

The Hybrid Talent Magnet



IWG The Global
Workspace
Leader

IWG's 'HR Leaders and Hybrid Working Report' set out to examine the hybrid experience as seen through the eyes of CHROs at successful companies. The results reveal that the hybrid model is crucial for hiring and retaining top talent in an ever tighter job market. And there are considerable other benefits to the bargain.



HR professionals view hybrid working as not only key to staying ahead in the race for talent, but also an integral part of a winning business strategy that has the wellbeing and productivity of a company's employees at its core. Our research reinforces the fact that today's workforce demands flexibility from their employers and at the same time companies are increasingly appreciating the many benefits of the hybrid model.”

Mark Dixon,
Founder and CEO, IWG



The Shrinking Labour Pool



Around the world, the job market remains tight, despite fears of recession and stories of mass layoffs at Big Tech companies.

Recent figures from the US showed that the unemployment rate is a mere 3.5%, matching the half-century low, with more than 10 million jobs unfilled. In the UK, the latest quarterly Labour Market Outlook by HR professional body the Chartered Institute of Personnel and Development noted that although the country will likely enter a downturn soon, “employers are still recruiting and competing for talent, and redundancy intentions remain low”.

In Europe, there’s a similar story: German companies are finding it increasingly hard to find staff, while Spain recently recorded its lowest unemployment figures since 2007. Jobless figures are also falling in southeast Asia.

Changing demography in the world’s developed countries is exerting a powerful squeeze on the world of work, as people live longer and birth rates fall. A vivid example of the so-called ‘demographic time bomb’ is Japan, whose prime minister announced recently that the country “is standing on the verge of whether we can continue to function as a society”. In 2022 Japan saw a record low for births, and the country has one of the highest life expectancies in the world. As the workforce shrinks, there are increasingly not enough people to fill essential jobs.

Japan’s problems are exacerbated by an unwillingness to employ foreign labour, but a similar trend is playing out in most other industrialised countries, with fertility rates halving in the past 70 years, while global life expectancy keeps rising. According to World Health Organization figures, the average human lifespan has increased by six years in the last two decades, to 73. Projections published by the UK’s Office for National Statistics last year predicted that 13% of boys and 19% of girls born in the country in 2020 will live to at least 100 years of age.

The growing digital skills gap is another factor that’s making it hard for companies to fill vacancies. With digital transformation comes the need for new skills, and these are increasingly in short supply as the pace of technological change increases: according to one estimate, technical skills are now becoming outdated every two and a half years on average. Research by HR Director found that nearly a third (32%) of employees changed their jobs in the last 12 months because their employer wasn’t offering enough upskilling and training opportunities.

Retaining talent has become as difficult as attracting it in the first place, as today’s workforce becomes ever more promiscuous. Post-pandemic, much coverage was given to the Great Resignation, as workers quit in search of jobs that better suited their values or lifestyle. However, researchers at Harvard Business School’s Managing the Future of Work project have shown that this was not a temporary anomaly but part of an established long-term trend.

“The continuation of this trend suggests that American employers will remain subject to high, growing turnover well into the future,” they concluded in a recent paper¹.

Joseph B Fuller, one of the authors of the paper, has described top talent in terms of “volunteers” at an organisation, meaning that at any time they can raise their hand on LinkedIn and be offered 10 other job opportunities within the space of 24 hours.

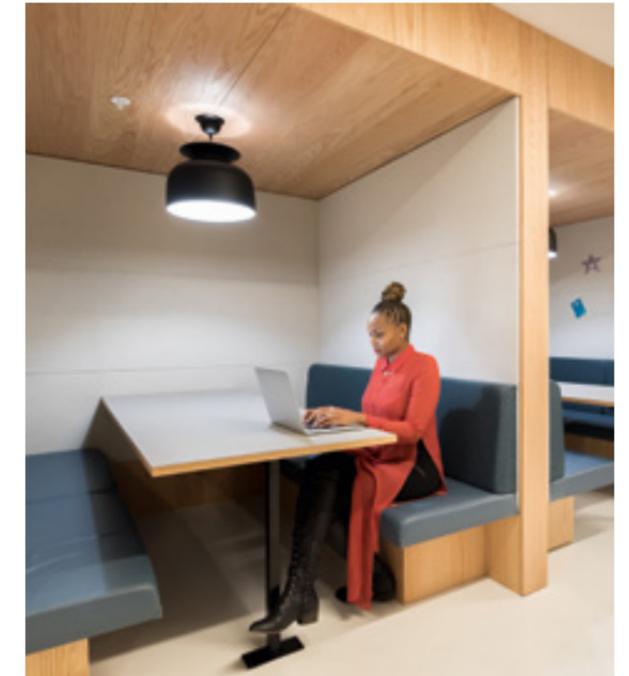
Even if they don’t actually leave, the productivity of dissatisfied workers may plummet thanks to the phenomenon of ‘quiet quitting’: employees not going above and beyond at work and just meeting their

job description, usually as a response to being overworked thanks to others leaving. A survey by Gallup in the US last year found that this ‘quiet quitting’ drop in engagement began in 2021, around the same time as the Great Resignation, and a year later things had got worse, with the ratio between engaged and actively disengaged employees the lowest in a decade.

It was once thought that machines would fill the employment gap, but while many mundane jobs have been replaced by automation, human capital remains more important than ever, whether that’s in creating and running the machines or in providing the kind of soft skills that machines don’t do well. A study of labour

market trends in four major economies by education and learning company Pearson identifying the ‘power skills’ that would be needed to maintain and enhance economic productivity by 2026 found that human skills would be most in demand, including customer service, leadership, communication and attention to detail.

“Finding and keeping the best talent in a diminishing labour pool is the number one challenge for today’s HR leaders,” says Francesca Peters, Chief Talent Officer at IWG. “Workers are in short supply and there’s a high rate of mobility between companies. That means you have to find ways to appeal to them and to make them want to work for you rather than anyone else.”



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Francesca Peters
Chief Talent Officer, IWG

¹ The Labor Market as COVID Recedes: A Great Resignation or a Great Realization?, by Joseph B Fuller, William R Kerr and Ria Mazumdar, Harvard Business School, 2022

THE HYBRID MAGNET

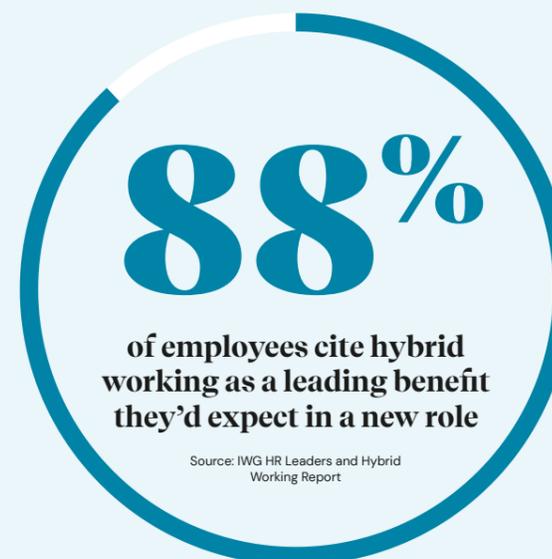


A significant factor in both attracting and retaining top talent is the availability of hybrid working. This was the key finding in IWG's 'HR Leaders and Hybrid Working Report'. Its poll of senior HR professionals at leading companies that have instituted hybrid working found that almost all (95%) agreed it was an effective recruitment tool. Nearly two thirds also said that hybrid increases employee retention.

The Harvard Business School report came to a similar conclusion: "Workers' desire for safety and flexibility indicates that hybrid, flexible work is here to stay," it stated. "Companies that have the vision and resources to offer such flexibility to their employees are the most likely to maintain a stable and competitive workforce."

"There can no longer be any doubt that today's workers prefer a hybrid working model, dividing their working hours between their company headquarters, their home, and a local flexible workspace," says Mark Dixon, Founder and CEO of IWG. "It's a trend that was already well under way pre-Covid, and since the pandemic, it's snowballed."

In an IWG poll asking 2,000 office workers what was the leading employee benefit they would expect in a new role, 88% cited hybrid working. And, for a large proportion of them, it was seen as far more than just a benefit: almost half said they would only consider roles that allowed them to work in a hybrid way.



According to Josh Brenner, CEO of recruitment company Hired, “Workplace flexibility is now the number one driver of why employees are looking to move to other opportunities. Companies that have forced people back to the office for a full five-day-a-week schedule have seen really large attrition because of that, and are seeing workers starting to look around for other opportunities.”

Academic research tells a similar story. In a study² carried out in Shanghai by Professor Nicholas Bloom of Stanford University and others, workers at a large online travel agency were divided into two groups: one group worked full-time at the company HQ, while the other worked in a hybrid way. Attrition rates among the hybrid group were reduced by 35%, and work satisfaction scores also increased for this group.

The offer of hybrid working has now reached equivalency with a pay rise or cash bonus. According to various surveys, job candidates and employees equate the flexibility of hybrid working with getting a pay increase of around 7% or 8%. “Firms not offering hybrid working are missing out on a highly effective way to retain and recruit staff,” says Bloom.

According to management consulting company Gartner, a key trend for 2023 will be ‘quiet hiring’. Flipping the idea of ‘quiet quitting’ on its head, it’s a way of acquiring new skills and capabilities in an organisation without hiring new employees, mainly by upskilling and encouraging internal talent mobility. To compensate employees for their evolving roles, companies need to offer various benefits, and these include job flexibility, says Gartner.

“There was a time when companies were suspicious of flexible working, and HR departments were often unwilling to countenance anything but the traditional five-day-a-week, nine-to-five at a central office, but that’s all changed,” says Peters.

“The message from the HR leaders in our survey is that not only is hybrid here to stay, it’s now an acknowledged element in attracting and retaining talent. Companies that can’t provide a hybrid model are likely to suffer.”

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Harvard Business School



² How Hybrid Working from Home Works Out, by Nicholas Bloom, Ruobing Han, and James Liang, National Bureau of Economic Research, 2022

The Benefits

One impact of the pandemic on the working world has been an increased focus on the wellbeing of staff, and employee wellbeing benefits now play a greater role than ever before in helping to retain and attract talent. It's money well spent: research by Deloitte has found that employers can expect a return as high as \$5 for every \$1 spent on health and wellness initiatives.

In IWG's study, 88% of HR executives said they believed they would reduce staff turnover if they offered more appealing wellness benefits, while more than two thirds (68%) have experienced applicants turning down a job because of a lack of them. At companies that do implement wellness benefits, an average of 59% of employees fully utilise them, showing they are very popular with staff.

The ability to work close to home is one of the key attractions of hybrid working, and it has considerable impact on wellbeing and fitness. A recent IWG poll of Generation Z workers (who are set to make up more than a quarter of the global workforce by 2025) found that 85% want to be able to use an office near to where they live. And in IWG's survey of office workers, 77% said a place to work closer to home was a must-have for their next job move.



Boost

88%

of HR execs believe staff turnover would reduce if more appealing wellness benefits were offered

Source: IWG HR Leaders and Hybrid Working Report

Companies are increasingly responding to this demand by downsizing their main office and using satellite offices or flexible workspaces closer to their employees' homes. This in turn is enabling the growth of so-called 15-Minute Cities, in which work, home, shops, education and healthcare are all within 15 minutes on foot or by bicycle from each other.

Working close to home eliminates the negative health impacts of the daily commute. A report by the UK's Royal Society for Public Health showed that longer commute times by rail, bus or car are associated with increased stress, and higher blood pressure and BMI. The time (and money) saved by reducing the commute by just a couple of days a week can be used for more beneficial purposes. Two fifths (42%) of CHROs said they believed commuting time had previously been an issue for employees, and that they were now using the saved time on caregiving responsibilities and me-time pursuits such as meditation and self-care treatments.



FLEX SPACE BENEFITS



IWG recently announced a series of partnerships in markets including the US and UK offering wellbeing and fitness benefits for its customers. In the US, they can receive free 24/7 access to virtual doctors, discounts on gym memberships and savings across more than 340,000 online retailers. And in the UK, a partnership with international health insurance and healthcare group, Bupa, and flexible gym provider Hussle means customers will now have access to a complimentary annual health assessment and access to gyms close to their homes.

“Traditionally private healthcare and gym membership have been reserved as perks of the privileged few working for large companies,” says Mark Dixon. “Now customers across all our brands including Regus and Spaces will not only have access to these benefits, but their existing ones too, including member events, networking opportunities and access to the world’s largest co-working network.”

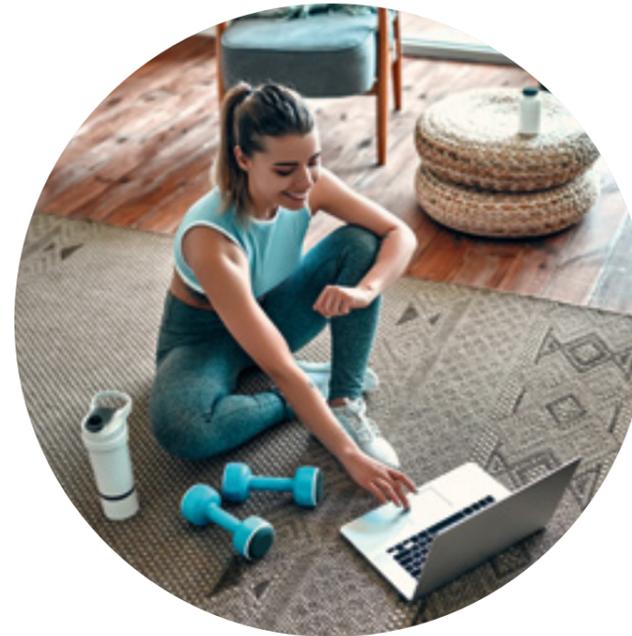
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of HR execs have experienced applicants turning down a job because of a lack of wellness benefits

Source: IWG HR Leaders and Hybrid Working Report

“IWG is currently undertaking a significant programme of global growth, with the aim of increasing the opportunities for all workers to access a professional workspace close to where they live, unlocking exactly these kinds of benefits for them,” says Dixon. “It’s good to see that HR leaders are clearly already aware of the many advantages of moving work closer to workers.”

Work/life balance matters more than ever for today's workers. "This has been one of the most significant legacies of the pandemic," says Peters. "We saw a lot of cases of burnout during Covid, and that then became a major impetus behind the Great Resignation, as people looked for jobs that allowed them to live the lives they wanted to live, rather than sacrificing the things that matter most to them. And that desire continues."



A question of balance

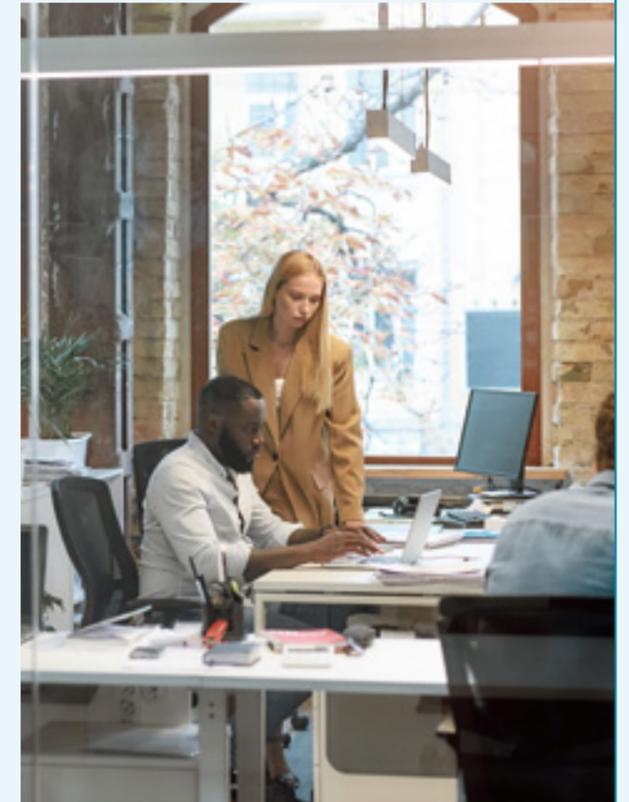


A survey of 31,000 people in 31 countries by Microsoft last year found that 47% of respondents were now more likely to put family and personal life over work than they were before the pandemic. And in addition, 53% – particularly parents (55%) and women (56%) – said they were more likely to prioritise their health and wellbeing over work than before.

The demands of childcare in particular are a major reason for staff turnover and these issues can be mitigated by the hybrid model: more than half of the CHROs (55%) in IWG's study said it has been something that they are now addressing via hybrid working.

The other two main factors causing employees to leave their jobs are issues around work/life balance, and mental wellbeing concerns. Just under half of CHROs (47%) said that hybrid is a tool they are using to address these issues.

In IWG's poll of office workers, more than two-thirds (67%) said that hybrid working had improved their work/life balance, and fewer than one in five (17%) said it hadn't. More than a third (37%) said it had improved their mental health and wellbeing.



PSYCHOLOGICAL SAFETY

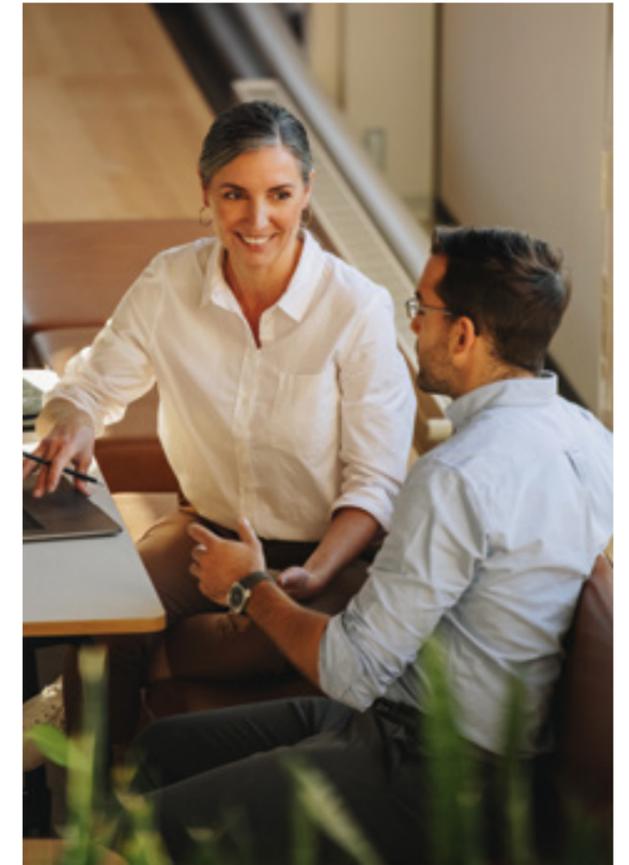
An emerging term in the HR lexicon is 'psychological safety'. This is defined as "a shared belief held by members of a team that the team is safe for interpersonal risk taking". This can be demonstrated through actions such as admitting an error, asking for help or seeking feedback. And it can be encouraged by hybrid working. In a poll of nearly 4,000 users of wellbeing software platform meQuilibrium, respondents who worked full-time in an office said they were 66% more likely than remote and hybrid employees to feel mistakes were held against them and 56% more likely to say their organisations rejected people for being different.

Almost all of the CHROs in IWG's study agreed that there is a direct correlation between productivity and wellness, and the number of days spent in a physical office. Regardless of the size of the company, they felt that three in-office days a week is the ideal.

"The office side of the hybrid equation is as important for wellbeing as spending time at home," says Peters. "That's because it offers the opportunity to see and interact with colleagues and like-minded individuals in real life rather than on a screen, whether that's at a central HQ or a local flex space."



THE IMPORTANCE OF FACE-TO-FACE TIME



Research by Accenture found that those who had a hybrid work model during the Covid-19 pandemic had better mental health and stronger work relationships, and experienced less burnout than those who worked entirely in the office or entirely remotely.

And a survey of 12,000 professionals in the US, Germany and India by Boston Consulting Group found that during lockdown, respondents had missed the connectivity they had with colleagues in the office, especially "being able to spontaneously walk to a coworker's desk and discuss an issue" and "social gatherings at work". Those social moments and chance encounters at the watercooler, which are almost impossible to re-create when working at home, offer the opportunity for idle gossip, creative discussion and the growth of personal relationships.



This can be particularly crucial for new entrants to the workplace. “It’s clear that working solely at home or solely at a main office is not what people want or need,” says Dixon. “They love the sense of companionship that comes with face-to-face interaction, but they don’t necessarily want that every day of the working week. Their personal lives are becoming more important to them.”

As the HR leaders in the study have found, the hybrid model boosts productivity, too. This was borne out by results from IWG’s poll of office workers: nearly a third (31%) felt their productivity had been enhanced by adopting more flexible working practices, and nearly two-thirds said that being able to choose where they work meant they could perform better. This figure rose to more than three-quarters (76%) for 25–34-year-olds. Almost two-thirds (60%) said they wanted to work within 15 minutes of their home.

A recent study³ of a group of IT workers who spent varying numbers of days in the office found that those who worked there between 23% and 40% of the time communicated more and performed

better than those spending less or more time at the office.

Ongoing research into hybrid working patterns by Microsoft shows that productivity is booming in the hybrid world: the increase in the number of meetings on its Teams platform has continued post-pandemic, while multitasking during meetings is on the increase, with nearly half of meeting participants sending an email or ping, as well as reading them and working on non-meeting files.

According to Bloom, studies generally place the increase in productivity brought by hybrid at around 3% or 4%. He says the first factor is time: employees who work from home two days a week save, on average, 70 minutes a day commuting. Of those 70 minutes, surveys show they’ll spend 30 minutes working more, and use the other 40 minutes doing other things. That extra hour of working in a 40-hour week means a productivity increase of 2%. On top of that, another 2% comes from the fact that people tend to work more efficiently when they’re at home.



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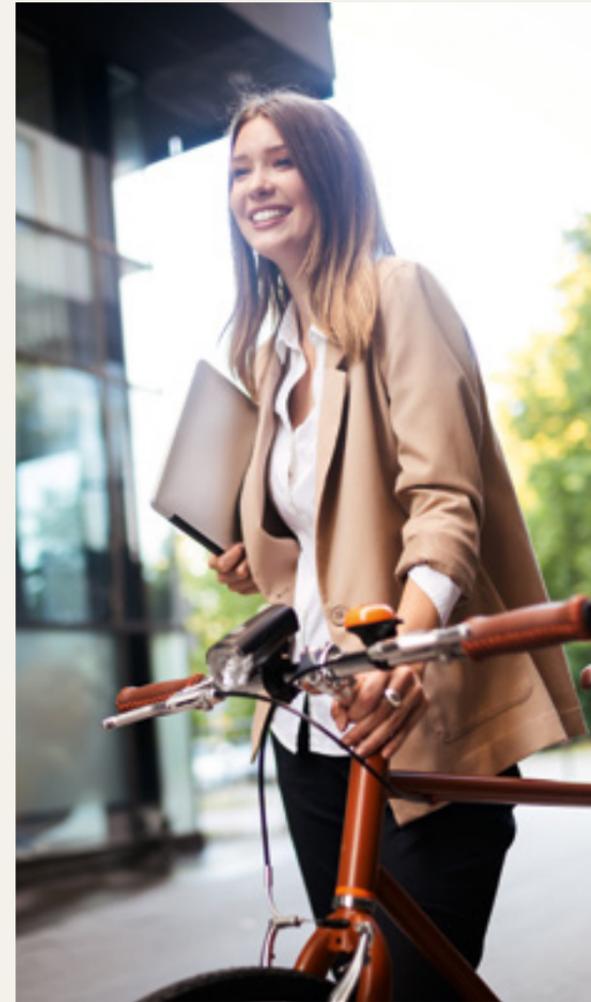
Francesca Peters

Chief Talent Officer, IWG

³ Is Hybrid Working the Best of Both Worlds? Evidence from a Field Experiment, by Prithwiraj Choudhury, Tarun Khanna, Christos A Makridis, and Kyle Schirmann, 2022

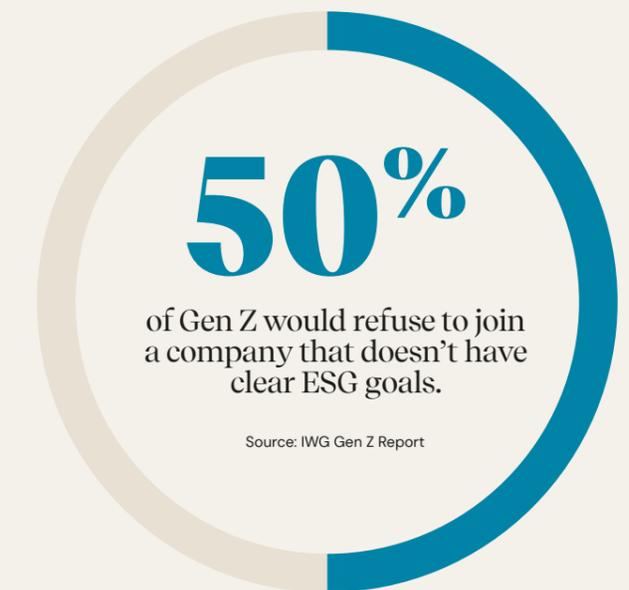
Keeping it

Corporate commitment to sustainability and environmental issues is an increasingly important factor when candidates are choosing a new job. This is particularly true of Generation Z: IWG's Gen Z report found that nearly a third would quit their job if their employer's values didn't align with their own. Environmental and social responsibility are of particular importance to them, with almost half refusing to join a business that doesn't have clear environmental and social goals. Half say they would leave their job if their employer backtracked on social or environmental targets.



According to the HR leaders in IWG's CHRO study, environmental concerns are becoming an ever more pressing issue in the workforce. This makes hybrid working a particularly attractive proposition, as it brings with it significant environmental benefits. Cutting down on the daily commute is the single biggest thing companies can do to reduce their carbon footprint, while downsizing from a large central HQ also brings a reduction in energy use.

According to three quarters (76%) of the HR leaders in the CHRO study, green space and access to outdoor spaces are the top workplace amenities on hybrid worker wish lists. That means companies are starting to factor green spaces into their existing sustainability practices, which include recycling, composting and reducing paper products.



green

HYBRID TALENT MAGNET

In an ever more competitive recruitment market, hybrid working is a significant differentiator for companies when it comes to hiring and retaining top talent. That was the key message from the HR leaders that IWG spoke to for its report.

“There’s no doubt about it,” says Dixon. “At a time when human capital is in short supply, hybrid is an essential part of the recruitment toolbox for employers.”

But another message also came out loud and clear: companies are increasingly appreciating the many other benefits that hybrid can bring, both for their workers and for their own bottom line.

“It’s clear that the vast majority of CHROs now understand, from their professional observations, that there’s a significant connection between the hybrid model and the well-being of their employees,” says Peters. “And they’ve also seen the link between hybrid and increased productivity at first hand. There’s already a considerable body of research demonstrating the multiple benefits of hybrid, and this latest study demonstrates that more and more companies are now experiencing them for themselves.”

We help more than eight million people work the hybrid way with over 3,500 locations across more than 120 countries. Find out how our hybrid work solutions can help your business attract and retain top talent at iwgplc.com.

