

Reflections

Tuesday, May 11, 2021

Is the death of the office exaggerated, or inevitable?

As our battle against the COVID-19 pandemic enters its final stages, we are also approaching the day when restrictions will disappear and life can revert to a more normal situation. One controversial question is whether this also means we will return to offices five days a week or continue working a lot remotely. In any case, it is clear that a large majority of employees enjoy working from home, while new technology and improved work processes make remote work increasingly easy. In the long run, a fairly large-scale death of offices feels almost inevitable.



Johan Javeus
Chief Strategist
+46 70 325 51 45
johan.javeus@seb.se
[@JohanJaveus](https://twitter.com/JohanJaveus)

As the pandemic hopefully enters its final stages, we are beginning to see an end to restrictions. The day when we can again all move freely in society is approaching. One controversial question is whether we will then return to the office, like before the pandemic, or whether we will continue working a lot from home? One camp argues that we are creatures of habit, and that as soon as restrictions disappear we will all quickly fall back into old behaviours. Others argue that on the contrary, the pandemic acted as a catalyst – accelerating changes that had been going on beneath the surface for a long time – and that the work-from-home trend is here to stay. Because the pandemic is coming to an end, companies around the world will soon have to decide whether they should regard increased remote work as a permanent feature of their operations. As early as this autumn, it is likely to start becoming clear how bleak the future of offices will be.

“Rumours of the death of the office are exaggerated”

As part of my research for this analysis, I watched a webinar produced this past spring in which the main speakers were four experts from the real estate industry. All four agreed that the risk of a future death of the office was small and that on the contrary, its future looked bright. Although the role of the office as a place where people just sit and work would diminish somewhat, the office would retain its importance as a meeting place for employees and for promoting creativity in the workplace. Meanwhile, the cost savings from downsizing offices were far too small to outweigh all the benefits of keeping them.

This is roughly how their discussion went. After listening to the whole thing, I could not help thinking that it sounded quite similar to the way automakers used to talk about

electric cars five years ago. At the time, they said the electric car was a niche phenomenon that could never seriously compete with the internal combustion engine. So there was no reason for large established automakers to change their business models. We all know how that ended...

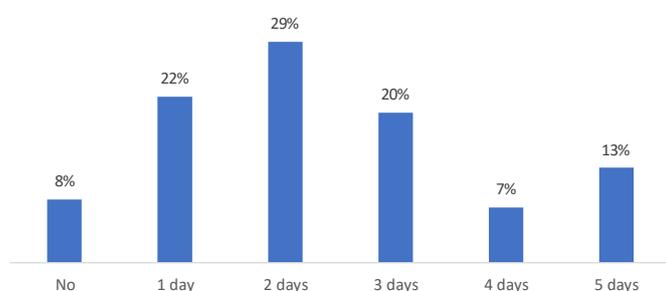
Working from home is popular

Instead of leaning back and hoping that everything will revert to the same pattern as usual, we can take a different approach and begin by asking ourselves how the people who use offices view the matter. Over the past year, hundreds of millions of employees worldwide have had the opportunity to work remotely. Here in Sweden, at first there were warnings that mental illness would skyrocket and people would become depressed from sitting at home and working. That has not happened – despite the fact that many people have not only been deprived of the chance to meet colleagues, but also much of their social life outside of work. Of course we sometimes hear people say they are eager to return to the office and meet their colleagues again. But there is also great appreciation for the freedom, greater flexibility and reduced travel time that remote working brings. Weighing together all factors, it is clear that a large majority of employees want to continue working remotely. A Swedish Sifo survey in late 2020 showed that about half of respondents had jobs that allowed them to work from home. Of these, 9 out of 10 wanted to continue working from home at least one day a week after the pandemic was over¹. If we add up the respondents' preferences in the survey and hypothetically allow everyone to divide their working time between home and office as they wish, the result would be that 47% of

total working hours would be remote. This is quite consistent with what many observers believe will be the new normal: working 2-3 days a week from home. Altogether, this would mean that half the office space these people use today would no longer be needed.

Do you want to continue working from home in the future?

Source: Sifo/Randstad, Nov 2020



Why do we actually have offices?

But before we completely write off keeping offices, it may be appropriate to think a little about why we actually have them at all. The fact is that during most of human history, people have not actually gone to an office. Instead, like today, they have worked from their homes. In the past, a majority of the population worked in agriculture and lived and worked in the same place. Those who had their jobs in cities – whether a restaurant owner, goldsmith, lawyer, watchmaker, seamstress, maid or baker – usually lived in the same house where they worked. Dedicated offices, where people went just to work, are a relatively new phenomenon. The first office building in modern times was the British Admiralty in London, which was completed as recently as 1726. The trend towards dedicated offices was driven by the growing size of companies and the increasing need in their business operations to handle and store large quantities of paper. Everything from accounting ledgers to contracts, receipts and correspondence had to be stored in a physical place, where employees could access and work with documents. Today, when almost all documents are digital and can be accessed remotely, the office has lost its role as a storage place for work tools.



The office as a meeting place and source of ideas

Instead, many people emphasise the social function of the office as a meeting place for employees. The idea is that when employees meet in the office, creativity increases and new ideas are born. If we are to believe one often-cited example, many such ideas seem to arise during random encounters in the vicinity of a coffee machine. Who knows how true this is? Personally, I cannot recall a single such "eureka moment", even though I have spent many days in offices, drinking nearly endless cups of coffee. Although Albert Einstein devised his ground-breaking theory of relativity while sitting at the Swiss Federal Patent Office in Bern, we can assume that conversations with his colleagues were hardly what led to these path-breaking ideas. Before him, Sir Isaac Newton developed his most epoch-making theories during a period when he was sitting isolated in the countryside while the plague ravaged London.

But let us accept the argument that creativity improves when you meet in a group. Does this mean you have to physically be in the same room? Such large and famously creative tech companies as Google and Facebook have embraced the working-from-home trend and will allow their employees to keep working largely from home, which suggests that remote work in itself need not inhibit creativity at a workplace. In Sweden, Ericsson CEO Börje Ekholm has said that the new normal for his telecom group's employees will be remote work 2-3 days a week.

Rapid technological advances in remote work

Nowadays remote work does not mean that you have to be cut off from colleagues. There have been rapid technological advances in virtual communication. Although a Zoom or Microsoft Teams meeting is not as good as seeing each other in real life (IRL), it is far superior to the conference calls that were the standard solution for non-physical or virtual meetings before the pandemic. New means of communication using VR and AR solutions will further reduce the gap between real and virtual meetings.



In fact, such augmented reality/virtual reality (AR/VR) solutions already exist and have begun to be used by many employers. Even today – using a standard VR headset – anyone who wants to can step into a virtual conference room supplied by companies such as Spatial, Mozilla Hubs, Microsoft's AltspaceVR or Facebook's Horizon. These services are still in an early phase, but as with all digital technology, rapid advances are under way and quality will improve. In fact, in the long run, all the features and capabilities that technology enables will surely lead to a virtual meeting room being superior to a physical one.

New work processes will facilitate change

In addition to technological advances, other changes now under way can help accelerate the trend towards more remote work. Before the pandemic, one problem with working from home was that only a few people did so regularly. As a result, processes and routines in most workplaces were poorly adapted for remote work. The pandemic has changed that. Many workplaces have now reconfigured their operations precisely to be suitable for remote work – investing in everything from laptops to cloud storage, conference services and chat programmes. More and more companies also say they want to avoid meetings where some employees sit together in a room at the office while others participate remotely, since this creates an unequal situation among meeting participants. So it is better that everyone, regardless of whether they are at the office or at home, should participate virtually via their screens. The easier and better it becomes to work remotely, the more people will choose to do so.

The golden age of the office is over

Although the great majority of employees will return to the office when restrictions have disappeared, many will probably continue working from home much more than before the pandemic. Signs that people have already started preparing for this are apparent in the Swedish housing market, where statistics show that buyers are increasingly moving from big cities to surrounding suburbs and neighbouring countiesⁱ. Because working at home has become popular, those employers who – for various reasons – choose not to offer this option will also find it harder to compete for the best employees. Companies that instead embrace remote work will also be able to search for and hire the right employees far outside of the small geographic area close to their office. There is little reason to believe that productivity would suffer from remote work. In fact, most studies and experience show the opposite. As our picture of the new normal becomes clearer, it will also become obvious that not all of the office space that companies now occupy will be needed any longer. Of course, not all offices will disappear, and not many offices will disappear immediately, but the trend is clear – the golden age of the office is probably over.

For more reading on this theme:

Does working at home make us more productive, or less?

<https://research.sebgroup.com/macro-ficc/reports/13241>

Remote work trend will lead to rising share prices and QE 4-ever

<https://research.sebgroup.com/macro-ficc/reports/11618>

Winners and losers when work moves home

<https://research.sebgroup.com/macro-ficc/reports/10425>

ⁱ Sifo/Randstad, November 20, 2020

ⁱⁱ Mäklarstatistik, May 7, 2021