

# Shaping Malta's Future 2021

The hybrid office: productivity,  
social dynamics, and way forward

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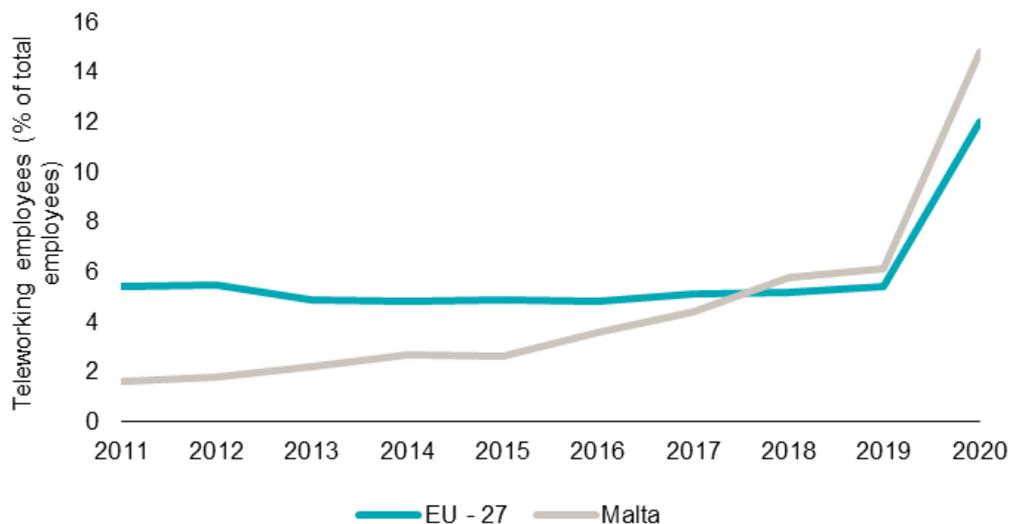
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# The hybrid office: Productivity, social dynamics, and way forward

The question of whether remote working will be the new norm has to be considered by examining the problems that could possibly inhibit such a new reality. On one hand, firms benefit from less office space and less commuting time. On the other hand, issues of work-life balance, decentralisation of control, and the path towards an efficient productivity cap diminish this possibility. This session explores the viability of telework beyond Covid-19.

The decade prior to the pandemic showed a consistent proportion of individuals working from home in the EU-27, with around 5.4% of total EU employees stating that they often worked remotely. Malta had been experiencing a gradual increase year-on-year. As expected, during the pandemic, this statistic increased, reaching 12% in terms of EU employees and 15% of Maltese employees, as of 2020.



According to an MEA survey, the highest increase in telework has been attributed to the gaming industry and the financial sectors. It could also be noted from the survey that there seemed to be a positive relationship between company size and teleworking arrangements. This may be due to larger companies being better disposed to accommodate such arrangements, both in terms of logistics and from an expense standpoint.

The sectoral probabilities of continuing or even increasing teleworking arrangements, as denoted earlier, might be a reaction to the effects on productivity. Productivity increases were linked to the gaming industry, the financial and insurance sectors; whilst it lacked mostly in the education and retail industries. Employers in Malta have, in their majority, felt that employees were equally productive, irrespective of whether they were working on site or remotely. Having said that, a significant minority have admitted that employees were less productive when working remotely, and only 7% declared that workers were more productive in remote conditions.

A positive reaction towards working from home came from EU employees as more workers demanded more frequent telework arrangements in spring 2021, as compared to the summer of 2020.



# Remote work and teleworking

Procedures which had become ingrained in workplace culture, including but not limited to: management checking up on their employees every so often, the general staff meeting every week, or socialising with colleagues at the staff canteen; were, in some cases, stripped away during the pandemic. This has encouraged management to become creative and make use of technological tools to keep operations running smoothly. These tools and mechanics are further described below.

## A. Monitoring and surveillance tools

Traditional employee monitoring which mainly involved physical checks have not only become outdated, but have become impractical when organisations started to shift to teleworking arrangements. Should the teleworking phenomena linger beyond the pandemic, as suggested in the previous section, it is likely that the following technologies would prevail:

- A.I. enabled solutions – The use of machine learning and automated/semi-automated systems
- Data analytics – Analysis of data collected
- Biometrics – The use of contactless physical feature recognition software ex. Iris and retinal scanners, facial recognition, etc.
- G.P.S. - The use of satellite tracking
- Internet of things (IoT) - connectivity of I/O devices to keep track of inputs and outputs
- Wearables – Similar to IoT, except that these are worn by the user
- Radio-frequency identification devices (RFID) - the use of microchips for tracking

There are other concepts which have had their function altered to allow for surveillance. The webcam, generally used to allow for better communication, is used to directly monitor operations and maintain virtual meetings. Emails, an efficient and effective tool to mass communicate, are tracked to monitor efficiency and response times, depending on how long it takes to respond to a ‘check-up email’.

This is all to be contextualized within privacy rights, as some organisations have virtually invaded their workers’ homes. For instance, the European Trade Union Confederation has been pushing for an EU directive on the right to disconnect.

## B. Efficiency-inducing mechanics

Beyond team oversight technology has enabled effective communication between manager and employee, as well as work teams, to continue their coordinated efforts. This phenomenon was mirrored by the fact that virtual network companies such as 'Zoom' have had their share price increase substantially when the pandemic rendered traditional office meetings untenable.

Albeit the above, virtual meetings are not only valuable for progress review, but also in holding training sessions. A 2021 LinkedIn report has estimated that some 94% of employees will remain in a company if it invests in their career development. Hence, virtual training could also feature as part of the routine in the future workplace.

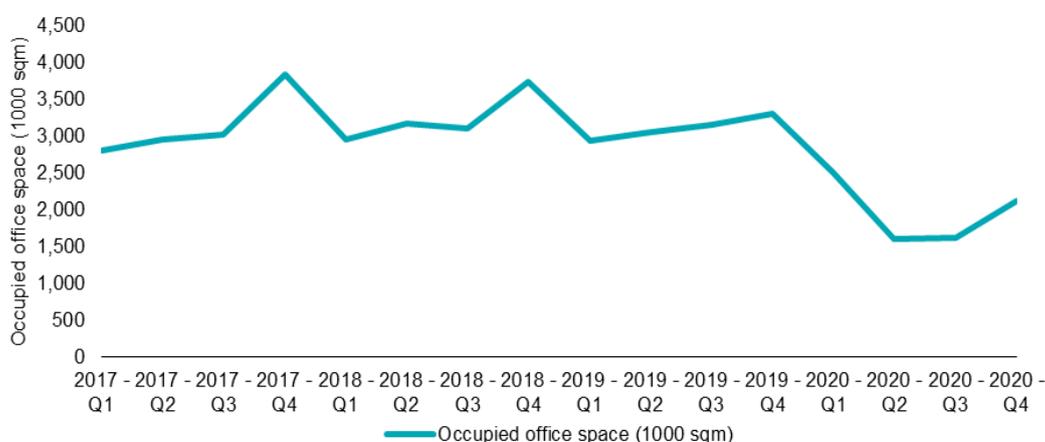
Unmanned aircraft, more commonly known as drones, is yet another feature popularized because of the move to remote work and online purchases. In this instance, it is worth noting that governments have taken a special interest in drones. Greece has used drones to slow the spread of the virus, but police drones might become the norm after the pandemic to prevent and capture crime. Furthermore, the recently licensed Malta Drone Academy has already invested €500,000 towards pilot training, equipment testing and drone services.



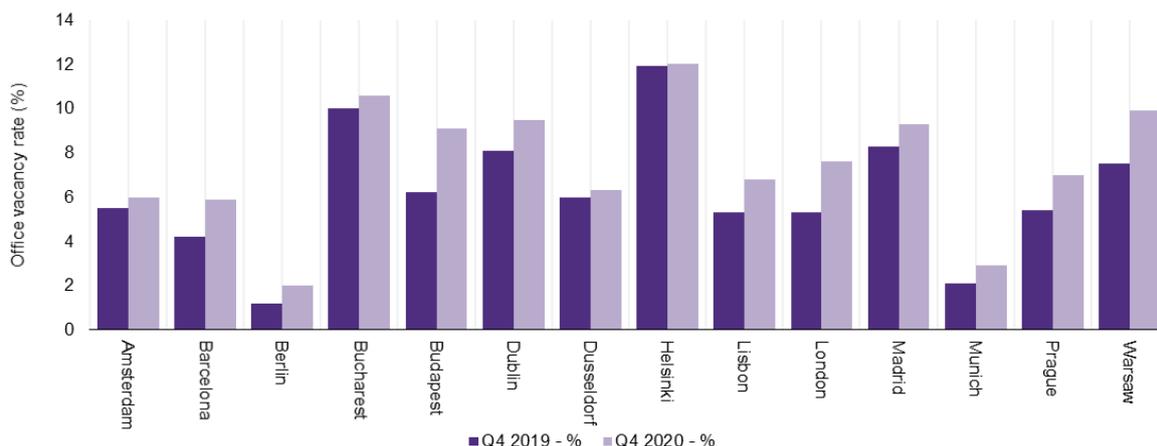
# Teleworking and its effect on the property market

As employees began working from their homes, there have been various implications on the office property market. The various changes in the economy in the past year have also had their toll on the local residential property market. This section of the report will analyze the transitions of the European property market, with a special focus on the local sector.

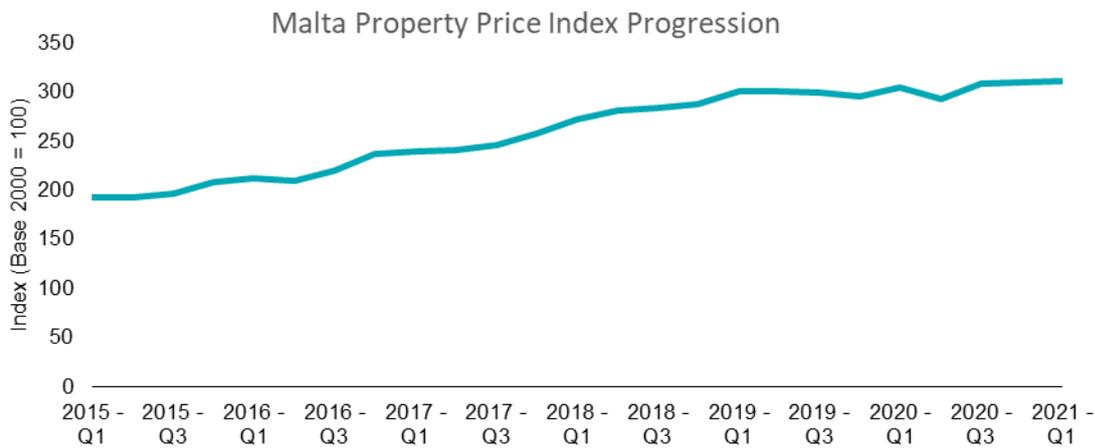
The chart below depicts the effect of teleworking on office space being used up in Europe. The second quarter of 2020 experienced a sharp decline in office take-up space. The occupied office space in the first quarter of 2020 amounted to 2.5 million sqm, whilst that of the second quarter amounted to 1.6 million sqm, a fall of 36.0%. In turn, Europe experienced a massive tremor in its property markets. Office take-up space has decreased by almost 60% on average between 2019 and 2020, with the bulk of this decrease experienced between the first and second quarters of 2020; the height of the pandemic in mainland Europe.



As expected, and depicted in the chart below, this is complimented by an increase of the office vacancy rate across many European cities. For instance, London, Warsaw, and Budapest all experienced a greater than 2 percentage point increase in their vacancy rate. One would expect that an inverse relationship exists between office take-up and office vacancy rate, which in fact is the case.



The Maltese property sector has similarly experienced a decrease in 2020, with Airbnb listings falling from 11,330 to 10,236 between 9th February and the first week of June 2020. Average rental price advertised decreased by 14% at the height of the crisis. But this is seemingly only a temporary effect which should recover as the pandemic subsides. This improvement can already be seen via the Central Bank’s publication of the property price index.



Furthermore, the number of households having rents, mortgages and other related expenses in arrears has declined from 37,853 to 35,571. This may be attributed to both the temporary fall in the average advertised rent rate as per market fluctuations, but also due to the extension of the moratorium on existing loans, set out by Government.

In conclusion, there have been some significant developments in the working world because of the pandemic, despite severe economic repercussions. A mix of teleworking combined with traditional working practices is expected to become the norm in selected industries, giving rise to less commuting time which could improve the work-life balance. However, this puts pressure on organisations to maintain functional teams and supervision of work, so technology must accordingly adapt to such hybrid working arrangements. Remote work has vacated plenty of office space across Europe in sectors where this new way of working has triumphed. For other sectors, working from home remains but an unrealisable dream.

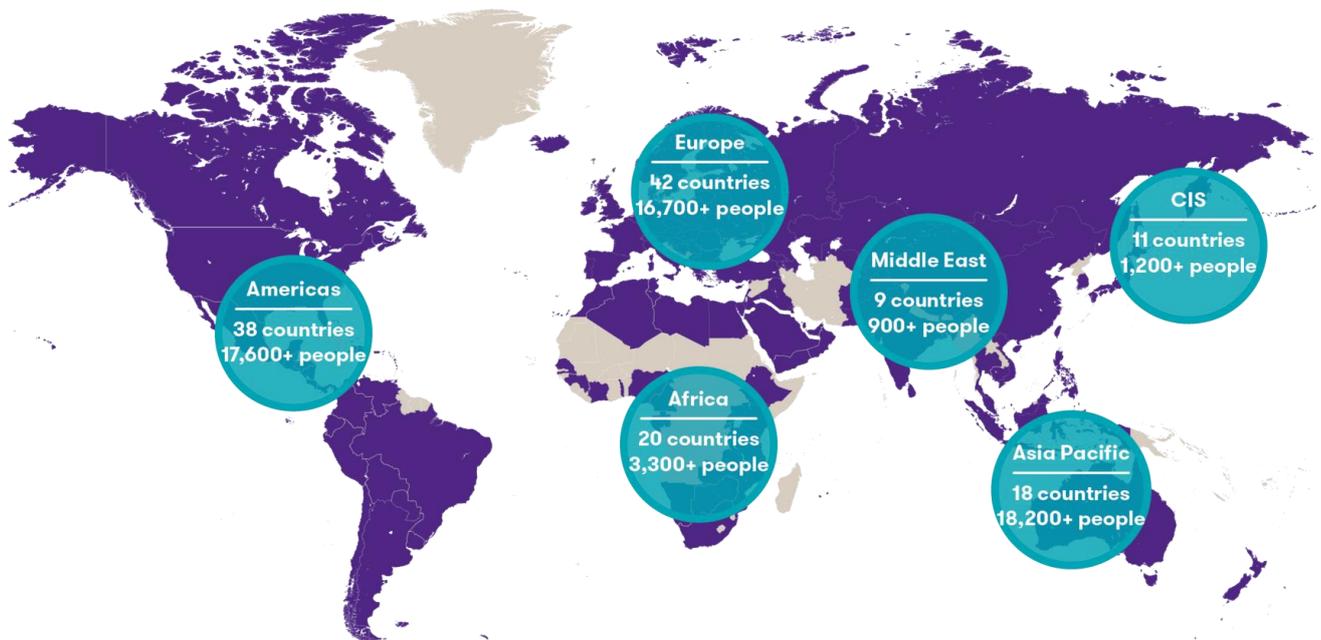
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USD5.76bn  
(2020 revenue)



58,000+  
people



750+  
offices



138  
countries

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- audit quality monitoring
- global audit technology
- systems and risk assurance

## Business risk services

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- internal audit
- risk management and internal controls consulting
- governance and risk management
- regulatory services
- risk modelling services
- forensic and investigation

## Business consulting services

- general business consulting
- business planning and performance improvement
- change and program management
- business intelligence and analytics
- business valuation and litigation support
- business process outsourcing and consulting

## Transaction services

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- capital markets, including Prospects and WSM
- project financing
- due diligence
- valuations
- foreign direct investment

## Recovery and reorganisation

- operational and financial restructuring and reorganisation
- recovery

## IT and Technology

- IT business consultancy
- technology implementation
- blockchain technology
- fintech consultancy
- cyber security consultancy

## Tax and regulatory

- direct international tax
- global mobility services
- indirect tax advisory
- transfer pricing
- estate planning
- wealth advisory
- FATCA/CRS advisory and compliance
- IRS qualified intermediary advisory and compliance
- regulatory and legal
- corporate services
- ship and aircraft registration
- company formation
- financial regulatory services
- trust and fiduciary services

## Outsourcing

- bookkeeping and financial accounting
- payroll and personnel administration
- direct and indirect tax compliance
- human resources
- compilation of financial statements
- business process outsourcing including back office and secretarial
- consulting and processing engagements
- family business consulting

## Economic advisory services

- economic impact assessments
- cost-benefit analyses
- cost effectiveness analyses
- value for money analyses
- public private partnership advisory
- public procurement advisory
- advocacy reporting
- evaluations of projects, policies and programmes
- strategy development
- product development costing and determination of pricing strategies
- market research
- survey design, collection and analyses
- ad-hoc engagements

## Quantitative risk advisory

- ICAAP & ILAAP
- capital requirements
- ALM & Actuarial ALM
- stress testing (BASEL III / SOLVENCY II)
- independence reviews
- credit risk
- interest rate risk
- price risk (hedging)
- foreign exchange risk
- data mining
- data science
- Tableau dashboard
- data management
- statistics and data analytics
- remediation and anti-money laundering
- tool kit using research techniques

## Other services

- assistance with EU and local funding
- marketing and communications consultancy
- brand development
- human resource consultancy

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