A national network of suburban and regional work hubs has the capacity to reduce city congestion, increase workforce participation, improve work-life balance and boost business productivity. Third Spaces describes why and how Government can help enable an Australian work hub network.
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Gordon Noble
@GordonNoble
Gordon Noble has worked in a variety of roles in the finance sector over a 23-year career. Gordon was formerly Deputy CEO of the Committee of Melbourne, a city based think tank, and was involved in the early establishment of the United Nations Principles for Responsible Investment and the Principles for Social Investment Secretariat (an initiative of the United Nations Global Compact).

Working with the Responsible Investment Association Australasia, Gordon founded the Responsible Investment Academy, an online training platform that educates investors on incorporating environmental, social and governance issues into investment processes and also established a methodology for benchmarking the sustainability reporting amongst ASX 200 companies for the Australian Council of Super Investors.

During his career, he has worked as a political adviser for the Australian Labor Party and with trade unions in Australia and the United Kingdom. Gordon commenced his career with National Australia Bank having completed a Bachelor of Economics at the Australian National University.

Brad Krauskopf
@BradKrauskopf
Brad Krauskopf activates spaces that unleash the energy of diverse people, organisations and cities.

Brad is a serial entrepreneur, innovator and speaker who is passionate about connecting the dots to create new business models for sustainable value.

He is the Founder and CEO of Third Spaces Group, which includes Hub Australia, CoActiv8 and MESH. Under his leadership, Hub has been recognised as a founding BCorp in Australia, voted a winner in Australia’s Cool Company Awards (Anthill) and named one of ten SME brands to watch (Fast Company). He works around Australia and the world to create new spaces for working, learning and innovating. Previous to Third Spaces, he has run businesses in the events and technology industries. He was recently named Australia’s Small Business Ambassador for 2013.

Brad has lived (and studied) in Madrid (Instituto De Empresa), Boston (Babson College), and where he calls home, Melbourne (Monash University).
Third Spaces Group activates community around spaces. We bring the people, processes and technology to manage and develop shared workspaces for freelancers, organisations, property developers and communities. Founded by the same team that operates HUB, Australia’s largest coworking community, Third Spaces leverages years of national and global experience refining the art of enabling collaborative spaces. In addition to Hub Australia, Third Spaces Group operates CoActiv8 and MESH. CoActiv8 works with both government and corporate clients to co-create and activate shared workspaces. Clients include NAB, GPT, Urban Growth NSW and the South Australian Government. MESH is Australia’s first management company for operating collaborative workspaces. MESH’s focus is on suburban and regional Australia and it has been developing the business models, systems and capability to manage and operate spaces in key activity centres around the country.

We understand that in an anywhere working world, one does not come to a work hub for the space alone (and sometimes not for the space at all). Whilst traditional serviced offices are about functionality, convenience and flexibility, this is no longer sufficient to provide for the needs of individuals, companies and communities in the very different future of work that exists in the 21st century. The value of the workspace of the future will be more about the connections to other people, learnings and ideas that you experience, rather than the work that it enables you to complete. This requires a very different style of space management; it’s more akin to community management than facilities or office management. Third Spaces creates spaces that are welcoming, authentic and collaborative. We activate spaces that people want to come to.

Third Spaces Group – activating working futures

For more information contact:
Brad Krauskopf
Founder and CEO
Third Spaces Group
Web: www.thirdspaces.com
Email: brad@thirdspaces.com
Phone: +61 417 740 007
Level 3 / 673 Bourke Street
Melbourne VIC 3000
Australia
Executive Summary & Key Findings

There is almost universal support amongst economic commentators that Australia needs to boost productivity to deal with the multiple challenges of declining terms of trade, high Australian dollar, and the looming demographic time-bomb that will result in a radical shift in the worker to retiree ratio over the next twenty years.

At the start of the 20th century, Australians travelled either on emerging train and tram networks, by bicycle, or on foot. Horse and carriage were still used as a primary mechanism to transport goods. The structure of our cities reflected the way we travelled. Over the course of the 20th century, the increased availability of motorcars enabled Australians to live further away from central business districts and industrial hubs. Urban sprawl resulted in demands for better and better road infrastructure, ultimately creating the integrated road networks that we utilise today.

The forces of change in the 21st century will create demands for new ways of living and working. To support that change, investment in infrastructure is required. We are already seeing such investments; the National Broadband Network (NBN) being an example of the kinds of infrastructure that are required to support knowledge economies. But the NBN does not represent the end of the infrastructure build. In order to obtain the productivity benefits that will come from a knowledge economy, we need to look at new forms of working and the infrastructure required to support it.

This report argues that we need to think differently about the way we construct work if we are to break the productivity impasse. The mores of yesterday must be challenged. With all the technology that is at our disposal, why is it that thousands of Australians each day travel into centralised offices, fighting through traffic congestion or cramped trains?

The debate about telework has been constructed as a debate about work from home. We believe that this is wrong. For many Australians, work from home offers an alternative to office-based work, but for a raft of reasons it will never become the norm for all Australian workers. To persist with work from home as the sole objective of public policy will simply result in most Australians never being offered the opportunity to work flexibly.

There is an alternative. Work hubs can be located anywhere there is sufficient population or local demand. According to RDA Sydney, a Smart Work Centre (or as we refer to in this report, a work hub) is a physical space that has two essential components and a number of flexible components depending on the needs.

The essential components are:
- Telework areas for employers, including Corporates, State Governments and the Commonwealth who rent time or space on a long-term contractual basis
- Co-working spaces for freelancers and SMEs on a casual and permanent basis

Flexible components may include:
- Business services for SMEs and start-ups, including innovation accelerators
- Social enterprise not-for-profit organisations
- Child care
- Retail including café or restaurant facilities
- Health services
- Digital learning hubs for online university programs
- Telepresence meeting facilities

Third Spaces Group has a vision of a network of work hubs across Australia that would provide Australians with the opportunity to work in a safe, secure community environment within minutes from home.
Third Spaces Group has a vision of a network of work hubs across Australia that would provide Australians with the opportunity to work in a safe, secure community environment within minutes from home. Australians would benefit from improved work-life balance whilst businesses and government would benefit from a boost to productivity that would derive from reduced congestion, regional economic development and increased employee productivity. A network of work hubs should also be considered as part of a transition to a low-carbon economy. A network would not only result in reduced carbon consumption, it would make Australia more resilient to oil price shocks and climate change.

Achieving the vision of universal access to telework however requires new thinking. Much of the current discussion on work hubs has concentrated on proving that there is demand for work hubs by conducting trials. We argue this approach is flawed, as it will not demonstrate network effects.

Through our organisation Hub Australia, we have already demonstrated that there is demand for alternative flexible work arrangements. Hub Australia has three sites operating nationally in Melbourne, Sydney and Adelaide with plans to open more. We are currently working with Urban Growth NSW and GPT to create a work hub in Newcastle. RDA’s Digital Work Hub project and UTS’s Sustainable Digital Cities Network, to name but a few organisations, have also done extensive research that indicate demand.

Work Hub Concept Plan
(Close to public transport links, retail, car and bike parking, high accessibility)
Key Findings

The development of a network of work hubs is constrained by the realities of the employer–employee relationship. Except in the case of workers who are able to control the circumstances of their employment, employers determine the location of employment. Employers have little incentive to establish new work arrangements.

The key impediment to the development of telework on a universal basis is that the benefits of telework derive to society and individuals. Whilst recognising the raft of benefits that apply to society from universal access to telework, this report focuses on the role that telework can play addressing city congestion, as this may provide the solution to funding and financing a network of work hubs.

There is an urgent need to ease city congestion. Part of the problem is that congestion costs have come to be seen as inevitable costs of living in a large city. They need not be. There have been various studies that have examined the cost of congestion on productivity. Much of the cost of congestion is however hidden. If a person takes 30 minutes longer each day to get to and from work, who pays? If a family decides to take on a larger mortgage to move closer to the CBD in order to reduce commuting time, who pays? The cost of congestion that is borne by individuals and families is a real cost. It impacts families through reduced parental time. It impacts individuals through increased stress and health impacts.

Universal access to telework has the potential to change the paradigm in terms of city congestion. If an employee works just one day of the week in a work hub this would result in a daily reduction in commuter traffic. Congestion is subject to negative externalities. Once a road is congested every additional driver reduces the benefit of the road to all travelers. Similarly for every person that does not commute to work, the benefit of reduced congestion is realised by those that are travelling.

Because the benefits of reduced congestion are felt by the entire community, a network of work hubs needs to be considered not only in terms of its commercial viability but also in terms of its positive externality benefits. The challenge with externalities is how best to regulate them. Road pricing is most often promoted as the best way to ensure efficient road use. The problem with road pricing is its inequity. Taxing transport—whether through road pricing or public transport places a higher burden on lower income earners. The ability to access affordable transport is fundamental to being able to access economic opportunities.

The alternative to addressing congestion externalities through pricing is to encourage alternatives for commuters. Building new roads, no matter where they are and how many lanes they have, will not solve the congestion of Australia’s major cities. Australia’s cities have all been built on the hub and spoke model. Funneling more and more people into a CBD location has its limitations. Alternative models such as developing districts within a city also have their own challenges and do not address the broader issue of the level of congestion in a city.

Whether it is addressing climate change or congestion, governments are best placed to regulate externalities. But unlike road infrastructure, which requires significant government investment, governments can play a role facilitating the development of a network of work hubs by becoming a client of work hubs.

We propose the establishment of an Australian Work Hub Network that connects new and existing operators of small and large work hubs around Australia. Successful roll-out of the network will be underpinned by each of the operators’ commitment to providing spaces that are Networked, Assured and Activated. (see P.28 & 29 for more detail)
To address the risk of uncertain demand in the early development stages, governments can underwrite the establishment by the private sector through making a commitment to contract a fixed portion of seats for a period of time. By contracting seats in an Australian Work Hub Network for a designated period, government would underwrite the risk for the private sector to invest to establish the network. As demand for seats increases, the government could lease seats back to the operator to fulfill demand, reducing the funding cost to government.

We propose the establishment of a Work Hub Investment Fund that would provide debt finance to establish a network of work hubs. The fund would aim to provide investment returns compatible with other fixed interest investments. It would appeal to impact investors and superannuation funds looking to make infrastructure investments. Property owners and private operators of work hubs could access the finance provided that they established and operated work hubs of a certain standard. Governments could also support the fund by investing in zero coupon bonds.

In comparison to the cost of building a major new toll road to address city congestion, the cost of establishing a network of work hubs would be small. In most cases, commercial property exists across the country that can be utilised for work hubs. With the right incentives, property developers are likely to find it attractive to build customised work hubs in areas where there may not be suitable property.

Third Spaces Group understands that there is uncertainty amongst policy makers about the benefits that may accrue to society from building a network of work hubs. But we have been here before. There are numerous examples of investments that were made where we didn’t quite know what the benefits would be. The Snowy River Scheme, Sydney Harbour Bridge and even Melbourne’s CityLink stand as long lasting testaments to the preparedness of policy makers to invest for the future.

An Australian Work Hub Network (see P. 31 for more detail)
1.0 The Productivity Impasse

1.1 What is Holding Up the Development of Telework

There has been a great deal of work identifying the benefits of telework. Why has so little progress actually been made?

Despite the renewed interest in teleworking, the concept is in fact not new. The term teleworking was coined by former NASA scientist Jack Nilles at the University of Southern California Center for Futures Research. Nilles’ 1976 book *The Telecommunications - Transportation Tradeoff* examined the idea of moving the work to the workers instead of moving the workers to work. Commenced at the time of an international oil crisis, Nilles work focused on issues including the cost and benefits of telecommuting, energy issues, management and productivity.

Whilst telework will continue to develop organically, the large-scale benefits from mass telework can only be delivered through Government intervention.

In more recent times teleworking has attracted further attention from policy makers. In 2005, the Howard Government’s Australian Telework Advisory Committee (ATAC) identified telework benefits including business productivity and cost savings, improved flexibility and work-life balance, increased workforce participation, reduced environmental impacts and government and business continuity.¹ The ATAC report examined barriers to telework; identifying job design and nature of the work, organisational or cultural resistance, lack of manager awareness or capability, perceptions of cost (including OH&S costs and ICT equipment) and perceptions of regulatory restrictions and security and privacy issues.

Focusing on the role of the National Broadband Network to facilitate telework, the Rudd/Gillard Government identified the benefits of telework for employers, employees and the community. The list of benefits of telework identified by the Department of Broadband, Communications and the Digital Economy are:

- Reductions in operational costs, increased productivity and a driver for innovation;
- Improved recruitment and retention outcomes, particularly when telework is implemented to help overcome skill shortages caused by geographical barriers;
- A reduction in absenteeism associated with short-term staff family issues and through improving work-life balance for staff;
- Increased job satisfaction and improved work-life balance;
- Financial savings and a reduction in the stress caused by daily commuting;
- The ability to remain in a regional or rural community rather than relocating in order to find work;
- The potential to keep your job if you move house, further away from your office;
- Increased workforce participation; and
- Reductions in greenhouse gas emissions, traffic congestion and fuel consumption associated with commuting.²

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² Australian Government, Department of Broadband, Communications and the Digital Economy Telework: *bringing home the benefits of a new way to work*, http://www.telework.gov.au/what_is_telework/what_are_the_benefits
As part of the Gillard Government’s National Digital Economy Strategy, the Australian Government announced a commitment that Australia will have at least doubled its level of teleworking so that at least 12 per cent of Australia had access to telework arrangements. The strategy stated, “It is also estimated that the value of a 10 per cent increase in Australian employees that telework 50 per cent of the time is between $1.4 billion and $1.9 billion a year. By reducing the need for people to commute to the office at the same time each day, teleworking can also reduce transport congestion, leading to reduced impact on our natural and built environment. It is estimated that a 10 per cent increase in Australian employees that telework 50 per cent of the time would save an estimated 120 million litres of fuel, avoiding 320,000 tonnes of carbon dioxide (equivalent to $6 million worth of emissions) and would reduce traffic at peak periods by five per cent, resulting in a reduction of $470 million in congestion costs, which would have a flow-on benefit of reducing strain on infrastructure.”

The common link between the strategies of both the Howard and Rudd/Gillard Governments is that the focus on advancing telework is on the individual and employer. Government sees its role as being a promoter of telework through initiatives such as the National Telework Week, rather than an initiator of change.

One of the reasons why telework has not developed is that there is a mistaken assumption that universal telework can develop organically. There has been a failure to appreciate the network effects and externalities that impact on the benefits that apply to the development of telework. Whilst telework will continue to develop organically, the large-scale benefits from mass telework can only be delivered through Government intervention.

Government reports have been all inclusive of potential benefits, but this has diluted the focus on where teleworking can make the greatest contribution. The biggest impact of teleworking will be on reducing city congestion.

Footnote:

1.2 The Costs of Congestion

Australia is an urban society. Most Australians live in cities. Most migrants are attracted to live in the major cities where social connections with community groups are highest. Our urban society means that despite the fact that we are a land of ‘sweeping plains’, on a day-to-day basis, millions of Australians commute to work and visit family and friends on increasingly crowded trains and roads.

Most of Australia’s development occurred in the 20th century when transport improvements including the widespread availability of motor vehicles enabled cities to spread out far beyond their historical limitations. Australian cities, unlike their European counterparts sprawled. Whilst cities sprawled, work in Australian cities is still predominantly clustered in central business districts and industrial nodes.

The cost of traffic congestion in Australian capital cities has been estimated to rise to $20.4 billion by 2020.\(^4\)

The combined result of the structure of Australian cities and work is congestion. Work has been done by Government to assess the impacts of congestion. According to the Department of Infrastructure, Transport, Regional Development and Local Government (Bureau of Infrastructure, Transport and Regional Economics), the cost of traffic congestion in Australian capital cities has been estimated to be $9.4 billion in 2005, rising to $20.4 billion by 2020.\(^4\)

The cost of congestion underestimates the cost to Australian society as it is based on quantifying time delays to road users, incremental fuel costs arising from congestion, loss of reliable travel and freight movement and does not take into account the social costs of congestion. Neither is the impact on climate change considered.

Research is increasingly identifying the significant social impacts of congestion. An example is a 2005 study conducted by Washington University at St. Louis, which identified that increased traffic times means that individuals that are exposed to increased periods of time behind the wheel are more likely to have larger waistlines, higher blood pressure, less frequent participation in physical activity, decreased cardiovascular fitness and greater body mass index. Additional impacts include the health impacts of fatigue, digestion difficulties, pains and increased heart rate – associated with stress brought on by traffic congestion.\(^5\) There is further evidence that traffic congestion also negatively impacts mental health and well-being. The Ontario Chapter of the College of Family Physicians of Canada (CFPC) reports that traffic congestion impairs health, psychological adjustment, work performance and overall satisfaction with life.

Further, work is demonstrating the link between congestion and work-life balance. A Western Australian survey of motorists revealed that congestion results in less time spent with family (46 per cent), having to get up earlier (44 per cent), and getting home later from work (36 per cent).\(^6\)

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1.3 Congestion Solutions

There seems to be general consensus that increased congestion negatively impacts individuals, employers and the economy. However, the policy debates that address congestion seem to focus on a narrow set of policy solutions. Overwhelmingly, the public policy debate is focused on either increasing transport supply through new infrastructure or reducing demand for travel through forms of pricing, with congestion charging and toll roads the most commonly referred to economic solutions. The challenge that governments have balancing budgets means that new infrastructure is also often accompanied by pricing, addressing both supply and demand aspects.

In economic theory, an externality is a cost or benefit that results from an activity or transaction that affects an otherwise uninvolved party who did not choose to incur that cost or benefit. Climate change is a classic example of a negative externality with the costs of global warming, volatile weather patterns, not borne by those who originally emitted carbon. An example of a positive externality is public immunisation that reduces the risk of contracting a disease for a person who is not immunised.

To address externalities such as pollution, a collective solution that compensates those impacted negatively is one option. In economic theory, Pigovian taxes are often cited as a way of imposing a tax that is equal in value to the negative externality. Economists preference for Pigovian taxes is based on their efficiency.

Fiscal constraints on the government are likely to mean that the costs of addressing congestion through new government infrastructure will be passed on to the users through a tax or payment by individuals. If a government invests in infrastructure that addresses congestion and reduces the time it takes to commute to work then the current fiscal constraints that both Federal and State Governments face means that it is likely that a significant portion of the cost of the infrastructure will be borne by employees though some form of pricing. Employees are unlikely to be able to pass on the costs of user charge pricing to employers in the form of higher wages.

If on the other hand, a government does not address congestion by choosing not to build extra road and rail capacity, then it is employees that again pay the costs through increased congestion times. Again, it is unlikely that an employee will be able to pass on the costs of additional time in traffic by being granted time off by an employer or other compensation.

There is a strong lobby that advocates for new investment in roads to address congestion. Leaving aside the pricing and costs issues, the problem that supply-side infrastructure solutions have is that they do not alter the structure of Australian cities. If the structure of work stays the same, the challenge that commuters face is the last 2 kms of a journey. Funneling more and more people into a business activity centre will result in congestion no matter how good the roads leading up to the centre are.

Investment in roads to create an efficient transport network is certainly needed. However, investment in roads should not be considered the primary way of addressing congestion. We can expect Australia’s cities will grow. According to the Committee for Melbourne, Melbourne is predicted to reach a population of between 7 and 8 million by 2060. For a city to function efficiently at such a size, it will be critical that alternatives to road transport are a core part of a city’s structure.
The challenge that Australian cities have is that work is unevenly distributed. To illustrate the problem, the latest 2011 Census reveals that there were about 1.9 million people employed in Greater Melbourne. Full time employment has grown since 2006 by 124,000 compared to the creation of 13,000 full time jobs across the remainder of Victoria. The Census analyses work distribution by analysing that proportion of work journeys that originate and end in the same local area. Self-containment figures demonstrate that a number of areas of Melbourne including the growth areas of Cardinia (44%) and Whittlesea (52%) have most workers heading out of their local area to seek employment. Investment in roads will not address the fundamental distribution of work. If a city is to address congestion, it needs to examine options that can change the pattern of work distribution.

The fiscal constraints that governments face mean that it will not be possible for governments to bear the cost of establishing significant road infrastructure projects off their own balance sheets. The reality is that future significant road projects in Australia will require some form of user pricing in order for projects to be commercially viable. Addressing congestion through pricing models increases the costs of commuting to individuals and increases opportunity cost of working. It is in the public interest to investigate alternatives to road pricing that do not increase the burden on individuals.

In developing congestion solutions there has been insufficient attention to the burden that is placed on individuals. Congestion should in reality be considered unpaid work. It is time that alternatives to pricing and supply-side solutions to congestion are seriously considered.

1.4 Workforce Participation

Boosting workforce participation increases economic growth and productivity. The recent Grattan Institute report on Superannuation’s Contribution to Australia’s Economic Future (June 2013) looked at factors to boost Australia’s economic growth, including increasing female workforce participation. The report found that only three reforms were big enough to matter in attempts to boost Australia’s economic growth, including increasing female workforce participation. The report stated that female workforce participation is likely to increase if there are reforms to welfare and childcare subsidies so that women have more incentives to work when they have young children.

The Department of Broadband, Communications and the Digital Economy’s report, Creating jobs through NBN enabled telework has argued that telework may create 25,000 additional full time jobs by providing opportunities for people who are currently constrained in accessing employment opportunities. The report found that:

- 60% of mature workers reported they would take up telework if it were available to them and as a result delay retirement by an average of 6.6 years – this is a notable result given the ageing of the population and the impact this will have on overall participation rates;
- 73% of part-time workers reported they would take up telework if it was available to them, and 68% were somewhat willing, moderately willing or very willing to change the industry in which they worked in order to access telework;
- 74% of people not in the labour force with family or carer responsibilities reported they would take up a telework employment opportunity if one were available to them;
- 66% of people who were not in the labour force with a disability would take up a telework employment opportunity if one were available to them. Work hubs would also be consistent in encouraging disability workers to access employment opportunities. Whilst disability in itself acts as an impediment to employment, an additional factor that disability workers must face is transport. Alleviating commuting will reduce the impediments that exist for disability workers, which may encourage more employment; and
- 70% of people not in the labour force living in regional or remote locations of Australia reported they would take up a telework employment opportunity if one were available to them.

Increased workforce participation is one of the levers that can increase Australia’s productivity. As the Grattan Institute point out in their productivity report, Australia’s Productivity Challenge, ‘labour productivity growth is attained by working smarter, not by working harder or longer.’ According to the Grattan Institute, participation or labour supply growth detracted almost 0.3% per annum from real GDP growth, as falling average hours worked more than offset the decline in the unemployment rate and the rise in the labour force participation rate over the course of the decade.

Telework, by increasing workforce participation, has the potential to support increased productivity in the Australian economy. Just as with congestion, it is important to understand that unlocking the productivity improvement that comes from increased labour force participation requires different thinking on how we structure work.

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1 Department of Broadband, Communications and the Digital Economy’s report Creating jobs through NBN enabled telework, Australian Government, (2012)
2 Saul Eslake and Marcus Walsh, Australia’s Productivity Challenge, Grattan Institute, (2011)
1.5 Constraints to the Development of Telework

Telework will develop organically, but not at the pace to provide mass access.

There has been a great deal of discussion on the overall benefits of telework. A significant question is why, if the benefits of telework are readily apparent, telework is not more prevalent in Australian society? If Australia is to reach even half of the national target of 12% of employees having access to telework arrangements, we need to analyse the constraints to telework.

There are a number of sources of demand for telework. Employers, employees and small businesses will have different reasons to demand telework. It is important to therefore understand the constraints that exist for each group.

1.5.1 Employee Constraints on Demands for Telework

The research of Grace Corpuz\(^\text{10}\) illustrates that the current uptake of telework arrangements by employees has not been remarkable with only 7.3 per cent of Sydney workers with access to the teleworking actually availing of it on an average day. There are a number of potential reasons why there appears to be a limited demand by workers to access teleworking even where they have the capacity to.

An employee may be concerned that telework is less visible in an organization with potential to impact on promotion opportunities and job security. Telework may be offered at a senior level of an organisation through a human resources policy but local management may put pressure on employees not to access benefits. An example of this is the U.S. Congress which passed a law in 2000 requiring federal agencies to offer telecommuting as an option to employees. In an article in a PC magazine questioning why telework was not being accessed a blogger stated, “We don’t skip the opportunity; we’re told, ‘No, you can’t’ or asked, ‘What’s the benefit to?’ The responses given in this article – lower commuting and pollution costs – simply don’t register with government supervisors. They believe that employees are just trying to get out of work... until; of course, an overnight web site update is needed. Then we’re expected to ‘do whatever it takes’ to get it done. Ah, the irony. Government managers just don’t seem to comprehend that most information-based jobs can be quite successfully done from virtually anywhere you can get a wireless signal on your laptop now. It’s not that government employees don’t want to move into the 21st century workforce. It’s just not worth the hassle we receive from government managers when we try to do it.”\(^\text{11}\)

Space is another limitation for employees working from home. It is often assumed that an employee has a dedicated area to work from home that is separate from the rest of the household. The assumption of permanently free space dedicated to work is in itself based on a judgment as to the kind of employee that is likely to access work from home. The reality of housing prices in the major cities is that free space is a luxury that many Australians cannot afford. If telework is to be accessible to the broad Australian population, and not just a professional enclave, then policy makers need to think of alternatives to the home.


Telework is likely to be of significant interest to parents, in particular mothers. As noted previously, 74% of Australians not working with caring duties would if they could telework. There are a number of reasons why working from home is practically difficult for those with child rearing responsibilities. Children at whatever age make noise. Balancing work commitments that can often require calls to supervisors is made more difficult with noise both distracting the workers and giving the impression to supervisors that the employee is not fully engaged in their work. Employees, with family responsibilities or not, may simply find that the home environment is not conducive to work. For some individuals an environment that is created for comfort and leisure may be inconsistent with the demands of work. The need for an individual to separate home and work may meet psychological needs including connecting with individuals and communities and avoidance of isolation.

1.5.2 Employer Constraints on Demand for Telework

Another major obstacle to the development of the home environment as a place for large scale work is occupational health and safety. An employer is always responsible for the occupational health and safety of their employee. A recent legal case, Hargreaves v Telstra\(^{13}\) has illustrated the risks that employers bear when workers work from home. Telstra worker Hargreaves slipped down the stairs twice in two months while working on marketing campaigns from her Brisbane townhouse. Telstra denied liability because the falls occurred outside Ms Hargreaves designated workstation. The tribunal found the shoulder injury she suffered was work-related.

Telstra was made to pay legal and medical costs in a multimillion-dollar ruling by the Administrative Appeals Tribunal. In addition, Telstra had to pay compensation for lost income. The tribunal found both falls “arose out of Ms Hargreaves’ employment with Telstra”, which made them workplace injuries.
The Telstra v Hargreaves case has highlighted the risks to employers of allowing unfettered access to home work for employees. For telework in the home environment to become universally adopted by corporate Australia, employers would need to satisfy themselves that the home environment is suitable for work.

The challenge that employers face is that conducting a site visit will not alleviate their inability to manage the home environment, which can change on a day-to-day basis. A home inspection can identify the occupational health and safety risks at a point in time. Unlike a work environment however, it is in reality not possible for an employer to constantly monitor a home environment on a regular basis. Employers will also be exposed to long-term risks, such as exposure to asbestos, which may not be present in a work office environment, but may be present in a home environment.

\[^\text{12}\text{Fortune Magazine, Marissa Mayer breaks her silence on Yahoo’s telecommuting policy, http://tech.fortune.cnn.com/2013/04/19/marissa-mayer-telecommuting/}\]\n
\[^\text{13}\text{Hargreaves v Telstra Corporation Limited (2011), AATA 417.}\]\n
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**Case Study: Yahoo**

Yahoo CEO Marissa Mayer caused a sensation in early 2013 when she closed Yahoo’s teleworking program. In an internal memo to staff, Mayer stated, “To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side. That is why it is critical that we are all present in our offices. Speed and quality are often sacrificed when we work from home. We need to be one Yahoo, and that starts with physically being together.”

In a recent article, Mayer acknowledged that people are more productive when they’re alone but stressed that they’re more collaborative and innovative when they’re together. Some of the best ideas come from pulling two different ideas together.”

Yahoo’s decision has brought to the surface employer concerns around teleworking. The collaborative impacts of ‘water cooler conversations’ are the public face of employer concerns. Less stated, but nevertheless real concerns are that employers lose control over employees that are not present and are not able to easily determine whether an employee is working or to use Australian vernacular, ‘slacking off.’
2.0 Work Hubs as an Alternative

Work hubs have emerged as an alternative to teleworking in the home.

As part of Amsterdam’s Smart City program, work hubs (Smart Work Centres or SWC’s as they are known in Amsterdam) have been encouraged to support the development of alternatives to commuting to address city congestion. In 2006, Cisco collaborated with a number of cities including San Francisco, Amsterdam, and Seoul to establish an initiative called Connected Urban Development (CUD) to promote innovative practices for reducing carbon emissions, while fostering economic growth and improving the quality of life. One of the outcomes of CUD was the establishment of the Smart Work Centre concept.

According to CUD “A SWC is an office center in close proximity to a residential community, providing space to workers in individual or group settings. Through the use of ICT, all work processes are fully supported and enhanced. Employers can take advantage of this collective setting to provide workers with flexible and scalable workspace options. The use of SWCs benefits workers by providing a physical workspace close to their residences, resulting in reduced transportation demands and increased productivity. The SWC features a wider “cloud” of services that not only allows for seamless work experience, but also aims to optimize worker’s daily lives.”

Amsterdam has developed a network of over 100 SWC’s. The development of SWC’s has also been encouraged by governments in Singapore, United States and South Korea. The InfoComm Development Authority of Singapore has recently requested proposals to establish SWC’s in libraries.
To make this economic transition, we must also harness the value of older Singaporeans and design jobs suited for them, as well as for other potential employees who are unable to work regular, full-time schedules. Flexible work practices must become more common, enabling employees to structure their work so that they have time for their families or for personal development like part-time courses. We should also make it possible for more employees to have the option of telecommuting from home or working from “smart work centres” near their homes, like what they have in Amsterdam and Seoul. The government will work closely with businesses in these efforts.”

Work hubs address some of the constraints of teleworking. By providing safe and secure work environments, work hubs have the potential to address employer concerns around occupational, health and safety risks.

Case Study: Seoul Metropolitan Government

Seoul Metropolitan Government is piloting a ‘Smart Work Center’ 31 project, allowing the government’s employees to work from 10 Smart Work Centers located much closer to their homes. As employees check-in to a Smart Work Center for their shifts they are permitted access to sophisticated groupware and teleconferencing systems, ensuring their absence from City Hall in no way impedes their job performance.

The project has attracted the interest of the international community, and Seoul plans to offer Smart Work to 30 per cent of its government employees by 2015. The first Smart Work Centers opened in August 2011, and by the end of that year, 2,792 employees had made use of Smart Work (available to all government employees on request). Moreover, a Metropolitan Government survey found that 79 per cent of its employees believed this service was valuable, and 91 per cent expressed interest in working from a Smart Work Center in the future.

For employees that prefer not to work at home, work hubs offer an alternative that provides the benefits of reduced commuting in a professional work environment.

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14 Cisco Internet Business Solutions Group (IBSG) and the Cities of Amsterdam and Almere, CISCO Fact Sheet, Smart Work Center: An Innovative Connected and Sustainable Work Pilot, http://www.cisco.com/web/about/ac79/docs/cud/SWC_Fact_Sheet_051209_FINAL.pdf


2.1 Economic Network Effects

Whilst there has been a great deal of discussion of the overall benefits of telework there has been little focus on the network effects that could apply if telework was universally available.

In economics, a network effect is the effect that one user of a good or service has on the value of that product to other people. When network effects are present, the value of a product or service is dependent on the number of others using it. The classic example of a network effect is the telephone. If one person owns a telephone the value is zero. As most and more people own telephones, the more valuable the network becomes. Companies including Facebook, Skype and LinkedIn are examples of network businesses where the value of the business relates to the creation of a network of users. Network effects apply to city congestion. An additional road user adds to the congestion of existing road users. Similarly one less road user results in a benefit to all road users. When an employee works as a teleworker they support congestion network effects. The more people that work as teleworkers, the greater the positive impact on congestion is.

Benefits of a work hub network would apply to a large number of individuals, making it difficult to assess who should be responsible for collective benefit. In the same way that the government provides roads and major infrastructure for the collective benefit, it would be most appropriate that the government identify and offer the services of a teleworking network. By linking congestion and telework, there is the capacity to create a pricing model for telework where the beneficiaries from telework contribute to the costs of telework. In this case, because the benefits of increased telework are in the form of externalities that benefit individuals who are subject to employment arrangements and are therefore unable to control their arrangements, government is best placed to recognise and capture the benefits that accrue from reduced congestion due to telework.

The lack of incentive for employers to finance the costs of work hubs means that without government intervention, the status quo is likely to persist.

A network of work hubs provides the opportunity to reduce congestion by allowing employees to work in an alternative work location. Employees however, do not control their work environment and must work at a location directed by an employer. The lack of an incentive for employers to finance the costs of work hubs means that without government intervention the status quo is likely to persist. Employees will face the burden of congestion costs unless there is intervention that addresses the disincentive of employers to offer telework.
2.2 Additional Benefits of a Network of Work Hubs

In addition to reducing congestion costs and increasing workforce participation, a network of work hubs has the capacity to produce additional economic effects.

2.2.1 Support for Economic Development

A network of work hubs would support economic development in regional areas and growth corridors. Congestion in the major cities is contributing to rising house prices in the inner cities. By providing employees with opportunities to work away from city clusters, families would be able to choose to live in areas that suited their financial circumstances. One impact would be that the demand for inner city housing would ameliorate with increased demand for housing in regional and urban growth corridors. Increased economic activity would also result in workers purchasing local services that were previously purchased adjacent to work offices. This would support retail services including cafes. Increased economic activity may ultimately result in local councils increasing business council rates. If there is knowledge about the potential increase in economic benefits that would derive from work hubs, then it is possible for councils to establish a mechanism where increased council rates contribute to funding the development of work hubs.

2.2.2 Work Flexibility

Work hubs have the capacity to support employment for groups of employees for which commuting can represent a disincentive to work or an impediment to work.

Work hubs have a range of benefits for women caring for young children. They enable women to work times that suit child caring responsibilities, including the ability to commence work when partners return to work. The closeness of work hubs to home and school also enables child-carers to respond quickly when required. A recent Bloomberg article demonstrated that white-collar male professionals are increasingly demanding more flexibility from employers to help them spend more time with young families. As the role of parenting changes in Australian society, work hubs would provide a mechanism that addresses the demands for increased flexibility.

2.2.3 Carbon

The Australian Government has estimated that a 10 per cent increase in Australian employees that telework 50 per cent of the time would save an estimated 120 million litres of fuel, avoiding 320,000 tonnes of carbon dioxide. A network of work hubs should be considered directly in relation to the carbon emissions that are saved from reduced commuting and as part of managing carbon consumption. This could include establishing a mechanism for the network to be recognised as providing carbon credits that could be purchased as part of a carbon trading mechanism.

2.2.4 Business Innovation

A network of work hubs has the capacity to support business innovation by clustering and connecting individuals and business. In addition, work hubs will provide an efficient mechanism for the delivery of learning programs to both entrepreneurs and teleworkers alike.

17Sheelah Kolhatkar, Bloomberg magazine, Alpha Dads: Men Get Serious About Work-Life Balance, 30/05/2013
2.3 Times are Changing

Whilst we have identified that employers currently have no incentives to structure working arrangements for employees outside of their core offices, there is no doubt that times are changing. Employers are increasingly looking at new ways to manage office rental costs. The era where employers signed up to long-term rentals of multiple floors in prime CBD office accommodation is over. Employers are recognising that flexibility of work is becoming the norm and are structuring their offices accordingly. Hot desk arrangements, where employees are expected to sit in a different seat at work each day, are now becoming common. Employers are also recognising that the nature of the business environment means that a business may need to quickly take on new employees to manage a particular project. For businesses that are no longer able to accurately plan their workforce needs on a year-to-year basis, it makes little sense to tie up costs in long term rental leases.

Deloitte’s recent report It’s (almost) all about me: Workplace 2030: Built for us highlights the changes that we can expect. Deloitte state, “organisations and workplaces will need and want to be different. But the changes won’t be simple. We see a world of both paradigm shifts and paradoxes. For example: increased volatility combined with an accelerated pace of change will mean that organisations will be in a state of tension, seeking stability but needing both flexibility and agility. And another: we think that people will be working more in the cloud of data, and in relationships that span the globe. And this work experience will create a countervailing pull to the ground, that is, a stronger desire for local connectivity and a sense of physical community.”

Work hubs are likely to be the places where individuals come, not just to work, but to connect. Work hubs are not simply rows of barren desks. They are communities.

Work hubs are likely to be the places where individuals come, not just to work, but to connect.

18Deloitte Australia-AMP Capital, It’s (almost) all about me: Workplace 2030: Built for us, July 2013, P4
2.4 Opportunity Costs

We have discussed that there are impediments that will constrain the development of telework, both in the home, and through a work hub. The fact that there are impediments to telework doesn’t mean that work hubs will not develop. It is likely that private developers or local councils located in growth corridors, which are already facing congestion constraints, will actively seek to build work hubs.

However without support, organic development of telework will lead to a situation where telework is available for a trusted few. It is likely that telework will only be offered to employees in professional roles or in occupations where skill shortages or other factors mean that telework makes sense for employees. Organic development of telework will never lead to universal access to telework. The reason for this is simple. To develop a large number of work hubs, it will be important to recognise that employers are not incentivised to offer telework arrangements to employees. Even where telework is supported at a senior level in an organisation, for instance through a human resources policy, if telework is not supported at local management level then it is unlikely that large numbers of employees will be able to access telework arrangements.

We have discussed that the existence of externalities and network effects for work hubs means that a pricing model needs to be developed that recognises the benefits that apply from telework to the economy and society. A further economic term that needs to be considered in analysing the benefits of telework is the concept of opportunity cost. In microeconomic theory, the opportunity cost of a choice is the value of the best alternative forgone, in a situation in which a choice needs to be made between several mutually exclusive alternatives given limited resources.\(^\text{19}\)

A network of work hubs will cost significantly less than road infrastructure. This is because the infrastructure that will be required to support a network of work hubs is largely in place with shopping centres and offices in residential areas providing the ideal locations for work hubs.

The development of a network of work hubs should be considered in comparison to other initiatives that seek to address city congestion. Specifically, telework should be considered against the development of a toll road. As an example it is speculated that the development of the East-West Link in Melbourne, which aims to link the Eastern Freeway to the Tullamarine could cost around $10-$13 billion. A network of work hubs will cost significantly less than road infrastructure. This is because the infrastructure that will be required to support a network of work hubs is largely in place with shopping centres and offices in residential areas providing the ideal locations for work hubs. The economics of opportunity cost would suggest that if there is a solution that can have a demonstrable impact on city congestion and productivity, then it should be examined in detail.

\(^{19}\)https://en.wikipedia.org/wiki/Opportunity_cost
3.0 Solutions – the Work Hub Australia Network

Third Spaces Group proposes that a network of work hubs be established to provide universal access to a safe and secure telework environment for Australian workers. Providing universal access to telework will be a game changer in Australian society. It will mean that no matter where a person lives, no matter what their personal circumstances, no matter how large their house, or no matter their disabilities they will have the opportunity to participate in economic opportunities.

3.1 Why Government Engagement is Necessary

Third Spaces Group recognises that whilst work hubs will develop organically, they are unlikely to do so at a pace that will result in the creation of a network of work hubs, and therefore a universal offering.

One of the critical factors impeding investment in work hubs is that most employers currently do not recognise the benefits of investing in office accommodation outside of their core offices. The challenge, as this report has identified, is that most employees have little or no control over the location of employment. Because the congestion externality costs principally fall on employees, not employers, there is similarly no incentive for employers to bear the additional costs that congestion places on employees.

This report has demonstrated that a network has the capacity to reduce congestion and will deliver a range of other productivity benefits, including health benefits, increased worker flexibility and regional economic development. Because the productivity benefits in each of these areas are due to activities of others, government is best placed to recognise these benefits and act to crystallise them.

3.2 The Importance of Universal Access to Telework

It is also important to discuss why it is important that telework is available on a universal basis across the economy and not in patches, as would occur if telework were to develop organically.

For employers that do wish to offer telework to employees, a key issue is equitable treatment of employees. An employer that offers employees the ability to telework will want to ensure that all eligible employees are able to access the benefits on the same basis. Work hubs provide the opportunity to offer telework to employees that do not wish, or are not able to work from home. However, if there is only a handful of work hubs available in the community then an employer is restricted in their ability to offer telework without discriminating on the basis of where an employee lives, or the capacity of their house to accommodate telework.

It is likely that an employer that does wish to utilise work hubs will want to ensure that all the centres appropriately manage risks including occupational, health and safety.

In this regard, it is desirable that work hubs within a network all have the same standards. This can be achieved in a number of ways. Either government can regulate work hubs to ensure that there is uniformity of standards. Alternatively, it can contract with a provider that ensures the highest risk management standards are adhered to. Third Spaces Group believes that each work hub must be able to demonstrate compliance with a comprehensive risk management plan to provide the standards of care that employers can be expected to demand for employees who work in work hubs.
In considering the two alternatives, regulating of all work hubs is likely to be difficult simply on the basis that it will be difficult to define when a location is a place of work. In the world of ‘anywhere working’, with smart phones utilised as a work tool on a common basis, the reality is that regulating to establish telework standards may be difficult. An alternative to regulation is to establish a voluntary industry code of practice that would ensure that all work hubs operate to a common standard. The question with a code of practice is whether employers will have confidence that standards are adhered to. Because occupational, health and safety responsibilities ultimately fall on an employer, a voluntary code of practice may not be sufficient to provide employers with comfort that OHS is being proactively managed.

3.3 How to Create a Universal Telework Network?

A network of work hubs should be distributed according to population. Areas with greater population densities should have more work hubs, as they are likely to have more demand in the long run. One way to establish a network of work hubs is to utilise Australia’s most respected population density map – the Australian electoral role. As an example, the State of Victoria has 88 electorates in the lower house of the State Parliament. Establishing a work hub in each electorate would be one way of ensuring there was universal access to telework.

The presence of externalities and network effects from a network of work hubs mean that a funding model needs to be developed that recognises that there will be multiple beneficiaries from universal telework. The principal benefit will be to the productivity of the economy through reduced congestion. Government is best placed to catalyse the development of a network given its role in managing the economy.

3.4 Network Opportunities

Following the model of using electorates to work out where to locate the work hubs, Third Spaces Group proposes that a network of work hubs could be rolled out in three main ways:

- Australia network
- State based work hub networks
- Local Government Clusters

4.4.1 An Australian Work Hub Network

Utilising the Australian Electoral Commission to provide the basis for a population map, an Australian Work Hub Network would have 150 - 300 work hubs. There are 150 electorates in the Federal Parliament with around 90,000 electors per electorate. On the basis of establishing a centre for every 50,000 people, a national based network would aim to have around 300 centres across the country. We consider that 150-300 work hubs around Australia would be the minimum to establish a national network and enable universal telework to be offered.

Due to a range of factors including local planning laws, OH&S, cost efficiency and collaboration potential, Third Spaces Group has concluded that the optimal size of a work hub is around 600sqm to 1,200sqm. This allows for the inclusion of both fixed and flexible offices and desks and supporting facilities such as training centres, meeting rooms and child-care.

We estimate the cost of providing a seat in such a network at $30 to $50 per person per working day, which is significantly less then the cost of providing office accommodation in Australia’s CBDs.
Larger centres would then be complemented with smaller ‘boutique’ and ‘bed and breakfast’ sized spaces in a hub and spoke type model in suburban and regional areas. Each of the spaces would be operated by the private sector and need to be viable ongoing entities.

A 1,000 sqm space has the capacity for around 200 seats and based on our experience of usage patterns has the capacity to service up to 1,000+ people working one day per week. We estimate the cost of providing a seat in such a network at $30 to $50 per person per working day, which is significantly less than the cost of providing office accommodation in Australia’s CBDs.

Our modeling suggests that Australia could easily accommodate a network of up to 1,000 centres. Based on the Federal Government’s objective of having 12% of employed persons with access to telework arrangements, with 11.6 million employed persons as at June 2013 this in itself suggests an objective of 1.4 million Australians with access to telework.

In the more likely case of a teleworker only teleworking one day a week, the number of teleworkers that could be serviced by a 300 centre network would be 300,000 with a 1,000 centre network servicing 1 million workers.

A network of 300 centres each with around 1,000sqm floor space would provide telework access for around 60,000 workers on a full time basis whilst 1,000 centres would potentially service 200,000 workers on a full time basis. In the more likely case of a teleworker only teleworking one day a week, the number of teleworkers that could be serviced by a 300 centre network would be 300,000 with a 1,000 centre network servicing 1 million workers.

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<th>Table 1: Electorates and Quotas in Federal and State Parliament</th>
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<td>Western Australia</td>
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In the case of the Australian Capital Territory and Northern Territory Federal Electorates are used.
3.4.2 State Based Work hub Networks

States have the capacity to establish their own networks of work hubs without Federal involvement. State electorates vary according to the number of electors with a low of Tasmania with a member of parliament for every 14,000 electors whilst NSW has almost 50,000 electors per parliamentarian.

As a case study, a network of 88 work hubs in the State of Victoria, based on the number of electorates that the Victorian Parliament will have at the 2014 election, has the capacity to provide 88,000 Victorians with the capacity to telework close to their home environment. Based on working 250 days a year, the establishment of a work hub network has the capacity to reduce the length of 22 million return commuter trips in Victoria each year.

States could also consider locations based on number of commuters and the time it takes to travel to capital cities. Work Hubs could be located in:

1)Outer urban town centres (at least 35km) from CBD of major cities where commuting times are 2+ hours per day, and
2) Peri-urban areas of capital cities (not an exhaustive list):
   - **Brisbane** - Caboolture, Tweed Heads, Southport, Gold Coast, Noosa, Maroochydore, Logan City, Ipswich, Toowoomba
   - **Sydney** - Gosford, Wyong, Katoomba, Lithgow, Camden, Bowral, Wollongong, Shellharbour, Kiama
   - **Melbourne** - Whittlesea, Melton, Geelong, Portsea, Cardinia, Moorooduc
   - **Adelaide** - Gawler, Willunga, Lonsdale, Christie Beach, Elizabeth, Williamstown
   - **Perth** - Joondalup, Mandurah, Yanchep, Rockingham, Armadale

3.4.3 Local Council Clusters

Third Spaces Group proposes that Local Council clusters could be established to provide regions with viable teleworking opportunities. Growth corridors and regional economic centres are the obvious places to establish clusters.

There is significant support amongst Councils and local communities to establish work hubs. Interest is most pronounced amongst Councils in growth corridors who are seeking to balance the demands of Government to provide new housing with the congestion constraints that already exists.

One opportunity is for local councils to establish local clusters where a group of work hubs can be established in a region. If work hubs are developed with the same standards there is the capacity that local clusters can ultimately be connected to a broader network.

The development of local work hub clusters would enable councils in growth corridors to take control of their own destiny by providing residents with alternatives to commuting. This will support the livability of these areas. To develop local telework clusters, local councils need to be realistic that employers outside of their region have no incentive to provide support to employees to access centres. To overcome this, local councils need to consider ways to incentivise employers to utilise work hubs.

Thinking about regions in an integrated way makes sense. Wollongong, South East Queensland, Geelong, Ballarat and Bendigo are all regions whose economies are linked to the cities of Brisbane, Melbourne and Sydney. Clusters of work hubs offer the opportunity to bring broad economic benefits to both the local area and the nearby city. The development of local clusters should be supported not just by local councils but by State Governments who are looking at mechanisms to develop their capital cities on a sustainable basis.
Case Study: Gosford

Gosford has been identified as a Regional City that will be a key growth centre under the NSW Government’s Central Coast Regional Strategy. Currently over 300,000 people live on the Central Coast and the region continues to grow at one of the fastest rates in NSW. The region’s population is expected to grow by around 100,000 to a total of 405,000 people by 2031.

The Central Coast Regional Strategy is the NSW Government’s long-term land use plan for the region, which covers the Gosford City and Wyong Shire local government areas. The regional strategy contains policies and actions designed to cater for the region’s projected housing and employment growth over the period to 2031. The strategy outlines how and where future development should occur to appropriately accommodate this growth and to provide sufficient capacity to cater for more than 45,000 new jobs, reducing the need for local residents to commute outside of the region for work. The strategy identifies:

- The majority of new housing will be accommodated within existing urban areas complementing, amongst other things, the plans for the new Warnervale Town Centre and Wyong Employment Zone;
- New infrastructure for the region will be provided in accordance with the State Infrastructure Strategy; and
- Gosford Regional City is targeted for 6,000 new jobs while Tuggerah-Wyong is identified as a major centre with the capacity for 5,500 new jobs.

The Gosford City Centre plans aim to establish Gosford as a vibrant, attractive and liveable mixed-use city centre, at the heart of the Central Coast regional economy and community. The plan proposed that an increase in jobs is to occur around high growth industries such as business services, health, education, retail, tourism and cultural activities.

A constraint on the growth of the local economy is the road connection between Sydney and Gosford that is subject to heavy congestion in peak times. Work hubs have the capacity to provide the Gosford community with opportunities for local employment opportunities and will take pressure off the F3 highway.

The challenge for the development of individual work hubs comes down to the externality issues previously identified. Employers, particularly outside of the Gosford region, currently have no incentive to pay for the costs of an employee working in a work hub in Gosford. An employer must also contend with equality amongst its employees. If one employee who lives in Gosford is offered the opportunity to work in a work hub close to their home, why shouldn’t other employees be offered similar treatment? This kind of thinking, whilst understandable, is not ultimately in the interests of employers who wish to employ skilled and motivated employees. Opening up telework in Gosford will not only benefit the local economy, it will also be a significant benefit for Sydney, which will effectively open up regional areas as an integrated part of the Sydney economy.
3.5 Critical Success Factors

Third Spaces Group believes that work hubs are not simply barren offices; they represent communities that have the potential to be vibrant, attractive, enjoyable and safe places to work.

The Third Spaces Group model has identified three core elements critical to the success of a national network of work hubs:

- Assured
- Networked
- Activated

3.5.1 Assured

Third Spaces proposes that each work hub in a group network will need to operate according to best practice security and risk standards. Each work hub will require its own risk management plan, with the group operating the network ensuring that standards are complied with.

Each work hub will need to demonstrate compliance with planning laws. This means being aware of zoning requirements and ensuring that work hub sites are compliant with any zones, as well as any other restrictions – for instance, parking and traffic arrangements, operating time restrictions if in residential areas, noise restrictions, other site specific environmental issues.

Consideration needs to be given to the personal safety of users at work hubs – for instance, parking lot lighting, general public access to the centres and strategies for improving personal security, which will appeal to the female demographic. Consideration also needs to be given as to how property can be secured from theft in a work hub. With an expectation that people may move in and out of a centre on a regular basis, there will need to be the capacity to lock work stations to reduce the risk of the user’s property being stolen while the user briefly leaves his workstation to access phone, food, or bathroom breaks. Telework users will need their own unique keys or pass codes to access the centre and a lock-up working station that would not require the user to pack personal belongings up each time a break is required.

IT security, performance and reliability will be of paramount importance so that the user experience is not only a good one for the teleworker but that it is a good one for their employer and the head office trying to communicate with them.

A compliance or inductee pack would be provided to each new centre. The pack would be kept up to date with regulatory changes. Risk assessments would need to be made for each work hub site. Risk management needs to be site specific. The compliance program at each site would need to cover:

- Accident reporting and notification
- Securing compliance
- Incident notification
- Workplace entry by OHS entry permit holders
- IT performance, security and reliability
- A proactive ergonomic program

3.5.2 Networked

Work hubs will need to be part of a broader network. Being a part of a network provides employers and employees with flexibility to use a different centre from their normal centre. A network of work hubs operated by large and small private operators will also allow for the more rapid achievement of universal access to telework. We believe that for large and small employers alike to take to teleworking, they will need to be able to access a network where for example 90% of their staff are within 20 minutes of a work hub. In order to manage demand, the
network would need to provide a centralised booking system that would enable a worker to book a place at a centre. This will allow workers to plan their week ahead and ensure that when they want to work their local centre has a seat waiting for them.

3.5.3 Activated

A work hub should provide opportunities for teleworkers to connect to each other and their local community. In an ‘anywhere working’ world people are no longer going to go to a space if it is simply a collection of desks and chairs. People must want to go to the centre, not need to go. It is essential for the success of a national network of work hubs that they are activated by teams dedicated to fostering a sense of community within the work hub and with the wider community in which it resides. This means that the operators of the spaces need to be more than facilities and office managers, they need to be community managers. Business models must be robust enough to support the employment of specialised staff to support and connect the users of the space.

A work hub network has an opportunity to become a hub for local community connectivity. It does more than just keep economic activity local. Effective design can provide an opportunity not just for teleworkers to meet as part of their work, but also for local communities to utilise the space to hold meetings. Offering meeting rooms to local community groups should be considered a part of a work hub’s social responsibility.

Being a part of a network provides employers and employees with flexibility to use a different centre from their normal centre.
3.6 Our Proposals

Third Spaces Group is proposing an innovative model to fund and enable the development of a network of work hubs.

There are a number of ways that government could facilitate the establishment of a network of work hubs.

Third Spaces recognises that governments across the country are facing fiscal challenges. The competing capital requirements for government funds, including developing schools and hospitals, mean that governments should consider private sector funding alternatives over the establishment of a network of work hubs on its own balance sheet.

Whilst governments are facing fiscal challenges that are likely to prevent the development of telework networks within government budgets, the constraints that have been identified in this report act as a disincentive for the private sector to make large-scale investments to establish work hubs.

Third Spaces Group proposes a model where governments can underwrite private investment in telework. There are two ways that government can facilitate the development of work hubs at low cost to budgets and we propose that both are implemented in some form.

3.6.1 Proposal One:

The first proposal is that governments purchase seats in the telework network. By purchasing seats in a network, and guaranteeing to hold those seats for up to a five-year period while the work hub model is rolled out and developed, government would effectively underwrite private sector investment. As demand for seats in a telework network increases, governments would be able to release seats back into the network, in so doing recouping costs. Alternatively, by continuing to hold seats, the government would facilitate expansion of the network to more areas. Governments have a choice as to how they use purchased seats. They can either provide government employees with the opportunity to telework or alternatively, utilise the seats by giving them to small business and not-for-profits to create incentives for these organisations to take up telework.

It is worth reinforcing why government commitment to purchase seats is required. The issue, as identified in this report, is that the externalities that are present with congestion and telework mean that developing a universal work hub network is a risky business proposition. The benefits in the form of reduced congestion that will derive from a universal work hub network will not otherwise be achievable if telework progresses on an ad-hoc basis, predominantly through home based arrangements.

Third Spaces Group proposes a model where governments can underwrite private investment in workhubs through purchasing seats in the network.

We also need to recognise that the investment environment post GFC is much more volatile and investors have therefore become more concerned with risk. The risk of developing a network of work hubs in the current economic environment is in reality, too much for private investors. In simple terms, with government engagement, a universal network of work hubs is possible. Without it, the opportunity is likely to be missed. To facilitate the purchase of seats in the network, we propose the private sector establishment of an Australian Work Hub Network. Members would include property owners and large and small operators of work spaces.

3.6.2 Proposal Two:

The second proposal is to establish a Work Hub Investment Fund that would provide debt finance to establish a network of work hubs. Property owners and private operators of work
hubs could access the finance provided that they established and operated work hubs of a certain standard. There is a global movement around impact investments. Further information on the ways in which impact investments are being established can be found at the Global Impact Investing Network. Impact Investments aim to deliver investment returns and economic and social outcomes. An example of impact investments in Australia is the trial by the NSW Government to establish social benefit bonds.

A Work Hub Investment Fund would be structured as a debt fund, aiming to provide investment returns compatible with other fixed interest investments. It would appeal to superannuation funds looking to make infrastructure investments. Funds would be used to finance the development of a network of work hubs. Revenues from the operation of work hubs would be used for coupon payments that would provide investors with a rate of return from their investment. A Work Hub Investment Fund would provide an annual report to investees that would provide details of the social, economic and environmental outcomes that have been delivered through a network of work hubs.

It would be possible to structure different offerings for investors, including the potential for a zero-coupon bond that would not deliver a coupon payment but deliver upon maturity. Investing in zero-coupon bonds is another way in which governments could support the development of a telework network.

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Announcement on 27 March 2013 by NSW Treasurer Mike Baird that the NSW Government was establishing a trial to establish social benefit bonds.

DRAFT Proposal (comments invited): Work Hub Australia Network

| PROPERTY OWNERS | Repurpose existing space, and develop new space for accredited work hubs within suburban and regional locations where a management contract or lease is entered into with an operator. Owners can borrow from the Investment Fund to support their investment in accredited work hubs |
| WORK HUB AUSTRALIA INVESTMENT FUND | Pays a fixed return to investors such as infrastructure and investment funds. ‘Underwritten’ by commitments by Government to purchase seats from WORK HUB AUSTRALIA |
| WORK HUB OPERATORS | Private independent businesses (small and large) operating accredited work hubs in suburban and regional Australia can join the Work Hub Australia network and receive revenue from Australian Work Hubs in exchange for providing space to Government and large employers. Operators can borrow from the Investment Fund to support their investment in accredited Work Hubs |
| WORK HUB AUSTRALIA NETWORK | Accredited large and small (Networked, Assured, Activated) Work Hubs across Australia |
| GOVERNMENT AND LARGE EMPLOYERS | Purchase access to accredited Australian work Hub Network for employees |
4.0 Conclusion

Australia's cities are becoming increasingly clogged by congestion. New roads, which are undoubtedly still required, will alone not fix congestion. Investing in roads will increase the capacity to move goods and people around Australia however, population growth will mean that cities will become increasingly congested despite investment in new roads. In the last year, Australia's population grew by 400,000; a combination of births exceeding deaths and around 225,000 new migrants. The fiscal challenge that governments have is that significant new roads are likely to require private investment. This will inevitably result in road pricing that will increase the burden on individuals to finance the costs of congestion.

It is important to recognise that the problem Australia is dealing with is not a product of roads, it is a product of our relatively late industrial development that resulted in our cities being developed at the same time as the motor car. Whilst our population sprawled, work has still clustered around central business districts and activity centres. Part of the solution to congestion is to better distribute work. Efforts to encourage the development of activity centres however, fail to recognise the conglomeration effects that cities offer. Businesses are attracted to locate close to each other because that is where the greatest business opportunities lie.

This report aims to challenge thinking about the way in which Australians work. We are at the cutting edge of a technology revolution that has given us more power in our hand held devices than the first computers that took man to the moon. Achieving the vision of a productive, knowledge economy requires us to build new infrastructure. Just as we built roads and petrol stations to enable Australians to move to suburbs in the 20th century, we need to build new forms of infrastructure in the 21st century. The National Broadband Network represents a critical piece of infrastructure that will enable Australia to create a true knowledge economy. But it is not the only piece of infrastructure that is required. A network of work hubs has the potential to be a game changer for Australian society.

A raft of benefits will derive from universal access to telework but perhaps the most important one is that it will provide a real ability for cities to manage congestion. Developing a network of centres will cost far less than building a new multi-billion dollar toll road. However the reality is, that a network will not be built by itself. The existence of externalities means that government is best placed to take leadership to assist the private sector to develop an Australian work hub network.