

*Getting hybrid work right:
Creating and sustaining
inclusive economic growth
in Canada*



GETTING HYBRID WORK RIGHT: CREATING AND SUSTAINING INCLUSIVE ECONOMIC GROWTH IN CANADA



→ The way we work is no stranger to change. From the Industrial Revolution to the Information Age, technological advances have transformed labour markets and our ways of life. We're now in the middle of another evolution: the acceleration of hybrid work.


The COVID-19 pandemic has spurred rapid changes in how and where Canadians work. Roughly 40% of Canadian workers now hold jobs that can be done primarily from home.¹ These disruptions mean there's no going back to a strictly place-based way of working. And we shouldn't. Deloitte's first Catalyst report, *A vision for a thriving Canada in 2030*, showed that continuing on our pre-pandemic trajectory would have put us on a less prosperous path as an economy and as a society.

Hybrid work arrangements offer an opportunity to spark a new and better future. Done right, hybrid work offers the potential for better work-life balance. It could give workers and companies more flexibility in how, when, and where they work. It could open the door to more inclusive work environments that accept different working styles and accommodation needs. And it could enable greater geographic flexibility and economic opportunity for Canadians across the country.

And yet, hybrid work can also exacerbate inequity. Hybrid work as it exists today is a privilege available primarily to well-paid knowledge workers in urban centres.² As hybrid work structures continue to expand and evolve, protecting and supporting workers who can only work in person—a group in which low-income workers, single-earner households, and certain visible minority groups are overrepresented—will be critical.⁵

Our vision is that by 2030, Canada will be home to a leading hybrid work environment that promotes inclusive growth and benefits all working individuals.

Looking ahead, Canadian employers will continue to set individual policies for hybrid work that are suited to their business and workforce. Governments also have a role to play, supporting both the businesses offering hybrid work arrangements and the individuals participating in them. Effective policy action can serve to maximize the economic and social benefits of hybrid work while limiting its possible harms. Canada must move quickly to develop responsive and flexible policies to ensure that hybrid work acts as an engine of equitable prosperity. In response to these hybrid opportunities and challenges, this paper aims to identify key policy recommendations for governments to consider.

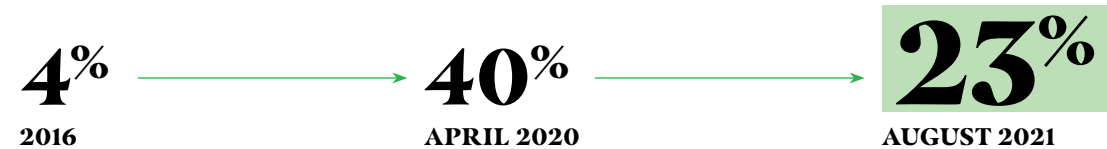


We define hybrid work as employment that takes place both remotely (from home or a location of choice) and in person at an official workplace, in either a flexible arrangement or on an agreed-upon, pre-determined schedule. Hybrid work can take many forms, from employer-defined in-person and remote days of the week to fully flexible, with employee control over location and schedule. Our definition is also future-oriented, as certain types of work that can only take place in person today may evolve to become hybrid in nature as technology advances.

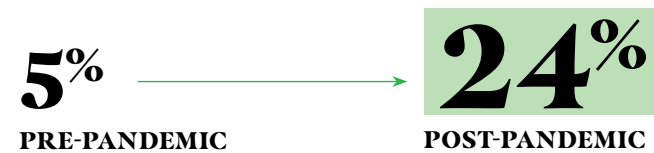
Hybrid work in Canada



HOW MANY CANADIAN EMPLOYEES ARE WORKING REMOTELY?⁴



WHAT PROPORTION OF THEIR HOURS DO EMPLOYEES WANT TO WORK FROM HOME?⁵



HOW MANY PEOPLE WHO STARTED WORKING REMOTELY IN 2020 WANT TO KEEP WORKING MOST OF THEIR HOURS FROM HOME?⁶

A horizontal timeline with one point, '80%', highlighted in a green box.

Percentage
80%

Our research approach

- **Literature review** of academic and secondary research, including analysis of emerging international best practices, to determine which approaches Canada could implement to become a leader in inclusive hybrid work.
- **Specialist consultations** with Deloitte and industry leaders who have deep experience in—and understanding of—the trends shaping the future of work.

1. LAYING THE FOUNDATION: HYBRID WORK ARRANGEMENTS THAT PROMOTE INCLUSIVE GROWTH

What would it mean if hybrid work arrangements were to promote inclusive growth? Employers will need to explore new practices and models to enable arrangements that work well for their businesses and workforces. Governments, meanwhile, are uniquely positioned to erect the scaffolding to support employers and employees alike. We believe that governments and policymakers should be creating conditions for equitable, sustainable, and flexible hybrid work. —————>



Aim 1: Equity

Vision

Workers benefit equitably from hybrid work opportunities, irrespective of their professional seniority, demographics, or location. Hybrid work serves as a catalyst for removing labour force barriers for previously underrepresented groups.

What happens if we don't take action

Hybrid work exacerbates systemic inequalities. Some Canadians have opportunities to access progressive flexible working arrangements, while others don't. Women continue to bear a disproportionate share of care work and unpaid labour. The workforce becomes less talented and less diverse.

Current state

- **Women in flexible work arrangements** are more likely to face lower pay, stalled careers, and backlash.⁷ They also spend approximately **33% more time on unpaid work.**⁸
- **Immigrants and racialized people** have unequal access to hybrid working arrangements due to the fact they make up a larger proportion of frontline workers in Canada.⁹
- **More than half of Canadians** living outside metropolitan centres have no access to the high-speed internet needed for remote work.¹⁰ Even in major cities like Toronto, more than a third of households—largely low-income—lack high-speed internet.¹¹

Aim 2: Well-being

Vision

Hybrid work arrangements encourage wellness and resilience in the labour force. Employee mental and physical well-being is promoted and respected.

What happens if we don't take action

Hybrid work continues to blur the lines between home and office. Employees feel pressured to be online at all hours of the day, and struggle to manage personal and family obligations. Differentiating home from work continues to tax mental health and contribute to burnout.

Current state

- **More than 80% of Canadians** who worked from home during the COVID-19 pandemic reported feeling symptoms of burnout, and roughly **70% experienced feelings of stress.**¹²
- **40% of remote-working employees** struggle to balance work and family responsibilities.¹³
- **18% of employers** are worried about their ability to help remote staff avoid burnout and to recognize their accomplishments.¹⁴

Aim 3: Flexibility

Vision

Most jobs are afforded elements of flexibility, including activities that can be completed outside formal workplaces, more adaptive hourly scheduling, and penalty-free, last-minute, paid time off. Employees are empowered by organizational operating models, cultures, and leadership to choose the hybrid arrangements that work for them. There is no “have” and “have not” division in the labour force.

What happens if we don't take action

Hybrid work continues to exclude certain types of work and professions. Organizational cultures place a disproportionate emphasis on in-person interactions and leadership “face time” for performance assessments. Employees are prevented from taking full advantage of the hybrid opportunities that exist on paper.

Current state

- **Flexible and hybrid work arrangements** tend to be available to senior- and mid-level employees but largely unavailable to their junior-level peers.¹⁵
- **38% of workers in Canada** worry that working from home will negatively impact their career. Immigrants, young workers, racialized workers, and Indigenous workers are all more likely to express this concern.¹⁶
- **Almost one in five employers** find it difficult to trust employees to get work done in a hybrid setting.¹⁷
- **75% of hybrid or remote knowledge workers' expectations** for working flexibly have increased.¹⁸ If returning to on-site work is mandated, two out of five employees would consider leaving their jobs.¹⁹

2. GETTING HYBRID RIGHT: PUBLIC POLICIES TO STEWARD HYBRID WORK ARRANGEMENTS

Governments across Canada have a central role to play in stewarding the conditions for inclusive hybrid work arrangements. Ensuring these arrangements promote equity, well-being, and flexibility will require both changes to existing policies designed around place-based work and the creation of future-oriented policies. These government interventions will continue to be strengthened by intentional engagement and collaboration with businesses, employers, and employees. In the following section, we lay out actions that policymakers can take to maximize the benefits and minimize the harms of hybrid work, thereby positioning Canada as a leader in inclusive hybrid work by 2030. →





Provide updated guidance regarding existing employee protections

Meaningful inclusion will continue to be challenged by the emergence of hybrid work, just as it was challenged by the drastic shift to remote work during the pandemic. The combination of face-to-face and remote engagement may lead to more privileges for workers who prefer, and are able to access, more in-person work. For instance, employees with more in-person interactions with management may be more readily promoted.²⁰ Without appropriate policy guidance, some groups of employees could be left behind.

→ **Provide updated guidance regarding existing employee protections** *cont'd*

To strengthen inclusion and equity, governments will need to clarify the application of existing human rights codes to hybrid work arrangements. Canadian human rights codes already generally guard against discrimination on the basis of race, creed, sex, disability, age, sexual orientation, marital status, and family status, and some jurisdictions similarly bar discrimination based on gender identity and expression.²¹ Most jurisdictions also employ some form of equal-pay legislation to compel wage equity between genders.²²

As hybrid work evolves, new potential pitfalls with respect to ongoing human rights compliance could emerge. For example, given that some data suggests more women than men prefer hybrid work, and that employees with disabilities are more likely to work primarily from home, updated guidance on compliance with the existing codes would help ensure that certain groups are not disadvantaged by hybrid or remote work policies.²³

Employers may also benefit from updated guidance on their legislated duty to accommodate their employees in the context of hybrid work. For example, the federal government released guidance early in the pandemic to help federally regulated employers understand how to approach their duty to accommodate.²⁴ Similar guidance for employers regulated at the provincial and territorial level would help promote inclusive and equitable arrangements across Canada.



Modernize employment practices

Supporting workers is a key component of a well-functioning, equitable labour market. Ensuring the growing hybrid work labour force is both recognized and respected is an increasingly important objective for the purposes of talent retention and workforce equity. Other countries have already taken measures with hybrid workers in mind (see “*Modernizing employment practices for hybrid workers in Europe*” on page 14). Canadian hybrid workers may be well supported by a focus on:

Requests for reasonable flexibility

The desire for greater flexibility was already a trend among employees before the pandemic. In response, employers had started offering flexibility with respect to the location of work.

Equally important, but less explicitly addressed by hybrid models, is flexibility concerning the *hours* of work. Under existing Canadian human rights codes, employers may be required to offer flexibility as part of their duty to accommodate employees (e.g., modified hours for those with caregiving obligations). However, employers and employees alike could benefit when employers duly consider flexibility requests from employees for reasons beyond those protected by human rights codes (e.g., a worker who prefers remote work for productivity). In light of shifting norms around ways of working, it will be important for governments to continue engaging with employers to understand how these practices could be adopted more broadly, or how needs have evolved.

Disconnecting from work

Hybrid work has blurred the lines between home and work, exacerbating another challenge that existed even before the pandemic. Several countries have legislated measures to help employees step back, or “disconnect,” from work without fear of reprisal.²⁵ In Ontario, legislation has been introduced that requires employers to develop a policy with respect to disconnecting from work, and the federal government has committed to co-developing such a policy for federally regulated workers.²⁶ It will be important to monitor progress in both jurisdictions and consult with labour groups and employers to avoid unintended consequences, such as managers increasing pressure on staff during their “on” hours or the strain of new requirements impeding business recovery.²⁷ As provincial, territorial, and federal governments continue to

explore policy changes to support disconnecting from work, a key consideration will be ensuring that the policies encourage and enable flexibility for employees without overly prescribing norms around standard working hours and location.

Governments can also make an impact through their role as some of the largest employers in Canada. By taking a clear position on adopting internal reasonable flexibility and by considering options to help employees disconnect from work, their example can encourage other employers to adopt best practices, without necessarily codifying regulatory requirements. Such measures can serve to promote equity, well-being, and flexibility for hybrid workers while expanding access to this form of work.



Case study: Modernizing employment practices for hybrid workers in Europe

Requests for reasonable flexibility

The United Kingdom recently updated its labour legislation to allow employees to request flexible work arrangements from the first day of employment, down from six months under previous rules. Employers can refuse on one of eight grounds, including cost burden or an inability to reorganize work among other staff.²⁸ However, they must process requests in less than three months, disclose reasons for any refusals, and offer alternative arrangements. The measures come as part of a broader program, the Good Work Plan, introduced in 2019 to examine the full range of flexible working options, such as fewer or different hours and job shares.²⁹

Disconnecting from work

Ireland is introducing legislation specifically focused on the new reality of hybrid work. It includes the ability for employees to not have to routinely perform work outside normal working hours, to not be penalized for refusing to attend to work matters at those times, and a duty to respect others' disconnecting practices. Meant to be flexible, the rules *do not codify* what counts as "normal" working hours, but do suggest best practices, like managerial training and adjustments for time zones. Unlike previous legislation of its kind, these new measures apply equally to workers who are remote and onsite.³⁰



Remove cross-jurisdictional barriers

Hybrid work presents an opportunity to promote more even prosperity across the country outside the major metropolitan centres that have traditionally benefited as nodes of place-based work economies. Record numbers of Canadians migrated to the Maritimes in 2021, for example, primarily from more populous provinces such as Ontario and Alberta.⁵¹ Reducing barriers to cross-jurisdictional work could enable more even economic growth and greater prosperity for communities that haven't benefited from place-based work in the same way.

Such barriers might include:

Income tax requirements

Place-based definitions in tax rules create uncertainties that may disincentivize employers and corporations—particularly smaller or regional ones—from employing hybrid staff. Deloitte’s conversations with clients revealed that many have paused their plans to allow remote or hybrid work until they better understand the tax implications, particularly for corporate income and payroll obligations.

Currently, employers must allocate corporate income across jurisdictions for tax purposes, generally based on the proportion of revenue attributable to a “permanent establishment” (PE).⁵² Under existing definitions, the home of a remote-working employee could be classified as a PE, potentially introducing tax obligations in a jurisdiction where the business was not otherwise taxable.⁵³ The existence of a PE also affects an organization’s eligibility for certain provincial/territorial tax credits and incentives. Meanwhile, payroll obligations (e.g., provincial income tax) are determined based on where an employee reports in for work or where payroll is processed, and both can be difficult to determine in a hybrid or remote environment. What’s more, employer-level income taxes vary by province.

In the immediate term, there is an opportunity for federal, provincial, and territorial governments to provide guidance on the determination of jurisdiction of employment in a hybrid environment under current rules. In the longer term, it may be worth exploring how existing legislation could be simplified. For instance, payroll obligations could be aligned with personal income tax residency rules, which are based on the employee’s province of residence as at December 31. These actions could make it easier for smaller and regional businesses to offer hybrid work arrangements, and thus for more Canadians to benefit from them.

→ **Remove cross-jurisdictional barriers** *cont'd*

Data privacy

Canadian data privacy law is a patchwork of provincial, territorial, and federal frameworks. As a result, organizations that operate in multiple jurisdictions may be bound by different requirements. The overlapping and varying nature of data privacy laws may create additional considerations for businesses with newly hybrid operations across provinces, including the need to adhere to different rules governing the sharing of employee information or storing of customer data.⁵⁴ These challenges have begun to be addressed. Federal legislation is being reviewed, Quebec has introduced enhanced legislation, and Ontario and British Columbia are consulting on forthcoming updates.⁵⁵ To further support these efforts, there is an immediate opportunity for privacy commissioners across Canada to provide clear guidance for employers on the application of existing rules to hybrid work realities.

As privacy legislation in Canada continues to evolve, the growth of hybrid work could help catalyze a more transparent data privacy landscape. For instance, some privacy rules currently rely on “implied consent.” A key component of the use of implied consent is an individual’s reasonable expectations for how their data is used.⁵⁶ If hybrid working results in cross-jurisdictional sharing of employee or customer data that’s outside of current expectations, it may prompt the need for more explicit consent provisions or updated employment contracts. It would be prudent for governments, regulators, and standards-setting bodies to address these challenges by strengthening expectations and guidance regarding accountability and assessment in a hybrid context.⁵⁷ This would enhance transparency and enable more secure practices in hybrid arrangements.



Modernize caregiving systems

The Deloitte report *A vision for a thriving Canada in 2030* showed that removing labour market barriers could empower 90,000 more women to enter the workforce over the next decade.³⁸ There is an opportunity for hybrid work, and the flexibility that it offers, to help break down those barriers. Women, who are more likely to be caregivers, have also been more likely than their male colleagues to face lower pay, stalled careers, and backlash when they participate in flexible work arrangements.³⁹

→ **Modernize caregiving systems** *cont'd*

Policymakers across Canada who are working to bolster labour market participation for women and caregivers could explore:

More flexible child care

The vast majority of licensed early-learning and childcare (ELCC) centres in Canada offer standard hours based on 9-to-5 work schedules.⁴⁰ At the same time, nearly 40% of parents with young children work non-standard hours, making it challenging to access reliable, affordable ELCC that meets their needs.⁴¹ Even before the pandemic, an increase in the number of Canadians working non-standard hours was forecasted.⁴² Hybrid work has clearly accelerated that growth, blurring the lines between work and home and between “on” and “off” hours.

As federal, provincial, and territorial governments continue collaborating to establish \$10/day ELCC across the country, it’s clear these systems need to be made more flexible to account for more people working in hybrid structures. Such models may include ELCC centres exclusively for occasional care, or networks of ELCC centres that supplement parents’ regular services with occasional spaces.⁴⁵ Targeted policies may serve to facilitate and expand flexible care. For instance, defining clear requirements (e.g., staffing ratios) for exclusively occasional care providers that reflect their non-traditional operations.

Or, ensuring adequate funding for flexible ELCC operators so that flexible and occasional care is reliably available to the families who need it most. Equipping the ELCC system to better serve hybrid caregivers will also require ensuring that high-quality care and education are maintained even in non-traditional models. Supporting the early-learning workforce and developing better physical infrastructure are important contributors to that quality, as discussed in *Early Learning and Childcare as Key Economic Infrastructure*, a report by Deloitte and the Margaret and Wallace McCain Family Foundation.



More flexible elder care

Improving Canada's aged-care ecosystem would similarly enable more family caregivers to fully benefit from hybrid workforce participation. The Deloitte policy brief *Making Canada the best place in the world to age by 2030: A senior-centric strategy* outlines actions governments can take, including integrating aged-care providers and fostering a specialized workforce. And, like the leadership role the federal government has taken on child care, there is a need to steward a pan-Canadian aged-care ecosystem to ensure consistent care standards across the country.

THE PANDEMIC'S IMPACT ON WORKFORCE INCLUSION FOR WOMEN

In April 2020, women's workforce participation dropped to

55%

for the first time since the 1980s⁴⁴

Between February and May 2020, employment for parents with young children dropped by

5%

for fathers

7%

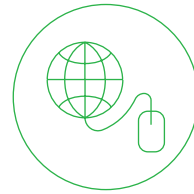
for mothers⁴⁵



Accelerate investment in broadband affordability and access

Access to affordable high-speed internet is necessary for participation in the remote aspect of hybrid work. And while 94% of Canadian households technically have access to high-speed broadband (the infrastructure for a high-speed internet subscription exists),⁴⁶ only 85% of households actually have internet in the home (they have purchased a subscription).⁴⁷ In other words, although broadband coverage has improved in recent years, a gap still remains due to a range of factors like affordability, consumer choice, and technical capability. The experience of remote work during the pandemic has clearly demonstrated the extent of digital inequity in Canada. Broadband access and speeds need to be urgently addressed, as discussed in Deloitte's second Catalyst report *Digital equity: spotlighting Canada's divide*.

Canada's digital divide



ACCESS

46%
OF RURAL
HOUSEHOLDS

24%
OF HOUSEHOLDS IN
INDIGENOUS COMMUNITIES

*have access
to high-speed
broadband
infrastructure⁴⁸*



AFFORDABILITY

38%
OF TORONTO
HOUSEHOLDS

*report internet speeds
below the national
target, particularly
for the **lower-income
and elderly**⁴⁹*

91%
OF HOUSEHOLDS IN THE
HIGHEST INCOME QUARTILE

76%
OF HOUSEHOLDS IN THE
LOWEST INCOME QUARTILE
*have internet **access
in the home**⁵⁰*

→ *Accelerate investment in broadband affordability and access cont'd*

Even as technological advancements like low-earth orbit satellites have expanded coverage to more remote regions, services remain prohibitively costly for many (e.g., one service provider's fixed cost was roughly \$650, plus monthly service payments of approximately \$130). Focused policy interventions to address the broadband affordability gap would enable more equality in hybrid work and reduce broader labour force barriers for under-represented groups.

Governments are already taking action, such as with the federal Connecting Families initiative led by Innovation, Science and Economic Development (ISED), which subsidizes high-speed internet for low-income families.⁵¹ An expansion of such approaches across multiple levels of government—by expanding eligibility, for example—could also help democratize participation in hybrid work. It may be worthwhile to explore ways to incentivize uptake of such programs; for example, through outreach with community partners or by linking with other benefits and credits for low-income Canadians.

With the advance of technology, the coverage gap will continue to shrink. However, continued government assistance, such as through the \$2.75-billion federal Universal Broadband Fund or similar provincial programs, will remain important.⁵² Of particular focus should be the need for more symmetric networks that offer not only high download speeds, but also high upload speeds, to reflect the changing nature of internet use in a hybrid work context (e.g., group video calls). It will also be important to ensure that investments are disbursed in a manner that is timely and appropriate to the community beneficiaries. For example, there is a tendency to frame projects for remote and Indigenous communities as “last-mile” development, which can limit the opportunity for local engagement. A “first-mile” model would instead emphasize community-driven development, with local governments substantively engaging on decisions regarding how the infrastructure is built, managed, and used.⁵³



Improve funding to individuals for digital upskilling

Foundational digital skills are necessary to participate in the remote aspects of hybrid work. For jobs that already required these skills, participation in the remote part of hybrid work may not require formal upskilling, but as technology evolves, upskilling may be needed. By 2030, the definition of foundational digital skills may be different than it is now; for example, literacy in artificial intelligence could become a core component of education or training requirements.⁵⁴

→ **Improve funding to individuals for digital upskilling** *cont'd*

The shift to hybrid work and the increasing demand for digital skills may result in a more polarized workforce, in which some people have the skills to participate and others do not.⁵⁵ Governments across Canada are already working to address the literacy and numeracy gap in the labour force. These efforts can be reinforced through further action, along with support from businesses and other employers, to ensure that all Canadians can acquire and develop the digital skills needed to equitably participate in and benefit from hybrid work. Particular attention should be paid to people who are already at risk of being excluded, including women, Indigenous peoples, low-income households, older people, rural residents, newcomers to Canada, and people with disabilities.

Governments could prioritize:

Upfront funding for digital upskilling

While Canadians can currently access some financial relief from government to pursue training, including but not limited to digital upskilling, most programs do not reflect the fact that most training providers require payment up front. For example, the Canada Training Credit (CTC), offered by the federal government, provides funds to those eligible by way of a tax rebate—this means there’s a gap between the time the expense is paid for and when it’s reimbursed. Tax credits are also historically more accessible to higher-income earners and those who are already over-represented, such as highly educated people and employees of large enterprises.⁵⁶

Foundational digital skills are defined as having the ability, comfort, and confidence to operate digital systems, tools, and software applications; as having basic informational and data literacy; and as being able to communicate and collaborate digitally, including knowledge of digital etiquette.⁵⁷

Reducing up-front financial barriers is essential to enabling more Canadians, particularly from lower-income levels, to participate in reskilling programs.⁵⁸ The federal government's 2019 Digital Charter notes that it must continue to support cost-effective options for Canadians wanting to reskill in order to account for the pace of change of employment demands.⁵⁹ To encourage as many workers as possible to take advantage of hybrid work opportunities, governments could consider providing help for training up front. Shifting from a credit to a voucher funding structure may be an effective first step to increase enrolment in these programs.⁶⁰

Funding for non-traditional reskilling options

Governments could investigate adding non-traditional reskilling providers to the types of organizations that Canadians can receive up-front funds to access. Offering a variety of reskilling options—specifically, accelerated training programs—will be important in order to quickly address the digital skills gap in Canada. Such options include self-teaching or programming offered through community resources, online resources, skills bootcamps, or internships.⁶¹ Some certified massive open online courses (MOOCs), for example, are high-quality and low-barrier.⁶² In tandem, governments will need to continue to develop enhanced measures to reduce the risk of fraud.

The Canada Training Credit

*The recently launched CTC is an example of how the Government of Canada is investing in future-ready skills. It's a taxable rebate for people aged 25 to 65 who earned a total working income of at least \$10,000 and no more than \$150,000 in annual net income. Eligible Canadians can claim up to \$250 per tax year, up to a maximum of \$5,000 in a lifetime, for training or occupational skills courses from a list of certified educational institutions maintained by the Ministry of Employment and Social Development.*⁶³



Help central business districts navigate the transition from place-based work

The pandemic has severely challenged local economies and industries that traditionally relied on place-based workers. Without targeted policy interventions, continued hybrid work may contribute to localized disparities and inequities, particularly in central business districts and industrial parks. To ensure these types of communities can benefit from hybrid work, policy interventions might start with supporting the conversion of space that has become unused or redundant in an effort to reignite local economies.

Hybrid work and metropolitan centres

HOMES



*Home prices are expected to rise over the next year. Estimates range from **5.6%** at the low end up to*

11-20%

AT THE HIGH END⁶⁴

OFFICES



The price of office space in central business districts is forecasted to fall by up to

20%

UNLESS THE SPACE IS CONVERTED TO OTHER USES⁶⁵

LOCAL ECONOMIES



Spending in major city centres is forecasted to fall by

5-10%

BECAUSE EMPLOYEES ARE SPENDING LESS TIME AT THE OFFICE⁶⁶

One solution may be for municipalities to explore retrofitting currently unused offices into residential or mixed-use spaces. This is, however, a complex process that often requires modifying the basic building structure, including windows, plumbing, and insulation.⁶⁷ A silver lining is that older buildings with modular office designs, which are less attractive in an era of open-concept floor plans, are structurally better suited to residential conversion.⁶⁸

In addition to being a proactive response to hybrid work, converting unused office space can address other municipal challenges, such as housing affordability and the diversification of urban cores. Municipal governments have several levers at their disposal to facilitate such retrofits, including rezoning, grants, and tax incentives (e.g., applying residential-property tax treatment at the time of permit granting rather than at retrofit completion).

Some jurisdictions are already exploring this approach, like Calgary's \$45-million offering to incentivize building conversions (see the case study on page 30).⁶⁹ However, cost remains a challenge: most retrofits are commercially unattractive and require some public funding, and municipalities are fiscally limited by their inability to run budget deficits.⁷⁰ Initiatives would benefit from federal funding, which could be administered through the Canada Mortgage and Housing Corporation's (CMHC) National Housing Co-Investment Fund. The fund already offers low-cost and forgivable loans for projects that have support from another level of government, prioritizing projects that promote accessibility, energy efficiency, and social inclusion.⁷¹ In light of the impact of hybrid work on office space and downtown regions, projects that retrofit commercial buildings should be prioritized. Such projects would align with CMHC's sustainability objectives, since

fewer buildings would be demolished and sent to landfills.⁷² A key consideration would be ensuring that federal support is needs-based and equity-promoting, such as being based on population or number of vacancies.



Case study: Converting unused office space to revitalize Calgary's downtown⁷⁵

Like many metropolitan cores, Calgary's downtown was hit hard by the pandemic. Companies that occupied the many office towers sent people to work from the safety of their homes, restaurants switched to delivery or curbside pick-up only, and in-person shows at the arts commons were postponed. Calgary's once-thriving energy industry had already been mired by economic shocks, making it difficult for the city to maintain an active downtown community.

In less than a decade, the way people live, work, travel, and engage with their communities changed dramatically in Calgary. These challenges have had a major impact on the city's office spaces. Vacancy rates in office buildings reached nearly 30%. Property values of office buildings have dropped by \$16 billion since 2015. The downtown core wasn't going to return to its heyday.

Recognizing that this challenge required bold action, the City of Calgary introduced the Greater Downtown Plan. The vision is for its core to be the economic and cultural heart of the city, increasing resiliency to climate and economic shocks, and becoming more vibrant, especially outside traditional office hours. As part of the municipality's initial investment of \$200 million, \$45 million will go toward financial incentives, developed in partnership with private-sector real estate partners, to spur investments in office conversions. The hope is that these incentives will bring in developers who can transform unused office spaces into residential or mixed-use buildings, student or senior housing, post-secondary institutions, and amenities that will reinvent the downtown core into a thriving, robust, and resilient community.

3. INCLUSIVE PROSPERITY BY 2030

As businesses, employees, and governments grapple with implementing hybrid work, an opportunity presents itself for Canada to become a global leader in new and flexible ways of working. It's time for all levels of government to pioneer the conditions for hybrid work arrangements that promote inclusive economic growth for all working people.

To do this, governments can explore various policy levers, from updating legislation and reorganizing funding vehicles to taking a leading role as a large employer. We believe that policy interventions should be grounded in the pursuit of equity, well-being, and flexibility for all. By maximizing the benefits of hybrid work and minimizing its harms, we can define and create conditions that position Canada to be one of the best places in the world to live and work. —————>



Summary of recommendations

- *Provide updated guidance regarding existing employee protections*
- *Modernize employment practices*
- *Remove cross-jurisdictional barriers*
- *Modernize caregiving systems*
- *Accelerate investment in broadband affordability and access*
- *Improve funding to individuals for digital upskilling*
- *Help central business districts navigate the transition from place-based work*

Acknowledgements

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A follow-up to the Deloitte Future of Canada Centre's first Catalyst report, *A vision for a thriving Canada in 2030*, it charts the country's path from recovery from the COVID-19 pandemic to a prosperous, resilient, and inclusive economy and society in 2030. Read more about the Future of Canada Centre on page 36.

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