

Written Testimony of

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Good afternoon Chair Titus, Ranking Member Webster, and distinguished Members of the Subcommittee.

My name is Kelly Bacon. I am the Global Practice Lead for AECOM's Workplace Advisory practice, a design and consulting studio that delivers strategic workplace planning and interior design services to public and private organizations worldwide. Our practice works with numerous Fortune 500 companies and U.S. government entities—including GSA, Department of Defense, Department of Homeland Security, Department of State, and NASA—to redesign and reorient their workplace portfolios to best accomplish their missions. Our team consists of experts in interior design, architecture, urban planning, organizational strategy, behavioral psychology, and design thinking. We share a common passion for creating workplaces that boost performance and enable a thriving workforce.

I would like to thank the Subcommittee for the opportunity to testify on the evolution of workplaces in a post-COVID-19 context and offer a private sector perspective on the trends and opportunities available to federal real estate.

About AECOM

AECOM's 47,000 professionals – including 19,000 US-based employees – are engineers, architects, scientists, software programmers, urban and transportation planners, program and construction managers, and economists who plan, design and deliver infrastructure. Globally, we are consistently ranked No. 1 in transportation engineering and design. We are also the No. 1 provider of environmental services and ranked No. 3 in Interior Design Giants. AECOM has earned a reputation as an industry leader through the critical and essential support we provide our

clients, as well as the work and infrastructure solutions we deliver uplift communities, advance economic growth and improve health, safety and overall quality of life.

Focus of Testimony

Our society is experiencing a once-in-a-generation opportunity to rethink our relationship to work and reinvest in our workplaces. The COVID-19 pandemic imposed tragic consequences across our society—a reality of which we cannot lose sight. At the same time, the pandemic has been the great accelerator for remote and hybrid work arrangements, creating long-lasting effects on how we work, live, and play. Many of these changes are here to stay, and the organizations who invest in this future will reap returns in higher performance, workforce engagement, and spatial optimization—all while reducing long term operational expenditures.

As the Committee weighs the best approaches to optimize the federal real estate portfolio, I offer that the following outcomes should be targeted:

- Developing high-performing workplaces and real estate portfolios that achieve mission intent, enhance employee wellbeing, and are flexible to changing organizational and societal contexts
- Unlocking capital, revenue, and innovative space uses through strategic portfolio reductions and investments in hybrid work capabilities

In my testimony today, I will discuss how the COVID-19 pandemic and converging trends have changed our relationship to work and what that means for the future of federal real estate. I will also focus on three areas where government leadership can achieve the outcomes above:

- Focus on activities and mission when creating hybrid work environments and prioritizing spaces. This is a concept called “Activity Based Planning.”
- Champion office/portfolio updates and cultural shifts that put performance ahead of hierarchy, outdated workplace values, and one desk per person approaches.
- Adhere to an expanded definition of performance and return on investment (ROI) that goes beyond typical real estate metrics such as cost per square foot and/or square foot per person.

The Great Accelerator or: How the COVID-19 pandemic changed the way we work

BLUF: The COVID-19 pandemic was a tipping point for the widespread adoption of remote work. Hybrid work models will become the norm in office-oriented industries due to the following drivers:

- The stigma of remote work has been lifted and popular opinion has shifted favorably
- Many agencies, organizations, and institutions have already realized the efficiency and effectiveness of remote work on multiple fronts
- Organizations have already made major investments in their remote and hybrid work capabilities, laying the groundwork for a hybrid future
- Changes in human behavior, travel demand, and settlement patterns are reinforcing trends in remote work

For office-oriented industries, COVID-19 has been the great accelerator, advancing even the most rigid, in-person office cultures toward virtual and hybrid work models. While trends in

technology and industrial development have been driving us toward more agile workplaces for decades now, the COVID-19 pandemic forced a change and lifted the stigma of remote work seemingly overnight. Cultural resistance to virtual interaction evaporated out of necessity, with remote work, remote medicine, and remote education (to name a few) experiencing exponential adoption¹.

The success of remote work models has been a major contributor to the newfound cultural embrace. Leaders and employees in office-based industries have consistently seen remote work be as efficient, if not more so, than in-office attendance. Additionally, productivity has generally remained stable and even ticked upward for many activities. However, given that humans are a social species, full-time remote working has some negative side effects including isolation and/or challenges with the human side of work. Solving for this combination of factors has led our industry to refer to the post-COVID future as “hybrid”—a mix of remote and in-person working.

Having experienced both the benefits and drawbacks of remote work, CEOs and administrators across both private and public sectors—some of whom were outright hostile to the idea of remote work before the pandemic—are now championing the idea of a hybrid future. While the ideal amount of days in the office is still very much up for debate and generally dependent on an organization’s specific goals and mission, leaders across industries are steering their organizations toward a combination of remote and in-person work².

Throughout the pandemic, organizations have made major investments in technology and work processes to better support their mobile workforces. Across organizations, common

¹ Prior to the pandemic, only six (6) percent of employed Americans worked primarily from home; by May 2020, this percentage was greater than one-third. See American Community Survey and Bureau of Labor Statistics data in Coate, P. (2021). Remote work before, during, and after the pandemic. Quarterly Economics Briefing-Q4 2020. *National Council on Compensation Insurance*. Retrieved from: https://www.ncci.com/SecureDocuments/QEB/QEB_Q4_2020_RemoteWork.html

² PwC US Remote Work Survey (2021). It’s time to reimagine where and how work will get done. *PwC*. Retrieved from <https://www.pwc.com/us/en/library/covid-19/us-remote-work-survey.html>

technological upgrades have included digital communication platforms, video conferencing capabilities, mobile devices, virtual machines, cloud-based software, document digitization, and cybersecurity. As one example, our team worked with a Fortune 500 financial services firm to enable its traders to work remotely. Despite financial trading traditionally being an office-bound activity, this company invested in the technology and cybersecurity necessary to facilitate trading from its employees' homes. It plans to maintain its hybrid work model going forward.

Organizations of all scale and across industry sectors are now rethinking and redesigning their offices to accommodate the activities most suitable for in-person work. In our interviews with leaders and employees, we have frequently heard that spaces for collaboration, ideation, and socialization are more valued than areas for quiet and concentration, as heads-down work is often better done from home. Also, office infrastructure such as printers and shared equipment and specialized spaces such as labs and test facilities remain important components of the hybrid office. The most forward-thinking organizations are updating their highest performing in-person spaces with new technology, equipment, and furniture, while consolidating, repurposing, or eliminating the remaining spaces.

In tandem with these physical improvements, organizations have also invested in new workflows and developed protocols, behavioral etiquettes, and cultures around remote work. While the “hard” expenditures in technology and office design are the most visible, these “soft” adaptations may be even more persistent.

Outside the four walls of the office, societal adaptations will prove equally persistent. Changing migration patterns within and between regions has altered the geography of work and life.

AECOM has been examining trends in economic development and travel demand during the past year and found commuting patterns have changed substantially. Among office workers, travel on commuter routes has dropped precipitously. These effects are especially pronounced during peak periods and on public transportation. Conversely, shorter, local trips have seen greater resurgence, suggesting remote workers are increasingly mobile within their community but remain less mobile between their homes and workplaces.

As we get closer to the “post-pandemic future” many organizations are embracing flexibility – this flexibility will manifest in alternate workdays already mentioned, but also in a shifting of the “traditional” working hours. Given the acceptance of remote work, we will likely see agencies and organizations allowing staff to work from home half the day, while coming in solely to collaborate. While the shift from fully remote to partially remote will lead to a rebound in longer home-work trips, this “new geography” will only reinforce the staying power of hybrid models going forward.

Why Invest Now?

Just as with private companies, the federal government has a choice to make: Invest in hybrid work environments or default to old behaviors and miss the window to capitalize on the opportunities that new models bring.

While it is too early to know the full benefits, organizations that are embracing hybrid work models are already seeing positive returns. Across our government clients, we are seeing just as much success transitioning to remote work as in the private sector. One government agency we are working with in a major U.S. city will be able to consolidate two office locations into one

and comfortably remain in its current footprint for the next decade, freeing up funding to reallocate to its mission and community.

In contrast, retreating to old models will leave organizations with bloated, outmoded real estate portfolios that cost too much and undermine their ability to attract top talent. As culture, industry, and the infrastructure that supports them converge around hybridity, those organizations deferring investment may find their competitors and markets have left them trailing.

Fortunately, a little investment goes a long way. Shifting to a hybrid work model is not a zero-sum trade-off. Instead, dollars spent on workplace mobility and flexibility are being recouped and multiplied through strategic space reductions and higher performance.

The recommendations that follow are clear steps government leaders can take to capitalize on this once-in-a-generation opportunity for all Americans.

Activity- and Mission-Based Planning

Remote and hybrid work models are most effective when they are built around work activities instead of a one-size-fits-all solution. We have all experienced the horror of a poorly designed open office concept—no privacy, monotonous layouts, and constant distractions. Rarely do these concepts account for differing types of workers and the varied demands their work activities imply for space. Often, these have been a result of attempting to apply an “activity-based planning” model, while still adhering to the now antiquated model of assigning and allocating space based on hierarchy. These approaches resulted in a compromise from day one.

The best designed workplaces shape and customize space to best support the spectrum of work each organization performs, as well as the profile and preferences of their workforce, and invest in the technology needed to enable what we call “internal and external mobility”. This axiom holds true for hybrid work as well.

Our team has worked with global pharmaceutical firms, advertising agencies, financial firms, as well as a global luxury consumer goods brand as they have navigated these changes. In each case, we begin by surveying employee sentiment, then hosting workshops to “redefine the purpose of the office” to understand the activities and work that will be done in the office versus remotely.

Many activities lend themselves well to remote work, such as repetitive computer-based processes and highly concentrative tasks like reviewing legal documents. Often, employees who perform these tasks work just as productively (frequently more so) from home and prefer flexibility over an assigned office seat. As a result, these tasks have been the best candidates for space reduction. We have worked with numerous organizations to consolidate their concentrative spaces, designing smaller, drop-in quiet zones in their stead and supporting employee mobility with updates to technology and work processes.

Other activities are suitable for both remote and in-person interaction, such as team meetings and collaboration. We have all learned to convene virtually throughout the pandemic with little disruption to organizational effectiveness. Even team ideation has been possible remotely, with digital whiteboards and shared documents proving remarkably successful. But there is still a place for the in-person meeting and no digital solution has quite yet replaced a team sharing ideas in front of a whiteboard. Spaces that support these tasks are best suited to redesign and reoutfitting to better accommodate both in-person and remote employees. Additionally, it’s

critical we realize that not everyone has the best conditions to work fully remote. While we suggest that the purpose of the office should be redefined, we also recommend that well-provisioned space be allocated for focused, quiet work and with the needs of all employees in mind. This will help provide flexibility, access, and choice to employees at all levels and help promote equitable conditions for the entire workforce.

Some activities simply will not lend themselves to remote work and require a consistent, well-outfitted physical presence. For this reason, non-office-based industries have seen far less adoption of remote work. Examples include laboratories, equipment storage rooms, highly secure work areas, and ranges. While these spaces may not be ideal candidates for portfolio reduction, they should be evaluated for consolidation and considered for hybrid-oriented upgrades. Across large real estate portfolios, we often see redundancies in these spaces, presenting opportunities for shared use. Also, our team has worked with clients to better outfit these spaces with mobile technology, enabling employees to more seamlessly and securely transition between these spaces, the office, and their homes.

The following tactics will help the federal government rebalance its real estate portfolio around its activities and missions:

- Better understand user needs and the spectrum of work. Commission studies to determine which activities are best and least suited to hybrid work and integrate these findings into portfolio optimization plans.
- Embed remote work-enabling technology and processes into fixed, in-person spaces to bridge the physical-digital divide.
- Identify and consolidate redundancies in fixed, in-person spaces.

- Develop protocols and standard operating procedures (SOPs) for how teams and individuals will interact both physically and digitally in order to realize spatial savings

Cultural Shift

The cultural and behavioral shifts needed to achieve portfolio-wide efficiencies while providing high-performing spaces are not insignificant. Doing so requires that space sharing be accepted at the most senior levels of an agency or organization. Despite the proven positive results of remote work, organizations are still often resistant to the idea of shifting away from traditional “space assignments.” However, adhering to the model of one desk per person will only inhibit these organizations from capturing workplace efficiencies and limit their flexibility and resilience to future changes. Instead, now is the time to reshape our cultural orientations toward offices, prioritizing how they enable our people and our missions over whether there is a desk for every person or an office for every leader.

In tandem with this top-down shift, organizations need to help employees understand and embrace new work models from the bottom up. This takes thoughtful and consistent change management. Employees cannot just be brought along for the ride. Rather, the most successful office redesigns—those that lead to efficient and high-performing spaces—are those that consult their workforce throughout the change and give them the information and tools they need to take full advantage of their updated work environments.

The federal government can advance these cultural and behavioral shifts through the following actions:

- Promote and enculturate new work models among senior administrators and workforce leaders, including addressing contradictory values around hierarchy, in-person accountability, and space per person.
- Adopt robust change management approaches that not only prepare employees for change, but also make them champions and power users of improved spaces.

Performance and ROI, Expanded

Organizations frequently mistake workplace performance with productivity. Similarly, ROI is often pegged to utilization or square feet per person. However, leaders in both the public and private sector are moving away from these simplistic definitions and for good reason: they fail to capture how workplaces best support their users and, in turn, enable their mission. Research shows that 80 percent of organizational costs are for their people, while real estate expenditures tend to range from 8-12 percent and technology 8-12 percent. When we view the workplace as a space to support our people, we shift our mindset to being mission enablers—not just space providers— and open up opportunities to look past one desk per person.

Workplace performance is a function of numerous variables, ranging from employee wellbeing to facility adaptability, sustainability, and resilience. Wellbeing itself is a multi-faceted concept, but its importance cannot be overlooked. As testament, entire certification programs such as WELL and Fitwel have been developed to help facility owners operationalize wellness.

Workplaces that support wellbeing help their employees flourish across six dimensions: physiological, social, material, spiritual, mental/emotional, and intellectual (as defined by the World Health Organization). And the effects on mission and financial returns are significant. For

example, cognitive performance is 61 percent higher for workers in offices with improved indoor air quality, leading to more creative and prolific output. Good workplace design that integrates across these dimensions can boost employee retention 47 percent, preserving institutional knowledge and reducing attrition costs³.

Performance is also related to facilities' and real estate portfolios' adaptability to changing contexts. Few anticipated that a global pandemic would affect our workplaces so significantly, but some organizations were more prepared to embrace the changes than others. These organizations had previously invested in technology, facility designs, and real estate strategies that allowed their workplaces to flex to the new circumstances. For instance, employees in smart offices with mobile technology and shared desks seamlessly transitioned to home; and forward-thinking facility managers who had established more liquid real estate portfolios were able to easily repurpose or shed excess space. We rarely know what the next shock will be—a cut in funding, a sudden growth spurt, another global disruption—but the highest performing workplaces have designed their spaces accordingly.

The payback on performance is not always as clear as short-term net present value or internal rate of return. But it yields far more than blunt reductions in footprint through more enriched employees, sustainable buildings, and resilient portfolios, all of which optimize returns over time. Importantly, these returns are not only financial in nature, but also social and environmental, creating triple-bottom line benefits for organizations and their communities.

As organizations shift to hybrid work models, performance should be an important part of the conversation that guides their actions. Sometimes hybridity and performance will align well, as

³ GSA. Workplace Matters: Return on Investment. *GSA Public Buildings Service*.

when the flexibility to work from home leads to more resilient and balanced employees. Other times, they will conflict, such as when the push to reduce footprint and over-densify leads to suboptimal outcomes in noise, air quality, and growth elasticity. Savvy portfolio managers are finding ways to balance these drivers, but always prioritizing broader performance over myopic ROI.

The federal government can expand performance across its real estate portfolio through the following actions:

- Develop multi-faceted workplace performance evaluation programs
- Integrate performance into portfolio optimization plans
- Evaluate workplace investments through more than a financial lens and integrate other non-financial goals (e.g., sustainability, equity, resilience)
- Develop new operational and behavioral protocols around office use, redefining the purpose of the office

Summary

The time to reevaluate and redefine the purpose of our offices is now. The past year has unequivocally proven that the majority of administrative and/or knowledge work can be done “anywhere.” We no longer can or should expect that the work activities one performs throughout the day will happen in a single location, such as an office or a workstation. Instead, we need to enable and empower workers the autonomy and flexibility to choose.

Organizations, agencies, and institutions all over the globe are currently reassessing their needs for space. The most successful are championing activity-based planning and expanded

definitions of performance and ROI to drive their workplaces into the future. Just as with these private companies, the public sector stands to gain considerably from these shifts through greater fiscal stewardship and better achievement of their missions. Thoughtful user research and active employee engagement will help federal decision-makers best tailor workplaces to meet the evolving needs of their workforce and allocate space across their portfolios. With careful upfront investment in high-quality space, SOPs around how best to use spaces, and broader cultural acceptance of hybrid work models, the federal building portfolio can realize significant long-term savings for Americans and foster a higher performing public workforce.