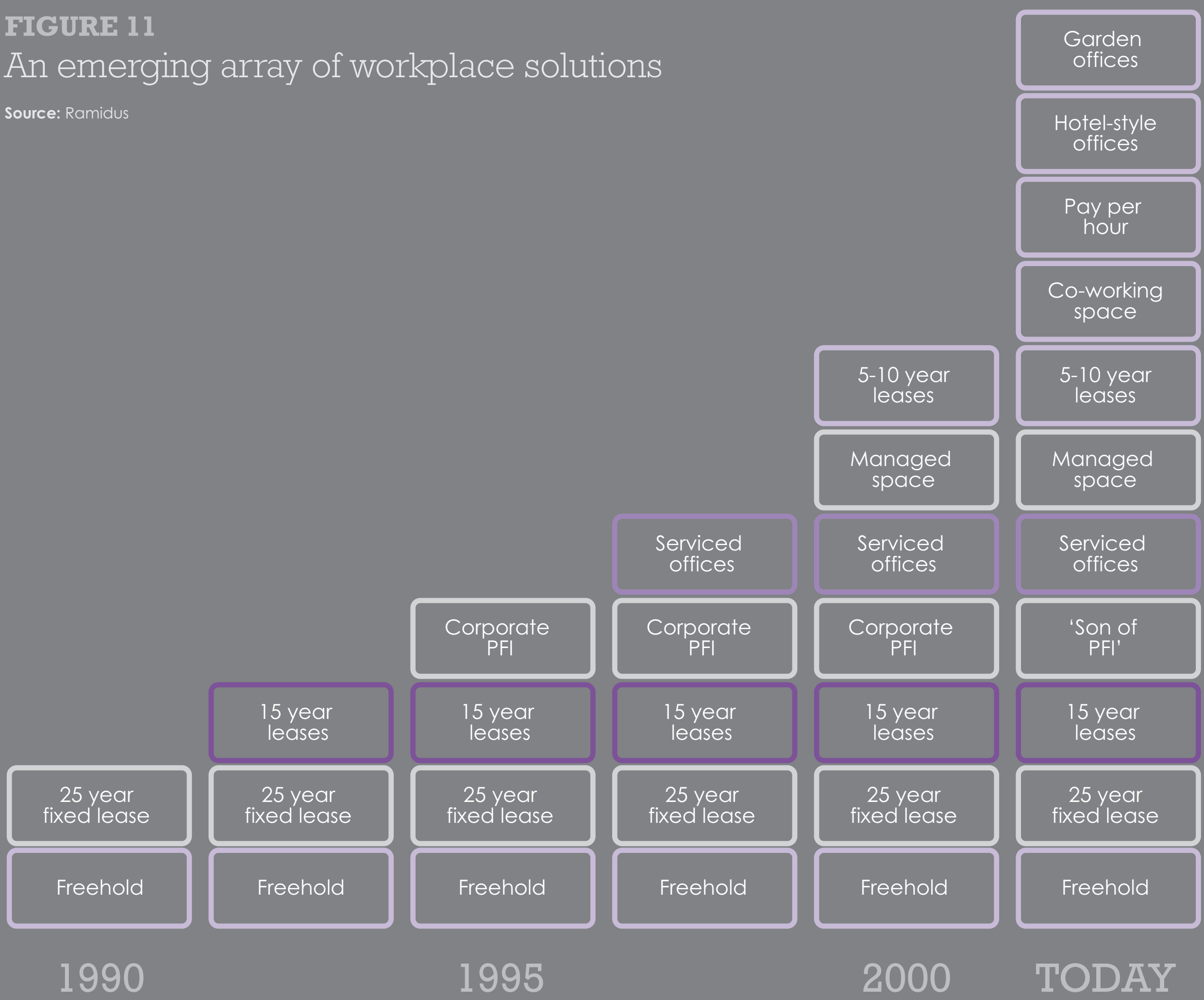
62 Ware JP & Carder P (2012) *Raising the Bar: Enhancing the Strategic Role of Facilities Management* RICS, London

63 Varcoe B & O'Mara M (2011) *Corporate Real Estate Impact on Enterprise Success* Regus, London

64 Appel-Meulenbroek R, Brown MG & Ramakers Y (2010) *Strategic Alignment of Corporate Real Estate* Paper to the European Real Estate Society Conference in Milan, June

FIGURE 11
An emerging array of workplace solutions

Source: Ramidus



Corporate real estate management today is less about managing buildings and more about managing people. As we have already seen, workplaces now support an increasingly discerning workforce, whose primary workstyles are about meeting and collaboration. The City's offices are now expected to provide a much richer palette of work settings in which individuals and groups can work in a far more dynamic and itinerant fashion compared with much of the sedentary work of the past. Workplaces are increasingly designed and managed less as static backdrops to routine solitary work, and more as 'hotel-style' facilities, where 'guests' demand a high level of service and experience.

Figure 11 illustrates this point by showing how the range of 'products' available from the property supply chain has multiplied over the past two decades. Clearly it is now possible for occupiers to procure and manage property in a multitude of formats. The provision of such formats is increasing within the City.

FIGURE 11

An emerging array of workplace solutions

6.2 The workplace as corporate expression

Our interviews underscored that the workplace is seen as a powerful conveyor of messages to staff and clients about the values and culture of an organisation. As the workplace is increasingly recognised to have a role in attracting and maintaining talent, this creates a three dimensional set of priorities to balance the traditional emphasis on cost and flexibility. Corporate image communicated through the workplace is potentially more important than cost as the most direct way to support market differentiation.

> 'The office is not dead but the form and function is changing. It has become a showroom, somewhere to show off the brand and an environment for receiving clients'

Increasingly, the workplace is also used to reinforce corporate change programmes where the organisation's values and purpose are made explicit. To this end, the location, design and appearance of an organisation's buildings and work spaces are now used to emit signals about its culture and brand.[65,66]

6.3 Key elements of the emerging workplace

Our research confirms that the office will continue to form an anchor for bringing colleagues together for networking, knowledge sharing, mentoring and collaborating. While the nature and degree of agile working will continue to vary across organisations, it is widely accepted that buildings with 'generic' interiors and rows of desks will have a lesser role in the future then previously.

Flexibility will be key, and activity-based environments, used to create different experiences, will be used more efficiently than ever before. Design and management of the workplace as a kit of parts that will support collaboration, concentration and community will become the norm, with a focus on the overall workplace experience. The increased focus on amenities will set the tone for organisations. City buildings will be expected to meet these new demands for adaptability and amenities.

6.3.1 Higher density and utilisation

Reflecting a wider UK trend, average densities in the City have increased, with average space decreasing from around 16 to17 square metres (sq m) per person in the 1990s, to around 11 sq m per person.[67] Meanwhile, it has become common practice to provide fewer workstations than there are people, to facilitate higher desk utilisation rates. Currently, desk ratios across a typical organisation are eight desks per ten workers, with substantially higher

65 Haynes BP (2012) Corporate Real Estate Asset Management: Aligned Vision *Journal of Corporate Real Estate* Vol14 No4 pp244-254

66 Khanna C; van der Voordt TJM & Koppels PW (2013) Corporate Real Estate Mirrors Brand: a Conceptual Framework and Practical Applications *Journal of Corporate Real Estate*, Vol15, No3/4, pp213-230

67 Bedford M; Harris R & King A (2013) *Occupier Density Study* 2013 British Council for Offices, London

rates in certain parts of the business, for example, where there are large consulting teams who spend much of their time on clients' premises. Organisations that have successfully introduced such environments report the ability to accommodate dynamic organisational changes with very little or no reconfiguration of the space and significantly higher employee satisfaction ratings.

The shift towards higher densities and higher utilisation rates indicates that growing numbers of organisations are achieving 'spaceless growth' – accommodating growing headcount without acquiring additional costly real estate. Many organisations now also work within tight total occupancy cost limits on the combined rent, property tax, maintenance and operations budget.

For the City, 'spaceless growth' might mean that the 50,100 extra jobs forecast by 2023 (highlighted in Chapter 2) might not, after all, lead to additional demand for an extra six million sq ft, but somewhat less. It is impossible to predict exactly what the impact will be, but the implication is that the traditional approach to headcount and space demand forecasts should be treated with caution.

6.3.2 Changing space budgets

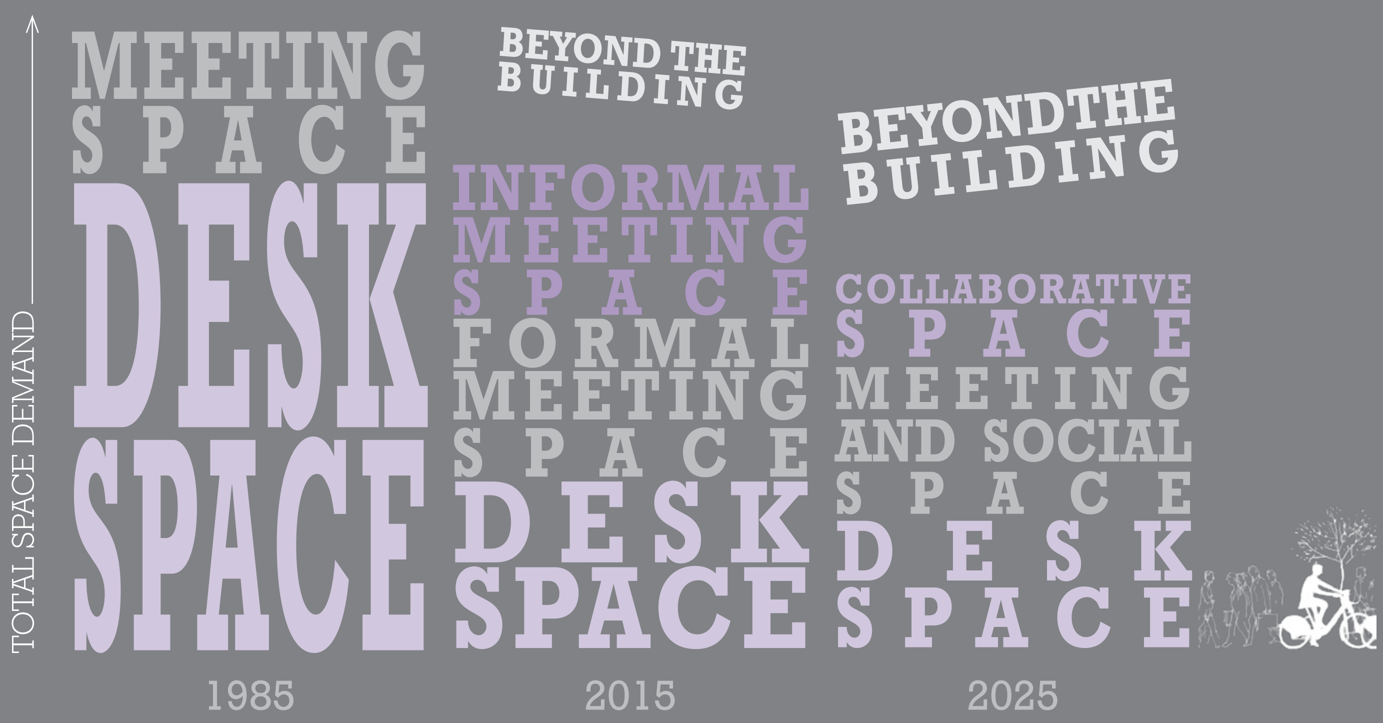
> 'Make-up of space is changing; the percentage of collaboration space is higher. The more traditional way of working is not conducive to the activities people now do or how they use technology'

The way in which space is allocated within workplaces has changed significantly in recent years. The traditional mix of uses, with the majority of space used for desks and some allowance for meeting space, has yielded to a richer palette of work

FIGURE 12

Changing space budgets

Source: Ramidus



settings. Figure 12 illustrates how 'space budgets' have changed in response to the new workplace agenda. This shift in space budgets was seen as universal by those we interviewed.

FIGURE 12
Changing space budgets

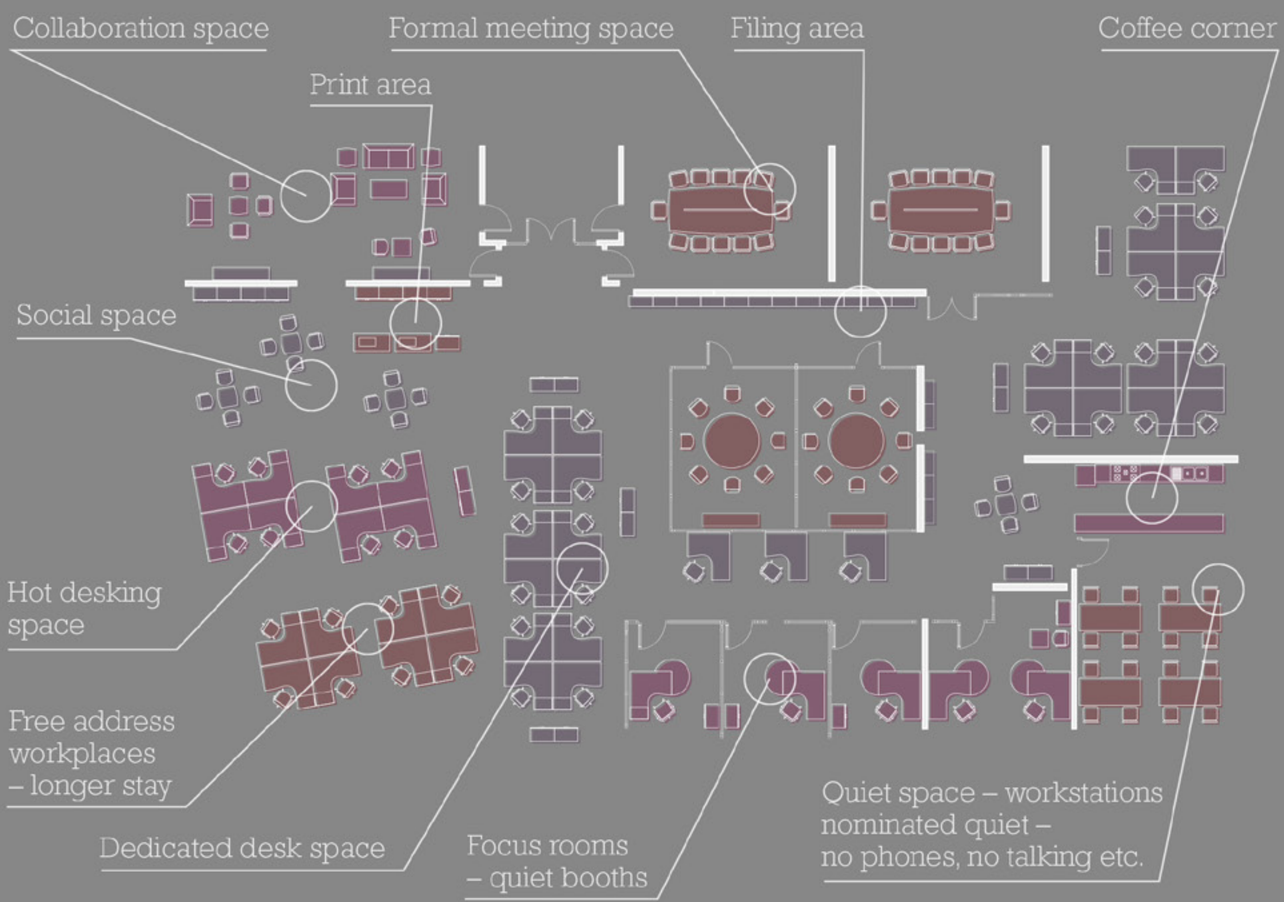
The proportion of non-desk space, such as collaborative space and meeting and social space, has generally increased in the office to help support a higher level of knowledge sharing and interaction. One company we interviewed currently undergoing such a change linked the motivation directly to a business need for more collaboration and knowledge sharing. In parallel, an increase in flexible working arrangements, in conjunction with home-working and hot-desking, has resulted in higher utilisation of desk space (or less wasted space) meaning that the overall space required by an organisation has generally reduced.

6.3.3 Flexible floorplans

As the level of agility in organisations grows, so it is becoming more important to provide a greater range of technology enabled spaces that are more convenient and comfortable for workers (Figure 13). Our interviews suggested that the focus on experimentation within businesses means that organisations that are bold enough to allow their employees to 'hack' or reconfigure their environments easily will leverage the workplace to provide even greater productivity impacts.

FIGURE 13
The 'loose fit' office

FIGURE 13
The 'loose fit' office
Source: Ramidus



Most of the occupiers we interviewed now manage their more complex, highly utilised workplaces more like hotels than traditional offices. Their 'guests' demand a high level of service and experience, and they pose various challenges to the servicing of buildings and facilities. There is greater emphasis on hygiene factors for the facilities and amenities provided. The increased densities of shared environments potentially require a rethink of the central infrastructure of the building and provision of stairwells, lifts, toilets, etc.

The increased use of thin client technology (networked computers) and mobile devices enables the removal of drop ceilings to expose the structure and create more volume and light in spaces. Our interviews suggested that, particularly for larger occupiers, a simple developer 'kit of parts' to allow them to customise their space for experience and adaptability is likely to become the norm.

While designers now incorporate a greater proportion of collaboration space, researchers are warning that a careful balance of collaboration and concentration space is required to ensure productivity. Many offices are not equipped to facilitate the required balance between focused and collaborative work and many workplace designs focus on enhancing collaboration at the expense of concentrated work, which can be equally important.[68] Our interviews confirmed that workers require both open environments designed for group collaboration and opportunistic encounters, and private spaces that allow for concentration, to work effectively.

> 'On-demand space providers should create a kit of parts for providing a workplace in a box that can be leveraged without the need for hard construction'

6.3.4 The complex workplace

The significance of the increasingly diverse workplace is further illustrated in Figure 14. Interviewees suggested that whereas in the past, headcount drove space demand in a two dimensional relationship, today's workplace planning is influenced by a far wider array of factors.

68 JLL (2014) *Time, Productivity and Value: Do you have the Right Working Equation?*

FIGURE 14
The multi-dimensional workplace

Source: Ramidus

We have referred in this report to the impact of workforce demographics, the increased focus on health and wellbeing, the growing significance of non-core staff and how changing workstyles are changing workplace planning. The role of culture is illustrated in this chapter, and the growing impact of technology has been highlighted in several areas in connection with agile working. In addition corporate social responsibility, compliance and corporate resilience are also having an effect on the management of the workplace. For example, waste management is now a critical element of building servicing.

FIGURE 14
The multi-dimensional workplace

All of these factors influence, to greater or lesser degree, the amount and type of space occupied by businesses. They also illustrate that space demand is no longer simply a question of headcount multiplied by a crude area density.

CBRE recommend 'activating' buildings by providing useful amenities, introducing gardens and using the roof.[69] They suggest creating spaces for serendipity, and places where the creative arts community and young and emerging businesses can add to the cultural diversity and experience of a building. The City has a unique opportunity to reinvent existing historic buildings to create such diverse experiences. Furthermore, the rich legacy of places for connectivity and community, such as the many livery companies, can be used as part of a rich tapestry to leverage historic and contemporary ways of making connections and exchanging knowledge and experiences.

6.4 Converging private and public realm

In summary, our interviews confirmed that the workplace is now being managed as a corporate resource, and that it is increasingly being used to convey organisational brand and values. There is a far sharper focus on increasing flexibility and enhancing community, amenity and wellbeing, as well as reducing cost. There is a trend to design for continuous adaptability and diverse usage patterns.

Interviews with both occupiers and advisors demonstrated how the City's workplaces are increasingly designed and managed not as static backdrops to routine solitary work, but far more as 'hotel-style' facilities, where 'guests' demand a high level of service and experience. In this sense, many City buildings are less about the 'hardware' of work – desks, partitions, technology, electricity, and so on, and more about the 'software' of work – the cultural, social and value systems of the organisations.

We are in the midst of a step change in the use of workplaces in the City. The changing workforce described in Chapter 3, together with the organisational change trends highlighted in Chapter 4 are having profound impacts on workstyles. The combined impact on the City's workplaces is a shift in design emphasis to encourage choice, adaptability, agility and flexibility. There is also now a greater emphasis on permeability, both in buildings and public spaces. Corporate office buildings no longer exist as islands of activity; they are permeable and focused on the wider experience. The implication is that the public realm of the City also needs to reflect these new priorities.

69 CBRE (2014) *Genesis Research Report: Fast Forward 2030 – the Future of Work and the Workplace*

7 The City as a place of work

- The City's stock of space has adapted over the past three decades to provide a diverse mix of building types.

- Over half of the City's office space has been built or refurbished since 1997, and over three quarters has been built or refurbished since the mid-1980s.

- The range of office stock available today provides a wide range of choice for occupiers in a variety of styles, designs and prices.

- Individual buildings are becoming more mixed use as places of work combined with elements of public access; this is contributing to the diversity of provision.

- The City's public realm will become more important as workers expect their high quality, well serviced and supportive workplaces to be mirrored in the spaces around them.

7.1 The City's stock of property

Over the past three decades, the City's stock of buildings has been transformed. It is widely acknowledged that the City provides a 'world class' stock of space, and developers and designers alike have provided an offer that has reinforced London's position as a global business hub. Within London, the UK, and across the international business community, a 'City address' remains a sign of prestige and is much sought after. It is important that the City's office stock continues to respond to demand needs to attract these businesses.

> 'The City has the best buildings in the world in old medieval streets – lots of character and authenticity, it is not a museum. The City attracts people from all around the world – the gold collar worker and the architectural tourist'

However, if the City is to continue as a highly regarded destination for both local and global businesses, then our evidence suggests that its stock of buildings and public realm will be as critical in the future as the design of the workplaces themselves, and that they must mirror evolving corporate priorities.

To address this issue we pull together the major themes running through this report and ask whether the City's stock of space is equipped to deal with the changing requirements of businesses and workers.

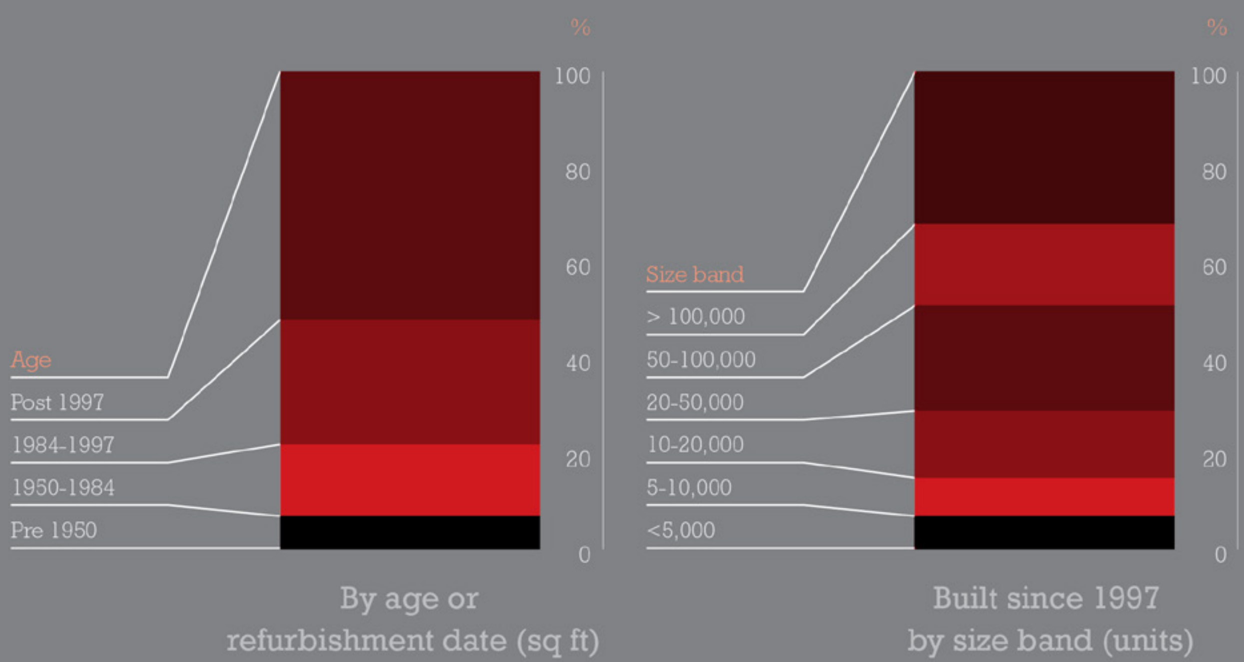
- Is the built stock adaptable to changing requirements?
- Is agility and connectivity reflected in buildings and public spaces?
- Does the stock provide adequate choice?
- Does the stock provide for experience?
- Is the public realm permeable?

7.1.1 Adaptability

The evidence suggests that the City's stock of space is adaptable, not least because most of it is relatively new. Over half of the City's office space has been built or refurbished since 1997, and over three quarters has been built or refurbished since the mid-1980s (Figure

FIGURE 15
City of London office stock by age and size

Source: Ramidus, *Taking Stock: the Relationship between Businesses and Office Provision in the City*, City of London Corporation (March 2013)



15). A mere 7% of stock by area, and 30% of the buildings, pre-date 1950.[70] Our interviews revealed a general view that the City has responded well over the past few decades in terms of providing a stock of space that is appropriate to occupiers' key needs.

FIGURE 15

City of London office stock by age and size

7.1.2 Agility and connectivity

The City's largely new stock of buildings certainly provides occupiers with agile environments, being designed as most of them are for modern businesses. The stock also provides for agility in terms of meeting the needs of small as well as large office requirements, with a growing stock of flexible space, such as serviced offices. The most important question here is how the City continues to meet connectivity priorities in terms of technology requirements (for example access to Wi-Fi and superfast broadband). Evidence from some of our interviews suggested that these features could be improved to enhance the City's reputation as a 'connected city'.

70 Ramidus (2013) *Taking Stock: the Relationship between Businesses and Office Provision in the City* City of London Corporation

7.1.3 Stock choice and diversity

It is clear that the City's office stock remains relatively diverse. We saw in Chapter 2 that while large employers dominate the economy, 80% of City businesses employ fewer than ten people. It is important therefore for the City to maintain a diverse range of unit sizes (Figure 16). The important message here is that over half of the City's 3,627 occupied units are less than 5,000 sq ft, 72% are less than 10,000 sq ft and only 2% are units larger than 100,000 sq ft. This data emphasises the need for the City to continue to provide stock which can accommodate a wide profile of occupier sizes.

FIGURE 16

City of London office stock by size of occupied units

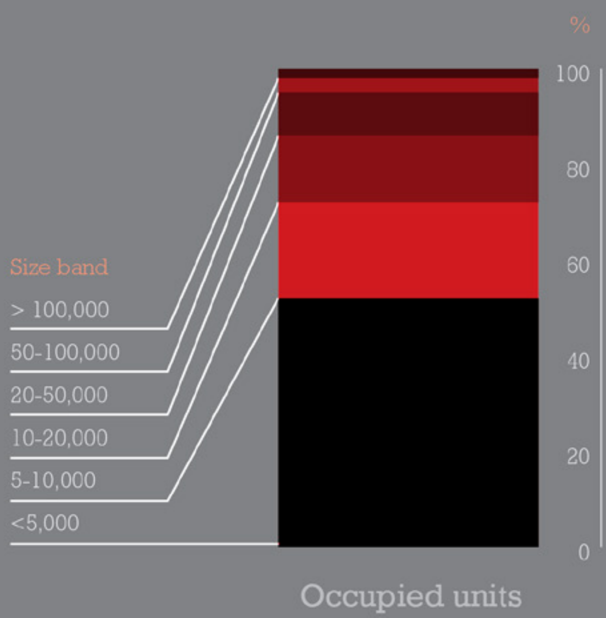
Despite the diversity of stock size, there has been a progressive loss of older small unit stock and a major shift to modern larger units in recent years.[71] The question here is whether further losses of such space will reduce the choice available particularly to smaller occupiers and those looking for

71 Ramidus (2013)

FIGURE 16

City of London office stock by size of occupied units

Source: Ramidus, *Taking Stock: the Relationship between Businesses and Office Provision in the City*, City of London Corporation (March 2013)



more economic space. While buildings in the City have generally been getting larger, this has been balanced by the increased growth in serviced office provision within the larger units. It is worth noting that many small occupiers are not just small firms but may include representative offices of international businesses, or large corporates who wish to make use of flexible space alongside their core property. Choice in property offers is therefore very important to accommodate the different price, quality, design and operational priorities discussed elsewhere.

Figure 17 gives a visual illustration of the breadth of the City's building types.

FIGURE 17
Building typology

Given the growing complexity of the City's business ecology and the growing trend to agile working and the growth of 'third places', described earlier, maintaining a balance of buildings types can be seen as essential to the City's future competitiveness.

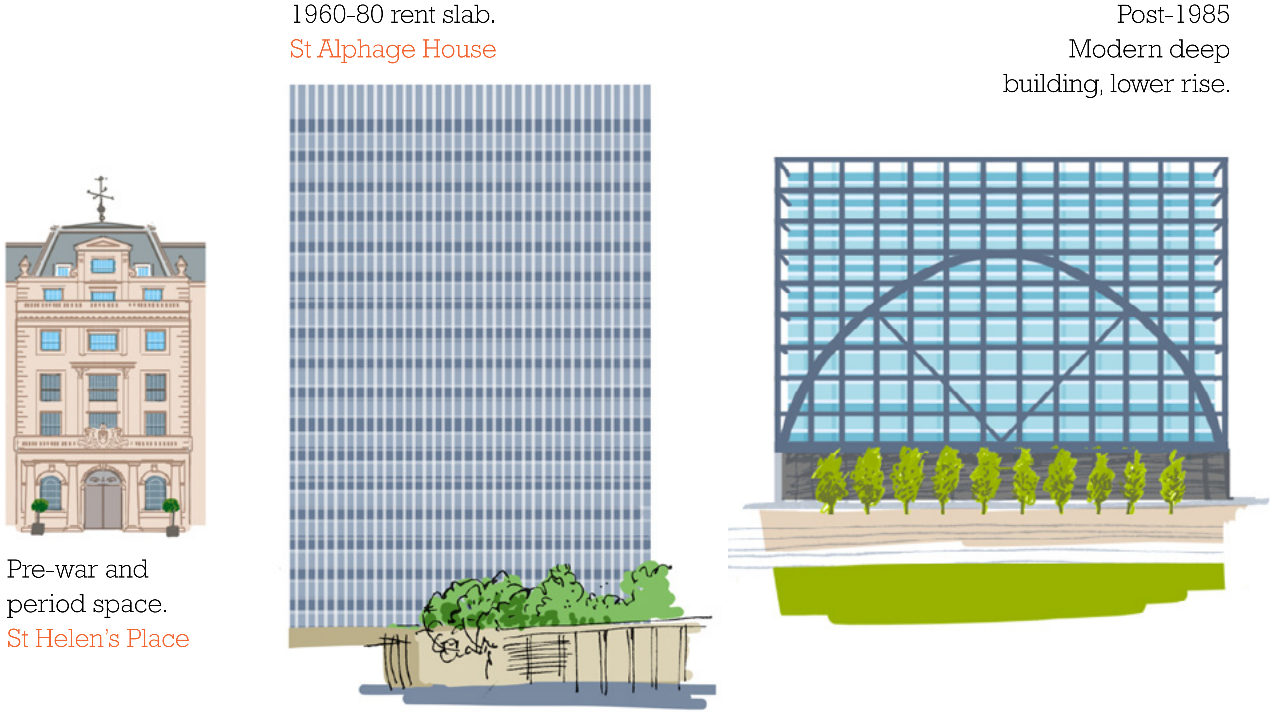
7.1.4 Experience

Our interviews confirmed the widely-held view that over recent years the City has become a far more diverse place, and is now offering a better 'experience' in many ways. The growth of retail and leisure, more hotels and a night time economy in the City have all helped in this respect.

> 'No developer makes a big return out of retail on ground floors but it makes such a difference in terms of attracting corporate occupiers'

A key factor helping this richer experience is the growing tendency for individual buildings to become more mixed use (Figure 18). These privately-owned buildings with public access or use at the ground floor

FIGURE 17
Building typology



level complement the provision of public realm spaces. More recently, we have also seen public access opened up to the highest levels of some new buildings.

FIGURE 18

Changing tenant space

7.1.5 Permeability

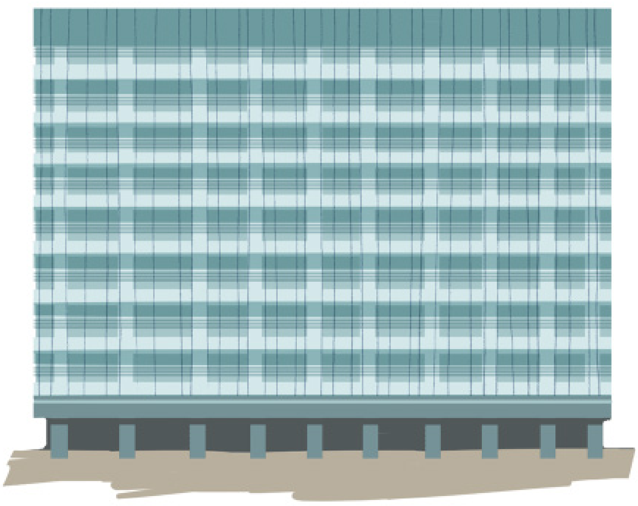
Landlords are becoming increasingly adept at designing and managing buildings not only for multiple office occupiers, but also for multiple uses. Our interviews suggest that this is a trend which will continue. This is serving to increase the 'permeability' of the City itself – by which we do not mean enhanced access, such as improved traffic routes, but rather the ability of people to move around with ease rather than being confronted by large buildings and walls on the ground, just as organisations themselves are becoming more permeable. The permeability of the City and the implications for public realm developments are explored in section 7.2.

7.2 Public realm

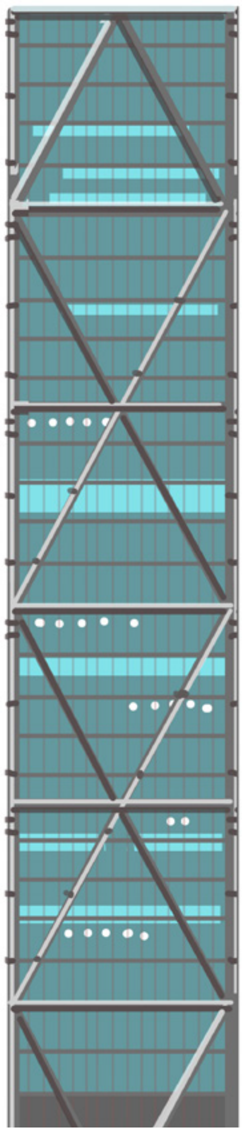
Our research suggests that the City's stock of buildings has generally responded well to changing corporate requirements. However, it also revealed a growing sense that the City's public realm is rapidly becoming a critical factor in the City's future attractiveness and competitiveness. In short, as organisations and workers grow accustomed to a high quality, well serviced and supportive workplace, they are now looking for the same in the surrounding public realm.

As already stated, our interviewees recognised that the City has changed greatly in recent years, with a transformed retail and leisure offer. The City is still considered the 'place to be' – it is the symbolic centre of the markets, and as such has the opportunity to further build on its heritage and continue to differentiate itself as a location.

Post-1985
Modern specification, multi-let, smaller units.
99 Gresham Street



Post-1985 Older space refurbished to modern standards.
Aldgate House



Post-2000 Tower
Prime space, prime rent.
Broadgate Tower

However, there is also the perception that the City can be a formal, intense, impenetrable environment with a strong 'corporate' feel, for example when compared with the West End. While these characteristics can be positive attributes they are also features that need to be considered and addressed in order that the City continues to diversify its business base and attract new firms.

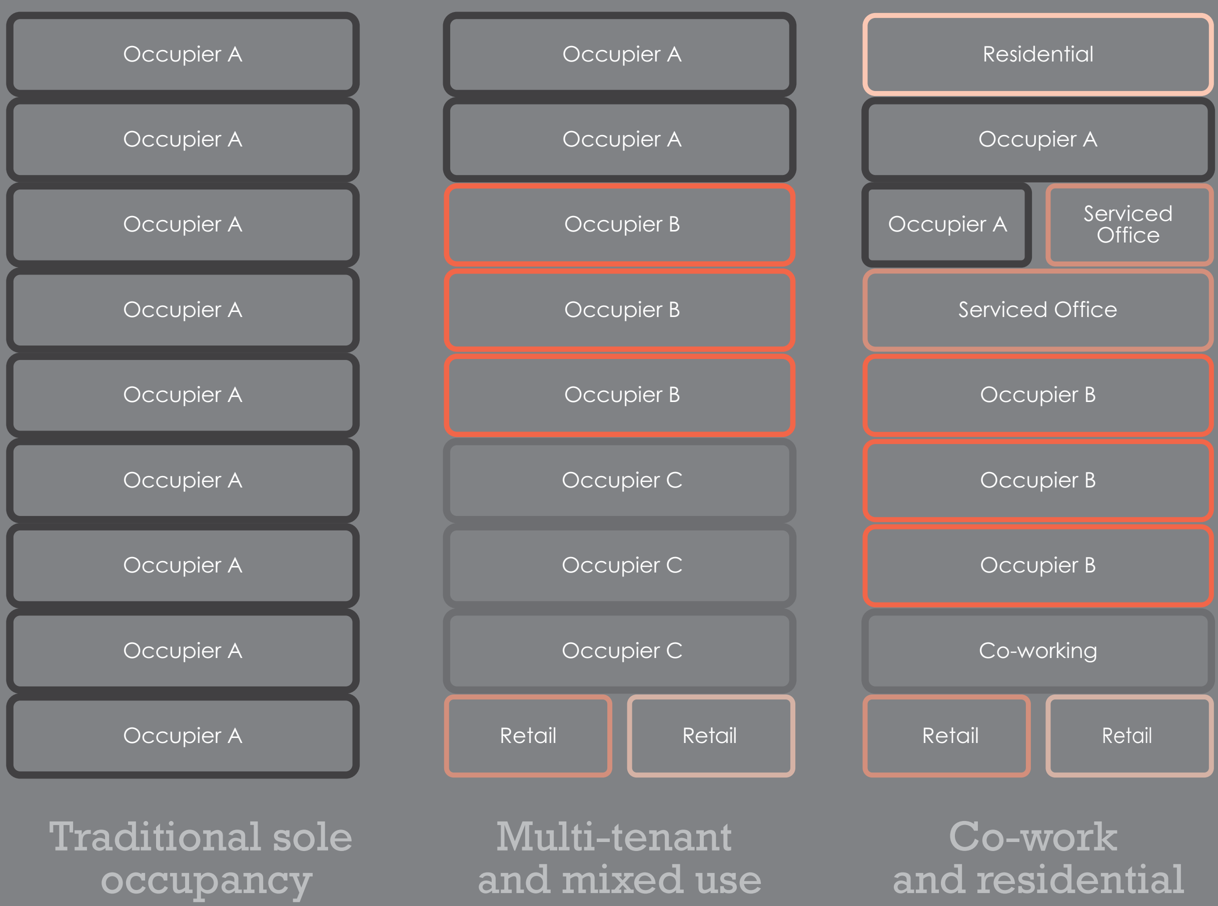
Part of this opportunity is to recognise that the ubiquitous nature of mobile technology, and its impact on workstyles, has led to the appropriation of urban, retail and community spaces as places of work. We have already noted that the nature of the office environment has dramatically changed to embrace the trend towards agile working – and will continue to do so.

Our interviewees suggested that the City needs to acknowledge that the public realm is now an extension of the office and should be designed and managed accordingly. All levels of design need to be considered. For example, the use of signage should be considered in terms of its positive impact in encouraging people to explore areas that may be hidden, and addressing the impression that places are not open for public use.

The quality of public realm is becoming increasingly important to many occupiers as they seek to create and reinforce a sense of community and belonging within their buildings. Occupiers wish to see a much greater emphasis on the creation of public places that provide memorable experiences for employees and support a variety of work/life needs.

FIGURE 18
Changing tenant space

Source: Ramidus

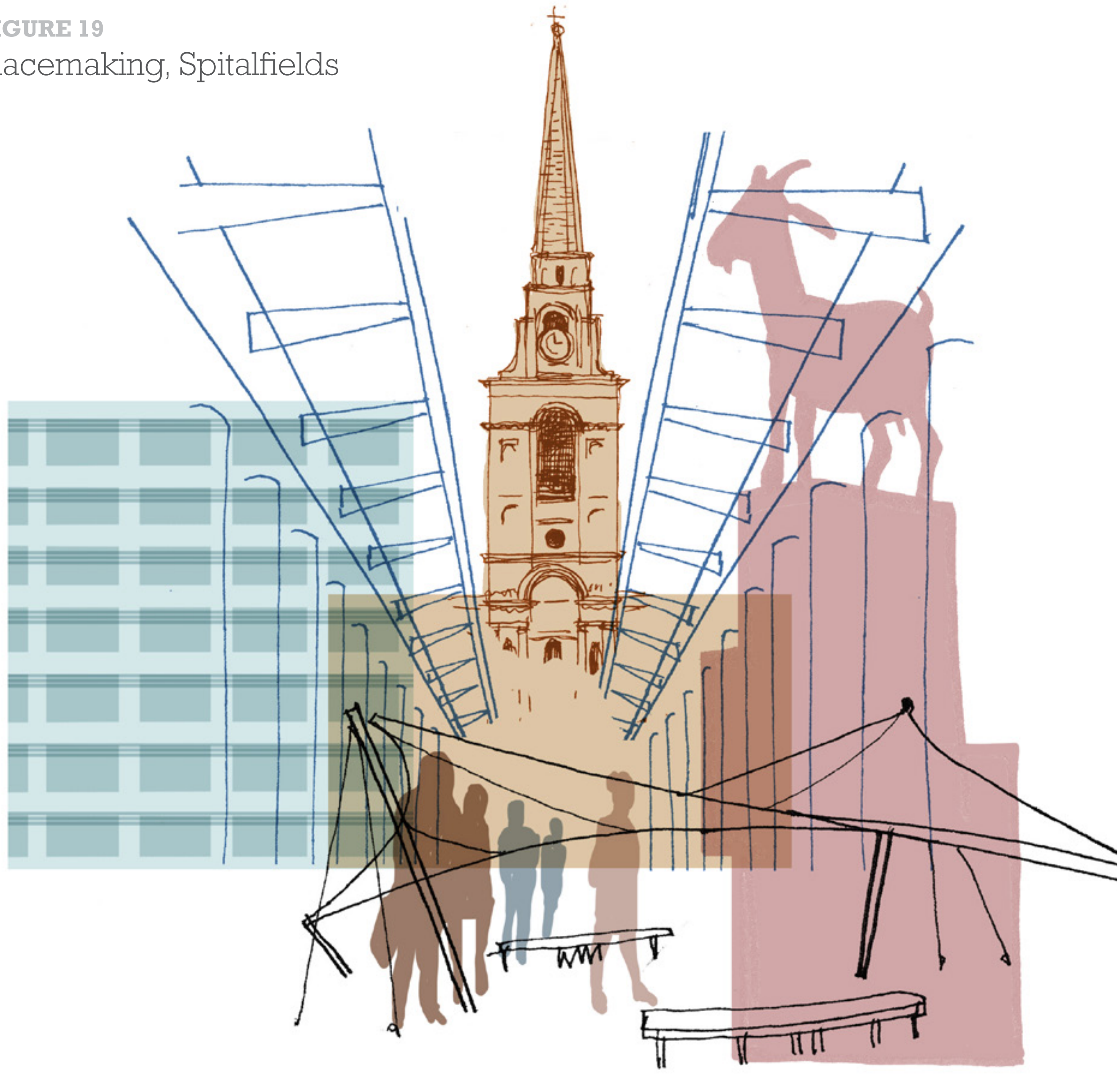


The City has many quiet churchyards, small gardens and formal squares (St Paul's Churchyard, Finsbury Circus for example), which are very well used during clement weather. It also has a number of popular retail areas such as Cheapside, which has been transformed in recent years, and Leadenhall Market, which several of our interviewees identified as a place of great character that provides a unique experience. There are also a number of semi-private spaces which encourage a sense of 'place' in the City and the immediately surrounding areas. Perhaps the two most notable are Broadgate, within the City, and Spitalfields which sits just outside the City but is readily accessible for City workers. Our interviewees cited the recent success of Spitalfields as a particularly important example in linking 'corporate' space with a more diverse neighbouring set of uses, incorporating public places at their heart to create a sense of experience for the whole area (Figure 19).

FIGURE 19
Placemaking, Spitalfields

One of the benefits of creating areas with a sense of 'place' is their role in softening boundaries that could otherwise be perceived as impermeable. A number of our interviewees suggested that the City needs to 'soften' its boundaries and become *"less fortress-like"*, be more

FIGURE 19
Placemaking, Spitalfields



permeable and welcoming to a greater variety of users. There is an opportunity for developers to provide a greater mix of amenities and open up the ground level of buildings to more activity and access.

We have expressed this sentiment in Figure 20. As already noted, permeability in this context is not about transport access, but rather the sense that people feel able to move around freely when walking through the City. Feedback from our interviews suggests that the City needs to be more permeable both with its immediate neighbours and within itself. Our research further demonstrated that public realm is now a real priority for corporate occupiers and could be an influencer in their location decisions.

FIGURE 20
The City's edges

7.3 Providing a location experience

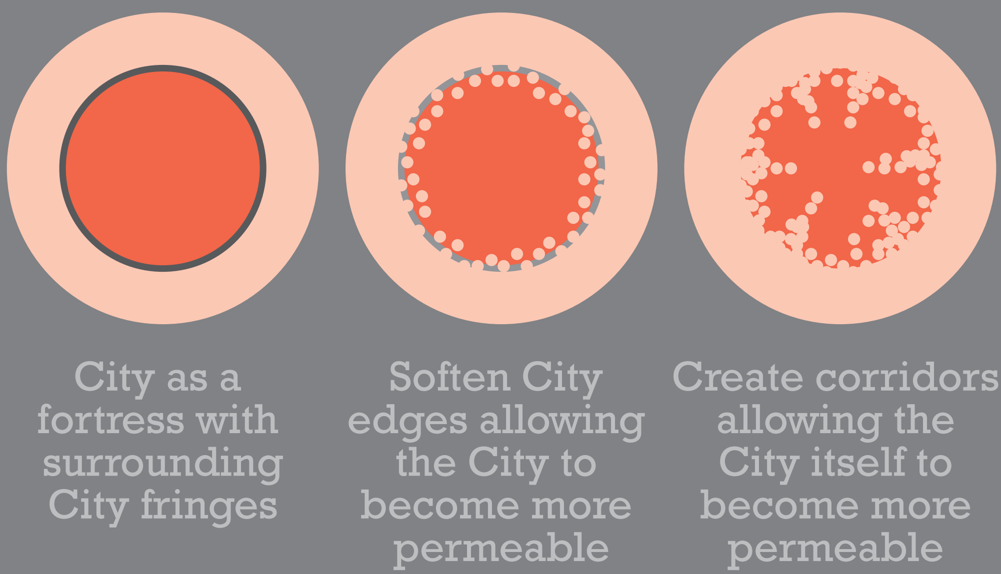
In summary, as we have seen elsewhere in this report, the City has a rich business ecology, and one that will be increasingly dependent upon connectivity and sharing. According to the occupiers, developers and advisors interviewed, it is essential that this is replicated in the City's built stock and public realm.

> 'The quality of spaces between buildings is now as important to us as the quality of the buildings themselves'

The City's physical assets are an important component in maintaining its global competitiveness and attractiveness. They must satisfy changing corporate priorities, enable agile working, meet the demand for 'third places', such as coffee shops or cafés, and provide high quality public realm and experience.

FIGURE 20
The City's edges

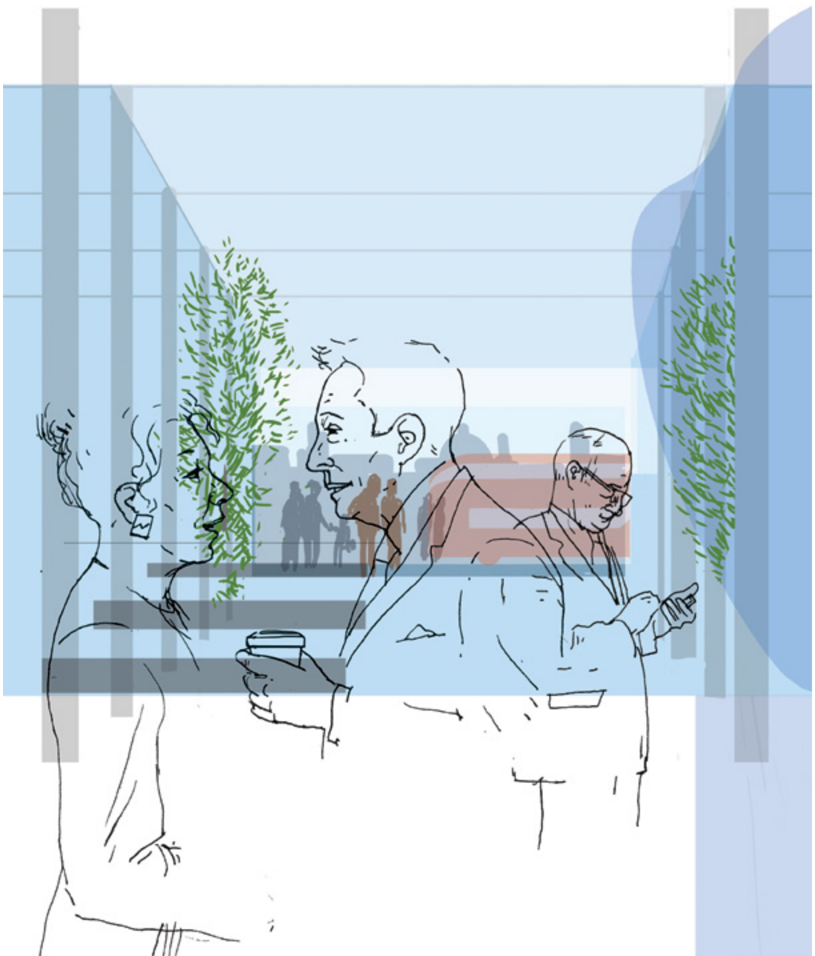
Source: Ramidus

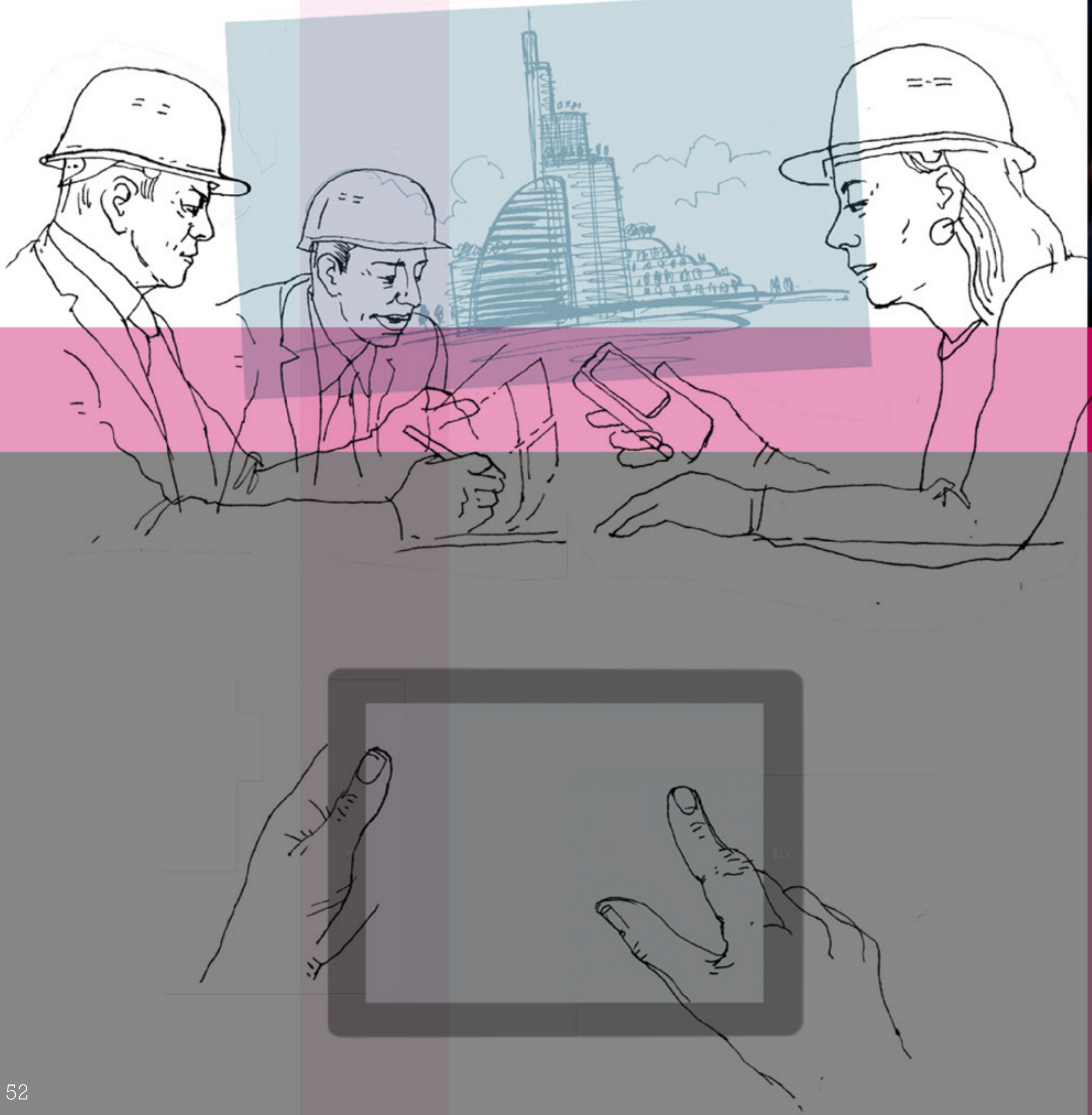


Facilitating and embracing the concept of the City as a ubiquitous mix of places to support effective working and provide access to quality experiences is a significant task.

One challenge to encouraging greater permeability is the level of security required across the City and within every City building. Successful public places are welcoming, safe and secure, so how the issue of security can be dealt with in creating a seamless experience may require further consideration.

The role of City planners is potentially shifting from defining and driving policy and providing traditional infrastructure, to a more integrated and engaged portfolio management role where the focus will be on developing and managing compelling experiences. Similarly, developers should consider a greater focus on creating places rather than isolated buildings.





8 Outcomes & implications

This chapter outlines the main research findings and considers their implications for the City of London. The evidence gathered leaves little doubt that profound change is occurring, with important implications for the Square Mile as a place of work. Workstyles are evolving in response both to corporate and technological change and the outcome is that traditional approaches to the workplace are also evolving.

8.1
Businesses are evolving

City employment looks set both to grow and to become more diverse over the next ten years. Economic forecasts highlight these trends, and our interviews with stakeholders reinforced these with industry-based perceptions. The pattern of change looks set to be one in which financial services will remains a key sector for the City, with relatively stable employment numbers but productivity gains, strong employment growth from the professional services sector and with the emerging TMT sector further establishing itself in the City and increasing its presence.

Behind these headline trends there lie important dynamics in terms of emerging corporate structures that will help shape the nature of the future workplace over the coming decade. These factors are having a growing influence on how the workplace is viewed by organisations, both in terms of supporting corporate goals and its physical form. Our interviews showed workplaces being designed and used to encourage collaboration across teams and functions, to allow for frequent churn and to flexibly accommodate contract or freelance workers and visitors.

A key lesson for the future is that the City's heritage of creating the context for connecting people to exchange knowledge and information, to access skills and to gain competitive advantage is critical. This continues to be the primary driver for business today, and the City is in a position to leverage its heritage and reinvent a new model to bridge the face-to-face/physical network with the virtual/global network.

The City's business ecology is a critical determinant of workplace needs. For example, our research has demonstrated the importance of smaller occupiers in the City, both in terms of small businesses and large firms with a small physical presence. The growth of the flexible office market in recent years is ample evidence of the importance of these firms to the City economy.

There are also strong linkages between sectors in the City, with high inter-dependency in terms of business activity. Whether this involves lawyers supporting an insurance business in an acquisition, or a FinTech firm providing a bank with new software applications, the picture is one of a genuine business ecology, with strong dependency relationships. The lesson here is that these relationships need to be supported with a broad range of property types and workplace options, in terms of size, configuration, price and so on. This need will be accentuated if the City's economic base continues to diversify with, for example, more creative businesses locating there.

8.2
The workforce is more demanding

The City's workforce is changing, but this is nothing new – the City has always evolved and will continue to do so. Just prior to Big Bang, the workforce was predominantly male and culturally quite uniform, the work was largely clerical and process-based, and bowler hats remained in vogue. The step change that followed in terms of globalisation and the impact of technology on work activity has transformed the profile of the workforce.

The City's workforce is generally younger and more highly qualified compared to London and the UK's workforce and there seems little prospect that these features will change dramatically over the coming decade. Much has been written about the impact of Generation X and Generation Y on the workplace, but there is something of a generation myth in this debate which ignores the impact of wider social changes. While we now have four generations in the workplace, each at different stages of the life cycle, they are alike in expectations around choice and flexibility. Providing workers with choice and flexibility is now one of the top priorities of organisations in the City wishing to attract the best talent. Key aspects of this include:

- A choice of places to work, in as well as outside the office, facilitated by ubiquitous connectivity.
- Opportunities for knowledge sharing, mentoring, collaborating and socialising.
- Efficient and inexpensive travel options to and from places of work.

- Good local amenities including coffee shops, retail and restaurants.
- Access to leisure facilities – bars, cinemas, gyms.

The fundamental link between all these factors is choice. Today's City workforce expects choice at all levels: career development, local retail, work-life balance, leisure and so on. This expectation of choice is increasingly reflected in the workplace, where employers are seeking to provide services to attract staff.

As outlined, the nature of work is changing, and, as a consequence, the skill sets required are also changing. For example, financial institutions who traditionally required analysts and processors find themselves now requiring 'creative skills' and application developers; these more 'tech savvy' recruits are likely to have different expectations of their workplace.

Diversity is now a key word in the workplace, in terms of gender, culture, sexuality, religion and disability. There are, for example, a growing number of women in the workplace, with more women in senior roles, partly due to flexible working enabling mothers to return to work more easily. As well as flexible working arrangements and good travel infrastructure, working parents may require easy access to crèches, retail (supermarkets) and health facilities.

Health and wellbeing is now a key driver in the workplace, both from a productivity perspective and as a means to attract retain and engage the right talent. There is a push for more 'active design' to ensure that people move more at work, and the provision of welfare and amenities in the workplace to support wellness. There is now also a better understanding of the potential positive impacts of green spaces for contemplation and invigoration.

The increasing number of contract or freelance workers employed in the City for specific projects and expertise, or to supplement in-house resources in the short-term will also have an impact on the workplace. As corporate boundaries are becoming more permeable, the quality of the workplace, location and the surrounding facilities will need to influence the attraction and retention of these workers too. Contract workers and those with more flexible working arrangements will no longer work the traditional 'nine to five' day and therefore will have different expectations, for example, office buildings that are open and serviced late and at weekends.

8.3 Evolving workstyles are changing the workplace

Workplace design and management must respond to choice and diversity by providing for continuous adaptability, as well as delivering uniqueness of experience and amenities.

Embracing the opportunities of agile working allows organisations to both attract the right talent and manage their real estate with increased flexibility and adaptability. Leveraging variable patterns of use to intensify the utilisation of space will mean less core space used more efficiently, with the benefit of cost savings.

Our research and discussions have revealed that the emerging office needs of the City's core and growth sectors – financial services, professional services and TMT – are not differentiated but focus consistently on addressing the following issues:

- A shift from fixed, long term leased space to flexible and on-demand space.
- Less space, used more efficiently, and more effectively.
- Space being a medium for expressing corporate culture and values.
- Design for continuous adaptability and diverse usage patterns.
- Activity-based workspaces providing for collaboration, concentration, communication, creativity, confidentiality and contemplation.
- Use of shared spaces as a means to facilitate collaboration.
- Provision of amenities and services (food, wellbeing, events etc.).
- Creating and managing memorable experiences to attract talent.

A key lesson from studying the dynamics of all three sectors, however, is that the traditional relationship between headcount growth and space demand is changing, resulting in 'spaceless growth'; our interviewees were unanimous on this point. The fact that finance firms are achieving business growth without significant headcount growth is instructive and the overall impact on the City could be profound.

It is also clear that the role of the office is evolving rapidly. Despite the increase in agile working there is a clear recognition that offices provide a place to bring people together. Meeting face-to-face, and tacit knowledge via co-location of colleagues, are still key aspects for businesses, to encourage innovation and mentoring. The workplace is also recognised as a social hub for colleagues, particularly new joiners who need to become connected to the organisation.

Our interviews confirmed a shift from a narrow focus on workplace **efficiency**, towards a more balanced focus including workplace **effectiveness and engagement**. An effective workplace is one that optimises productivity by providing workers with the environment, tools and support services they need to fulfil their roles. There seems little doubt that we are witnessing a shift in design and workplace management from buildings to people and experience. This will mean that fit outs and management distinguish workplaces rather than specific demands on base buildings.

8.4 The importance of place

Emerging corporate structures will also have a growing impact on the City as a place for business. The emphasis on connectivity and networks, for example, is placing greater emphasis on the quality of the surrounding public realm.

This research set out to examine the relationship between changing workstyles and changing workplaces. However one of the important findings was the level of importance now attached to the spaces between workplaces – the public realm. The public realm is considered a top priority for occupiers and investors alike. Technology has meant that work activities can now leave the building and the public realm is the place where the blurring of work and leisure happens.

The City's heritage as a place for connecting people is unrivalled. Despite the huge impact of technology and the globalisation of trade, this continues to be a fundamental driver of business in the City today. Our consultations confirmed the widely-held perception that one of the City's key differentiators is the diversity and mix of legacy and new building stock, which create richness of character and a unique experience.

8.5 Implications for the City

There are a number of overarching themes that run through this research which are common to the interests of businesses, the workforce, workplaces and the public realm. These themes encapsulate the directions in which both working practices and workplaces will evolve over the next decade.

- Flexibility and adaptability
- Choice
- Experience
- Agility and connectivity
- Permeability

The implications set out below should be seen within the framework of these themes. For example, businesses are more agile, they are continually adapting, they can exercise locational choice, they express their culture in the workplace and they are increasingly permeable. Similarly, the public realm can enhance agility and connectivity, provide for flexibility, provide for choice, offer an experience and be permeable.

In this section we outline the main implications of our research for the City. We identify separately implications for City planners and policy makers, occupiers and property owners and developers. Communicating work being undertaken and changes taking place in the City in line with the implications will be of key importance in order to ensure that businesses and workers are aware of the City's evolving offer.

8.5.1 Flexibility and adaptability

The City's workforce is forecast to experience strong growth over the coming decade. However, it seems likely that the headcount growth might not result in a traditional profile of floorspace demand. While agile working practices will become more common, we are unlikely to see large swathes of people working from home (as there remains a strong tendency to co-location); it does mean however that 'spaceless growth' is now a feature of the market. Furthermore, through the impact of technology we are likely to see a shift with some roles (particularly middle management) disappearing and other new roles being created. The growth in new technology skilled jobs will occur as much through contract and freelance workers as within the bounds of a business's core workforce. Finally, the balance of growth between large and small firms has yet to be determined, but it might be that more opportunity for growth is found among the latter.

- City planners and policy makers should consider the implications of a different type of growth, particularly in terms of expectations for new space demand – a greater focus on quality and differentiation rather than just quantity of space.
- City planners and policy makers should consider how to further understand the balance of future growth among large and small occupiers and their space needs whilst encouraging developers to reinvent older, multi-let buildings and further enhance the variety of accommodation available.
- Owners and developers should consider the needs of the whole City business ecology in terms of the appropriateness of the full range of stock and its ability to accommodate the technology-enabled workstyles of footloose occupiers.
- Owners and developers should also consider strategies for multi-let buildings in light of the growth in small businesses. Perhaps there will be a growing need for greater divisibility of buildings, with implications for building depth, configuration and servicing.
- Occupiers will increasingly cope with business expansion through 'spaceless growth', and this will underline the need for agile workplaces to accommodate this.

8.5.2 Choice

While the business ecology of the City is likely to broaden, our research has revealed a consistent perception of the City as being a 'corporate' location which is not always as

While larger businesses currently enjoy the benefits of world class resilient, dedicated business grade connectivity, the City of London Corporation is actively involved in improving the availability of high-speed, affordable connectivity for smaller businesses, residents and visitors of the Square Mile.

The design of One New Change has enabled it to become major retail destination with a roof-top terrace and four-way permeable thoroughfare between Bread Street, Cheapside, New Change and the Churchyard of St Paul's.

attractive to non-traditional sectors. It is also seen by some to lack permeability.

- City planners and policy makers should consider how to build upon and further enrich the overall service, retail and leisure offer in the City with a focus on developing and managing compelling experiences.
- The economy of flexible and co-working spaces is growing and could be encouraged by City planners and policy makers, including looking at opportunities for using empty spaces for incubators and start-ups. Similarly property owners and developers should consider how they can best integrate co-working spaces as part of a hierarchy of different types of workspace within buildings and to promote a new 'lifestyle' approach to make the City welcoming to a more diverse profile of occupier.
- City planners and policy makers might explore how the City could further broaden its non-office business base in terms of, for example, culture and leisure opportunities.
- Owners and developers are already welcoming a more diverse range of occupiers, and this demand is likely to continue. They will need to respond to growing demands for agility, adaptability and experience from all sectors, with appropriate fit out solutions in which experience is a key part of the design agenda.
- City planners, policy makers, owners and developers might also consider further enhanced permeability of buildings through expansion of public access at ground floor level to make buildings more permeable and could look for ways to improve and encourage access to the City's green spaces and piazzas.
- Occupiers will continue to diversify and evolve, developing ever more complex relationships and networks. They will continue to demand workplaces that respond to their absolute needs for connectivity, adaptability and experience.

8.5.3 Experience

The City workforce is young, educated and diverse. However, the impact of differences between the demands of Generation X and Generation Y will not be as strong as generally thought, as expectations of choice and flexibility are consistently important across all generations.

- A continued emphasis on improvements to the communication, design and management of the public realm is key to make it welcoming and accessible to users. City planners, policy makers and developers could look to explore the introduction of more oases of green and water to give respite from the density of the environment and consider how to further capitalise on existing public spaces,

The ground level public space at the Leadenhall building, which includes escalators offering direct access into the building itself, is one of the largest reception areas that City has ever seen. It offers a seamless transition from the street into the building, and makes a positive contribution to the life of the City.

36% the City is within conservation areas which, with the historic nature and scale of many buildings, creates diversity in the building stock and a unique juxtaposition of between the historic city and contemporary modern buildings.

such as Guildhall Yard and Finsbury Circus.
- The City will benefit from access to two Crossrail stations when the service commences in 2018, and this should be capitalised upon to reinforce the City's accessibility and diversity of amenities. City planners and policy makers need to continue to seek tactical ways in which to improve the worker's experience of accessing the City.
- Wellbeing is deeply embedded in modern workplace management and City planners and policy makers might consider how it could mirror this consideration by maximising opportunities for pedestrianisation, dedicated cycle lanes, and safe and secure cycle parks when reviewing the overall traffic policy.
- Owners and developers will need to ensure that the City continues to provide a range of options in terms of design, specification and cost of premises.
- City planners, policy makers, owners and developers should consider the introduction of more breathable, liveable buildings, green living walls, winter gardens, green roofs and active atria within buildings to enhance wellbeing, give workers access to an improved work environment.
- Occupiers will need to continue to design and manage their workplaces to attract and retain a diverse workforce that is relatively footloose and who will demand increasing choice and flexibility in their work. Workplaces will be more experience-based.

8.5.4 Agility, connectivity and permeability

The headings of 'flexibility and adaptability', 'choice' and 'experience' all point towards the need for connected, agile and permeable organisations and places. We believe connectivity, agility and permeability are the defining characteristics of the emerging City economy.

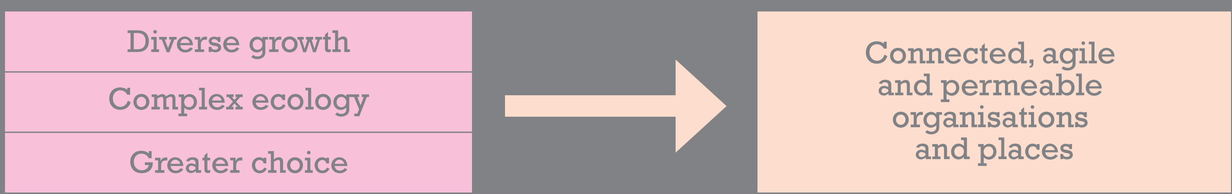
For example, connectivity can be supported and enabled at every level from virtual infrastructure to free high speed Wi-Fi to the public realm, through the layout of office space to support agile working and on-demand space, as well as through organisational models that leverage connection to on-demand skills and support virtual collaboration. The City must be able to respond by optimising linkages wherever it can.

FIGURE 21
Growth, ecology and choice

- The City should continue to take steps to ensure it is able to offer a competitive 'connected' environment through the provision of a high quality telecommunications offer for all businesses and workers. This includes access to Wi-Fi, a high speed broadband network, mobile network stability and power provision and resilience.
- The City has a unique legacy of being the place for knowledge exchange and connections, and this could be reinforced by working with owners and developers to reinvent the 19th century coffee house culture through the mix of amenities and the reinvention of traditional City places for connections such as the various livery companies and institutions.
- City planners, policy makers and owners have an opportunity to work together to

FIGURE 21
Growth, ecology and choice

Source: Ramidus



review how the public realm might be leveraged to support working outside the office and enable connections and networking.

- Owners and developers, and their design teams, could look for further opportunities to reinvent the model of the base building to leverage common areas and circulation and ensure greater permeability at ground level to facilitate connections.
- Occupiers and their corporate real estate (CRE) teams could look to facilitate connectivity by providing a greater variety of formal, informal and social collaborative work settings with easy to use virtual capabilities.

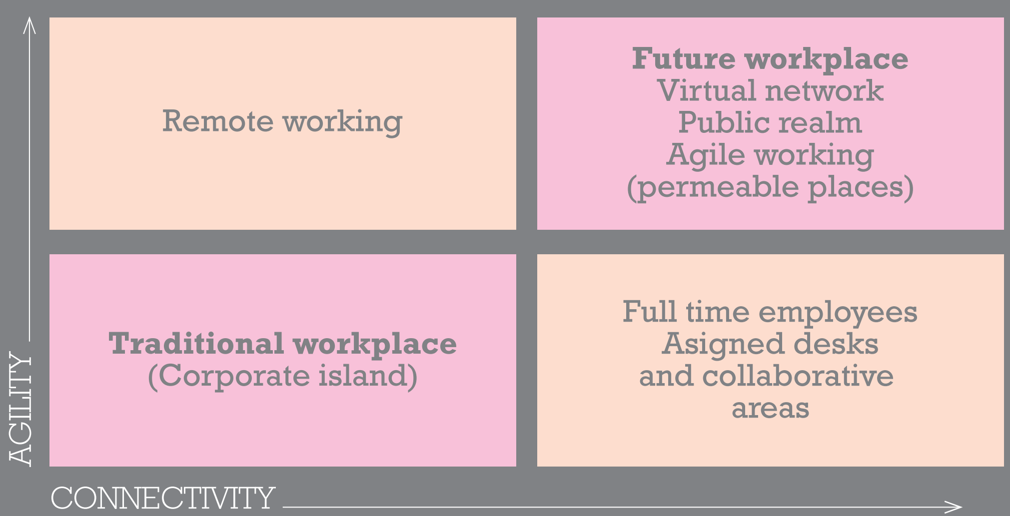
Agility to respond to unpredictable business demands, corporate restructuring and ongoing project team dynamics is a key enabler for organisations to remain responsive and competitive. Agility to support a constantly evolving workforce can be enabled by the infrastructure to support agile working, the variety and flexibility of the building stock, access to a variety of on-demand space options and workplaces designed for continuous adaptability and diverse usage patterns. Figure 22 summarises the characteristics needed to support agility and connectivity at the workplace.

FIGURE 22
Supporting agility and connectivity at the workplace

- City planners and policy makers can support business agility with policy approaches which ensure that there is a diverse mix of office stock and amenities to support a variety of occupier needs.
- City planners, policy makers and owners can work together to explore how to best facilitate the shift to flexible and on-demand space and provide more choices for the future.
- Owners and developers have the opportunity to work with occupiers to facilitate flexible lease arrangements and greater permeability of their buildings to support co-working and shared facilities and amenities.
- Owners and developers could also provide spaces that are simple and adaptable and offer a simple neutral 'Cat A' kit of parts to enable occupiers to customise their office experience.
- Occupiers and their CRE teams can support agility by embracing agile working through unlocking the 'individual to desk' stalemate and providing a variety of activity settings to be used dynamically to support evolving business requirements.

FIGURE 22
Supporting agility and connectivity at the workplace

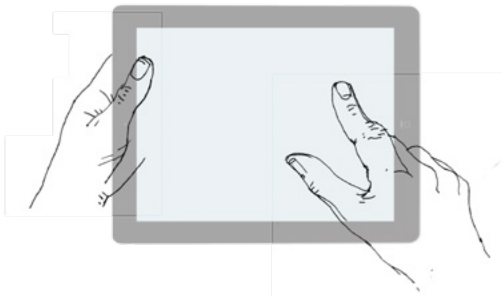
Source: Ramidus



8.5.5 Implications for the City – looking further ahead

In this report we have looked ahead over the next ten years, in terms of the implications for workplaces of recent and ongoing change in the City's workforce and workstyles. In a fast changing world, what will change over a longer period, the next 30 to 40 years? It is impossible to say with any degree of certainty what the characteristics and preferred workstyles of the workforce of 2050 will be but it is possible to consider a number of factors which may have an impact on the workplace of the future.

The City will be 'smart' in many senses. Whether that means self-sustaining buildings, electric emission-free vehicles or automated transport, it could also mean new approaches to heating and cooling of buildings and decongesting the public realm. Civic design and planning will ensure that the City will retain and expand its green and open public spaces despite limitations in available space. These areas will enable people to come together, relax, share and collaborate. The nature of work will have changed dramatically by 2050 as artificial intelligence lays waste to large swathes of jobs – while creating thousands of new opportunities and accessing skills in different ways. If the City continues to leverage its heritage, provide the right mix of space and amenities and compelling memorable experiences, it will continue to be an attractive place for workers as people continue to value face-to-face encounters.



The Aldgate area will receive a major uplift by 2016, as changes create two new public spaces on the eastern edge of the City of London, whilst ensuring continued traffic flow, introduce pedestrian crossing points and allow easier navigation of bus services.

A number of Area Enhancement Strategies are underway which will be the foundation for improving the streets and public places in the Square Mile – these include future projects at Bank, Liverpool Street and the Riverside Walk.

Appendices

Appendix A: Methodology

The first element of our work was to undertake a review of secondary sources in two particular areas. The first involved drawing together existing economic data, combining employment projections for the City with predicted growth by industry to evaluate the economic context of the City. The second was a literature review of relevant recently published material to establish current evidence and trends around workstyles and workplace change.

Economic literature

Chapter 2 contains a largely quantitative description of the economic context to the workstyles and workplaces research. The City of London Corporation's economic research programme includes several recent publications (including economic forecasts) pertinent to this study:

- CEBR (2014) *London's Finances and Revenues*
- City of London Corporation (2014) *City of London Workforce Census* 2011
- Oxford Economics (2014) *The Economic Outlook for the City of London*
- Ramidus Consulting (2013) *Taking Stock: The Relationship Between Businesses and Office Provision in the City*
- Ramidus Consulting (2014) *Serviced Offices and Agile Occupiers in the City of London*
- TBR (2014) *The Impact of Firm Migration on the City of London*

We also reviewed other official data sources, notably two Office for National Statistics (ONS) sources – the Business Register and Employment Survey (BRES) and the Inter Departmental Business Register (IDBR).

Workstyle and workplace literature

In addition to the largely quantitative, economic evidence there is a burgeoning literature describing evolving workstyles and workplaces. We reviewed this literature and synthesised the material into three broad areas:

- The changing nature of corporate organisations, including business structure, size and sector.
- The evolving corporate real estate (CRE) agenda, including business drivers, workplace needs and locational criteria.
- The evolving workforce, including demographics and workstyles.

The second core element of our work involved primary research, mainly in the form of interviews with a range of stakeholders. The series of 30 interviews included 11 corporate occupiers and a mixture of owners/developers, property advisors, change managers/designers, providers and academics (see Appendix B). All interviewees were considered to be in the vanguard of workplace thinking.

The interviews comprised semi-structured discussions to provide evidence and explore themes in detail. The key areas of discussion included:

- Corporate priorities and their implications for corporate real estate;
- Trends in workforce and the culture of work;
- Emerging trends in the use of the workplace;
- Locational and urban realm considerations, and
- Implications for the City of London.

Finally, the members of the research team – Rob Harris, Despina Katsikakis and Nigel Oseland – have been directly involved in advising clients on workplace strategy for over 30 years. This experience was also drawn upon to provide context and evidence for this report.

Appendix B: Acknowledgements

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Credit Suisse
Cushman & Wakefield
Derwent London
Gensler
Goldman Sachs
JLL
Johnson Controls
Knight Frank
Lend Lease
Liquid Space
Macquarie Bank
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University of the West of England

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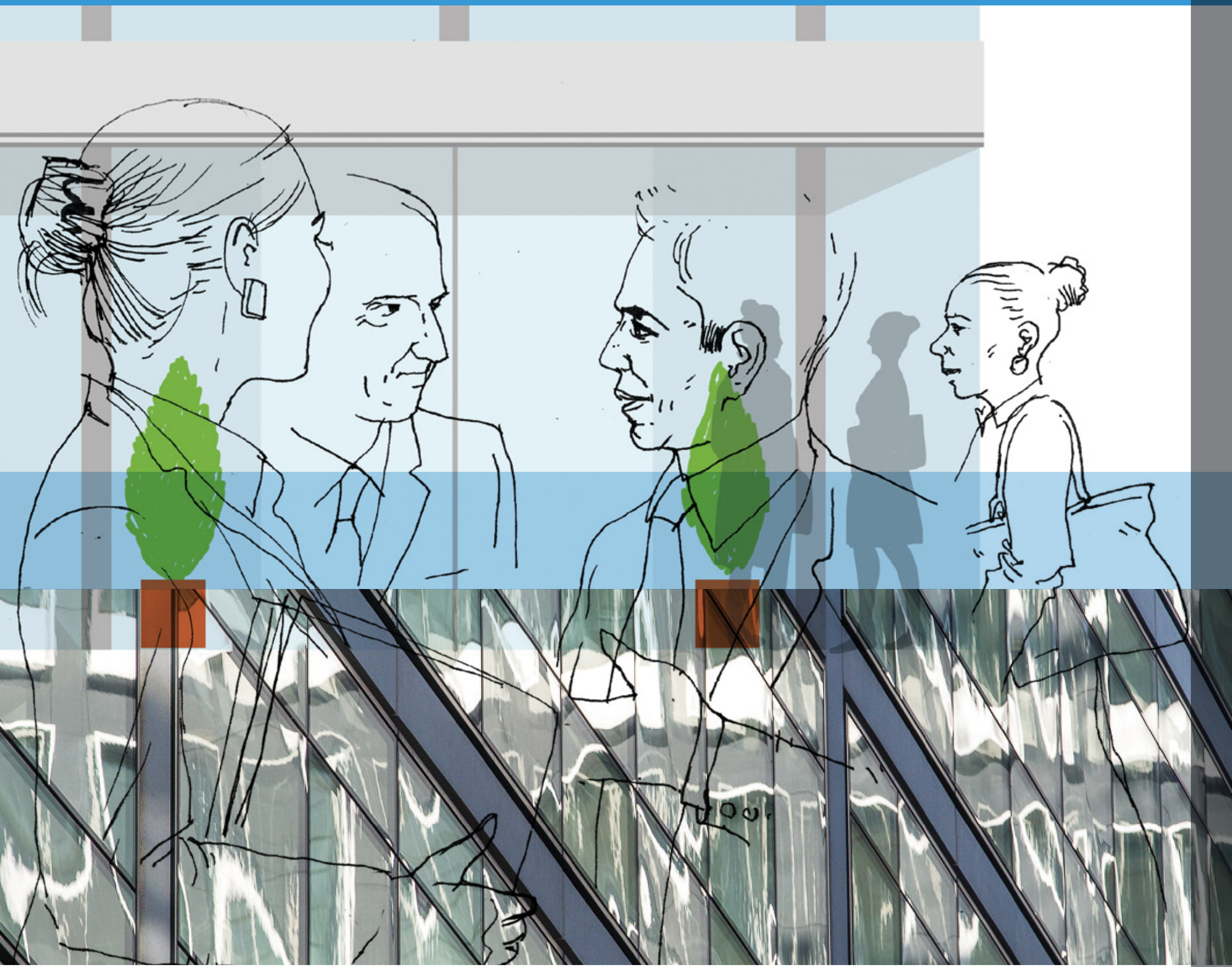

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