Balancing People, Space and Tech to Achieve Cost Neutrality

The three biggest operating costs for the average organization are people, technology, and workspace. With an ongoing talent shortage in Canada driving up the cost of labour – and with organizations adopting more technology solutions to facilitate hybrid work and digital transformation – cutting down on space is often the best way to achieve cost neutrality.

Often approached as three distinct entities, these primary cost centres are very much intertwined, as they are all contributors to the user experience of employees. As a result, cutting back on one area often requires an investment in the others.

Investing in better technology, for example, can reduce your labour needs, while remote and hybrid collaboration solutions can reduce your office space requirements. Investing in more people typically drives up your workspace costs, unless it's met with similar investment in hybrid technology. Investing in a better workspace can similarly reduce turnover, and thus overall labour costs.

In the current environment of labour shortages and high turnover rates, most organizations are spending more on talent. With 54% of Canadian employers pursuing a hybrid work strategy, many will have to increase their IT spending as well. Fortunately, the adoption of a hybrid work strategy provides an opportunity to offset these rising costs with savings on real estate.

> **"At a time when business owners are striving to do more work with less of a real estate footprint, the transition to hybrid work can effectively reduce costs while improving the overall working experience. With some or all employees working from home some or all of the time, Canadian employers should take this opportunity to consider the purpose and value of the post-pandemic office as it relates to the user experience."**

states Jamie Grossman, Managing Principal of Cresa's Toronto office.

Before cutting down on real estate, however, organizations need to consider what impact that could have on that user experience. After all, labour costs aren't limited to salaries and benefits, but include a wide array of factors, often referred to as "soft-costs." Those costs include things like lost productivity for remaining staff members, recruitment, training, and the loss of institutional knowledge. That is why one study found that a turnover rate of 30% at a 100-person company that offers an average annual salary of $50,000 can cost between half a million and three million dollars a year.

While it is true that most organizations sign multi-year leases that were likely inked well before the pandemic, there are plenty of opportunities to save money within the boundaries of the space they already have.

Lower overall utilization, for example, might allow businesses to become more efficient with their space by sharing resources, and costs — such as boardrooms, cafeterias, printers, and other amenities — with other tenants in the building.

Another approach is to invest in the space you already have in order to reduce overall labour costs. It might sound counterintuitive, but in today's reality of hybrid work and global talent shortages, improving your physical workspace can actually help lower staffing costs. That is because a more desirable working environment and on-site workplace perks can play a significant role in employee recruitment and retention.

What’s important is that organizations take all three factors into consideration, and understand how cutting or increasing costs in one-area affects the others. With that balancing act in mind, they can begin to consider their needs and create boundaries that suit their culture. If talent costs are becoming unsustainable, for example, they can redirect some of that investment into hybrid technologies and a beautiful office design to improve recruitment and retention.

On the flip side, failing to invest in technology and failing to provide a desirable workspace could ultimately inspire some of your staff to look elsewhere, and in a hot talent market, they won’t have to look very far.

According to a recent study by the Canadian Centre for the Purpose of the Corporation,

42% of Canadian employees are considering changing jobs or careers in the next 12 months.

6% of Canadian employees are citing compensation as the primary reason, within the 42%.

36% of Canadian employees are considering leaving because their company does not take care of its employees, within the 42%.

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We at Cresa can help you design a workspace that will serve as a powerful recruiting tool for new candidates, and a strong retention tool for existing staff, while staying aligned to your company culture and within your budget. Visit www.cresatoronto.com to get started today.

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