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Insights

THE FUTURE OF HYBRID WORKING – ALL AGREED… OR ALL HEADING FOR A PERIOD OF DISPUTES?

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Although we may be in a transitional period, we believe hybrid working will be the dominant form of working arrangement moving forward. Why do we think this?

WHAT DOES HYBRID WORKING LOOK LIKE TODAY?

Since the lifting of the work from home guidance in January 2022, the majority of UK office-based businesses have adopted, formally or informally, some form of hybrid working. A common arrangement is where businesses request/require employees to come into the office two or three days per week – sometimes on designated 'team up' days.

Despite this, there still appears to be uncertainty and caution in actually enforcing hybrid working arrangements. However, employers have good reason to be cautious. After working from home for the best part of two years, mostly without adverse effects, employees expect employers to be flexible and the market is tipped firmly in their balance. Nobody wants to be heavy-handed when competitor employers might be more flexible and pay just as much, if not more.

Employee perceptions have shifted and the pandemic changed the way we work to the extent that there is no longer really a standard way of working. We consider below the variations and potential implications of what the future of working is likely to look like for office-based businesses, based around our view that hybrid working is here to stay.

Before we continue, it is worth pointing out that hybrid and remote working have consequences to the future of city centres. After four months of having no restrictions in London, TfL reports that, on average, usage on weekdays is still only at 65% to 70% of pre-pandemic levels. Possibly as a result, many city retailers, including Greggs, Pret a Manger, Itsu and M&S, are beginning to close prime central city branches and prioritise new locations outside of London – others may follow suit. With (very broadly) a 30% weekday reduction in business going forward, this is hardly surprising. Hybrid working comes at a cost.

FULLY REMOTE

There are some businesses, particularly in the technology sector, which have found the working from home experience a very positive one and have embraced a permanent remote working culture as the new normal.

While there are benefits to remote working, such as greater flexibility and a reduced need for office space, there are also challenges. Examples include a rise in mental health issues and a strain on team spirit and collaboration. Both could have an impact on employee productivity and output. In addition, not all employees have effective home working arrangements and, particularly in the case of more junior employees, they feel they are missing out on training and development by not having face to face contact with more senior colleagues. For them, remote working is particularly unattractive.

Fully remote businesses should ensure they have mechanisms to monitor employee wellbeing and to offer support where needed. It is also important for management to implement practices that foster cohesion and collaboration. If employees work remotely full time, this may lead to discussions and changes surrounding salary. We have already seen (so far) one business publicly adopting a policy where, if employees wish to work remotely full time, they will receive a 20% pay cut and chances of promotion will be limited.

However, our view is that fully remote working will be firmly in a minority.

FULLY IN THE OFFICE

Like remote working, this seems to be an outlier. Some businesses insist that employees return to the office full-time, 5 days a week. Some argue that remote working and even hybrid working are detrimental to collaboration and overall productivity. There may also be challenges for international businesses in which there may be conflicting approaches to working from home due to legislative or regulatory issues.

However, a mandatory full-time return to the office is out of step with employee expectations, and could result in businesses losing talented employees. A recent study has found that more than 50% of workers would consider resigning if hybrid working were no longer an option. Other research from February 2022 showed that jobs allowing employees to work from home full or part-time saw *seven times* more applications than in-person roles. Businesses therefore risk losing, and being unable to attract, high quality talent if they do not offer some form of flexibility.

HYBRID WORKING

With mandatory full-time office work rejected by over 50% of employees, it seems almost inevitable that the compromise of hybrid working is the way forward. The latest statistics support this and recent figures from the Office for National Statistics (ONS) show that more than eight out of 10 people (84%) who worked from home during the pandemic are planning on being hybrid workers in future. The ONS found improved work-life balance was the main benefit of hybrid working. Half the

hybrid workers reported they had fewer distractions and were able to complete work more quickly. Rising fuel costs and train fares are another factor. Many have enjoyed savings on commuting since 2020 and, now that prices have risen steeply (and continue to rise), working partly from home can be a substantial saving.

One area that may change in the months to come is enforcement. Businesses that adopt hybrid working in the long term will at some point consider it in terms of a stricter policy. The policy may enforce office attendance on a set number of days per week or it may enforce office attendance on particular days. It will have to deal with those who are reluctant to return or want to come in on different days.

Employers may still find that some employees opt to come in every day whilst others attend only on the required days. This can lead to a risk of employers unwittingly creating a two-tier workforce, with those spending more time in the office being more "visible" and often being offered more or better quality work. Meetings which are part in-person and part virtual can also present difficulties if those attending virtually are in the minority, and might not be heard/listened to above multiple in-person discussions. Employers should be aware of these risks and consider how they can mitigate them.

OUR VIEW

Whatever the mechanics may be, we believe hybrid working is here to stay. Predictions are difficult and we are undoubtedly still in a period of transition whilst businesses and employees adapt to a post-pandemic workplace. However, our view is that, looking at the current statistics, the other options, and the prevailing views of employers and employees, hybrid working will most likely be the new normal for the majority of office-based businesses and that failing to offer some form of flexible working arrangement may be a recruitment / retention risk. An enforced five-day week in the office (or wholly remote working) is likely to be the exception rather than the norm and City centre office life as we knew it will never be the same.

We also believe there will be a shift from businesses currently taking a relatively laissez-faire approach to their hybrid working policies, to a more formal approach, including enforcement, such as disciplinary action for those who do not comply. This will bring to a head situations where certain employees have no intention to attend the office.

This is unlikely to be plain sailing, and there will inevitably be disputes and even legal claims. We will see an increase in flexible working requests, an increase in claims that a disability exists for which reasonable adjustments are required, and policies being tested for indirect discrimination. However, claims and disputes are easier dealt with and defended in the context of a properly handled and managed hybrid working environment than any other, and most employers will opt for a pragmatic position, particularly when it is what the majority of employees want to see happen.

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