



# E D A B C

## Economic Development Association of BC

Made available through our unique partnership with IEDC  
Taken from Economic Development Now

---

### Being Alone, Together: Coworking as Economic Development

By Michael Stumpf, Principal, Place Dynamics LLC

A new kind of workplace is emerging in large and small cities across the globe. Coworking is a rapidly growing trend in which independent workers - freelancers, startups, consultants, independent contractors, telecommuters, solo and microbusinesses, and nonprofits, among others - come together in a shared work environment. But it is more than just a desk.

The true value of coworking is in the community that is formed within the space. A synergy occurs when talented people work beside each other. People from different backgrounds and industries create a stimulating environment, draw upon each other's knowledge and experiences, foster social interaction and shared learning, and seek out opportunities for innovation and collaboration in a process known as accelerated serendipity.

Coworking was given birth and is nourished by a convergence of social, technological, and economic trends. We may need to pause to remember, for instance, that a mere decade ago we did not have smart phones, wireless services were not ubiquitous, and laptop computers had only recently gained widespread acceptance as they became more powerful, portable, and longer-running. These and other technologies have freed us from the office, allowing us to choose where we want to work, whether that might be a traditional office, our home, a coffee shop, or increasingly, a coworking environment.

The possibilities opened by new technology fit the psychology of the new workforce. A large number of Millennials, Generation X, and even Boomers share a desire to leave behind the corporate environment of prior generations. Countless studies agree on a growing interest in entrepreneurship and the yearnings for flexible work among all of these cohorts. Coupled with this are business desires to reduce real estate and labor costs, taking form in more adaptable work arrangements and increased outsourcing or the use of a contract work force.

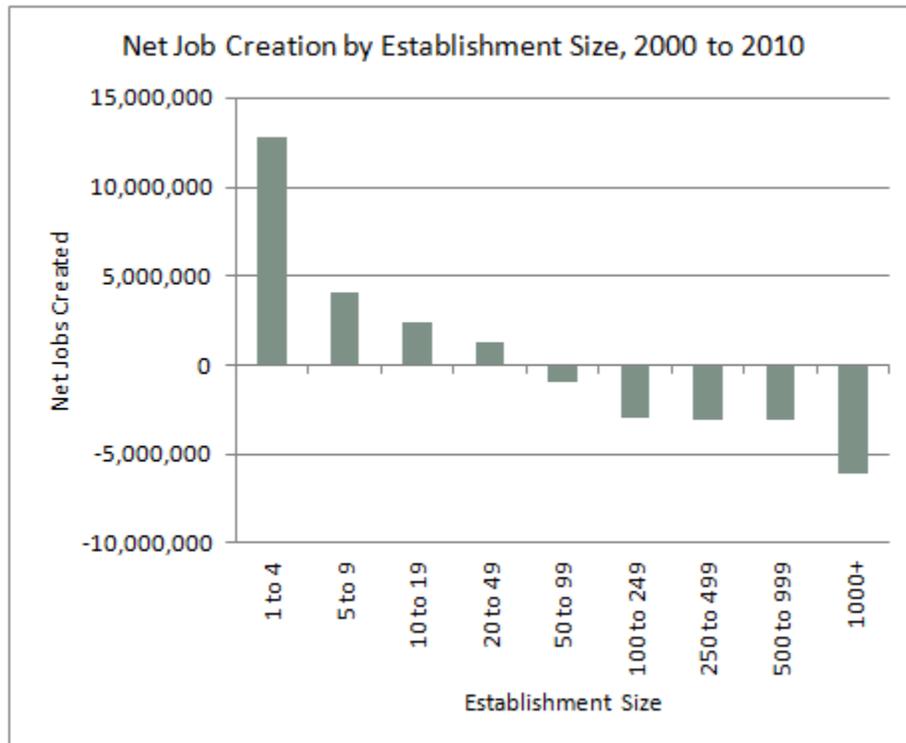
The move toward smaller establishments has been going on for more than a quarter century, but has been gaining momentum. The smallest establishments account for all net job growth in the United States. Nearly two-thirds of all

#### Who is coworking?

Information technology and web development workers are still the largest segment of coworkers, but the coworking environment is ideal for most knowledge economy professions. Examples include:

- Marketing and PR professionals
- Business management specialists
- Accountants and financial analysts
- Architects and landscape architects
- Civil, mechanical, industrial, and other engineers
- Art and design workers
- Writers and other media and communications workers
- Consultants, contractors, and freelancers in any number of industry sectors

net job growth between 2000 and 2010 occurred in establishments with fewer than five employees. During the same period, the ranks of non-employers - including those who are self-employed in sole proprietorships, partnerships, or family businesses - swelled 30 percent, to 22.1 million. Not counted among these are a great number of contract workers, freelancers, and others who make up the so-called 1099 workforce. Their numbers are estimated at 16 million and they are employed by more than half of all U.S. businesses.



### Supporting these critical small establishments

The numbers demonstrate that a market is growing, but what does this mean for the economic development community? As a profession, we have typically adopted a “bang for the buck” approach that directs limited resources to a relative handful of businesses that promise to meet goals such as job creation or capital investment. Some organizations have established incubators or accelerators offering a high level of service to smaller businesses, although a relatively small number. Arguably, the vast majority of startups, solo and microbusinesses - and certainly the freelance community - are ignored, despite the data that show them to be the source of nearly all net job growth.

Economic developers need a platform that allows us to provide meaningful support to a greater number of these smallest businesses and independent workers, as the same time recognizing that we also are unlikely to see an increase in the resources available to meet this goal.

Coworking holds the potential to become this platform, functioning as both an incubator for new businesses and an accelerator for existing ones. Once established, coworking centers can be largely self-funded and self-governed, letting economic developers supplement the inherent benefits with programming and resources to help grow member businesses.

Coworking space combines the best elements of a coffee shop with an office environment, with a floor plan consisting of shared work spaces and formal and informal meeting spaces. In addition:

- Some may provide a limited number of private offices or office suites that let businesses grow while still remaining in the facility.
- Membership plans tend to be flexible, with options for daily, weekly, or monthly desk rentals.
- Most spaces provide basic office resources such as high-speed Internet connections, printers, copiers, and audiovisual equipment.
- Some may offer specialized features for targeted clientele, such as wide-format printers sought by marketing and design professionals, or CAD licenses that might be shared among engineers or industrial designers.

Much like the space itself, these are examples of collaborative consumption, no different than car-sharing programs or the long-time practice of some chambers of commerce to provide a bulk mailing permit for the use of their members. Access to these resources allows a business to externalize some of its costs, reducing barriers to entry and improving the profitability of the businesses.

In fact, profitability is one reason for economic developers to embrace the coworking platform. Forty-two percent of coworkers report that their income increased after they started coworking. Other significant benefits of coworking include greater interaction and collaboration with others, increased motivation, and better organization.

Coworking members are not hobby businesses. More than half of all coworkers either own or work for a business with employees. While these companies typically have fewer than five employees, there is a growing trend for larger companies to allow or even encourage key employees to work in a cowork setting in order to capture the benefit of exposure to that community. Three quarters of coworkers report an income that is at or above average for their industry, and the remainder may include many start-up businesses that could be expected to have a lower income as they build their client base.



*"We are at the base of the bell curve and can ride this thing to the very top. We are starting a revolution and this is really exciting." - Liz Elam, Link CoWorking, comments at the 2012 Global Coworking Unconference Conference. Photo of Link CoWorking in Austin, Texas.*

## Costs, programming, and the economic developer's role

Compared to incubators, the start-up and operational costs of coworking spaces can be considerably less. According to Deskmag's Third Annual Global Coworking Survey, the average center cost \$83,900 to open. This is an increase from previous years, reflecting both a trend toward larger centers with more desks and to provide additional resources to members.

Prior surveys indicate that 72 percent of coworking centers are profitable by the second year, with the remainder including a large number of spaces set up with a nonprofit structure. The member-funded nature of coworking may be especially attractive to economic developers who would not need to fund an annual subsidy for the space, as they might for a traditional incubator, and can instead reinvest income into expanded resources and programming for members.

This programming is one area in which the economic development community can bring significant new value to coworking. Two-thirds or more coworkers want to participate in networking events, workshops, informational presentations, or other functions organized by their facility. Economic developers can tap their own extensive networks and resources to deliver exceptional group events, as well as access to one-on-one technical assistance or other resources. (Housing the economic development office in a coworking space would also give it an unparalleled opportunity to network with the local business community and gain insight into its needs.)

## Growing our own

We are constantly on the lookout for inventive approaches to economic development. In this case, the innovation may have come from within the business community itself, but we have the opportunity to collaborate in accelerating the growth and expanding the value of coworking. In doing so, we can reach a broader segment of our community's businesses, improve their odds of success, and seed the small businesses that may grow into our future major employers.

For more information on coworking, see:

- Deskmag (news articles and data concerning coworking, as well as a directory of spaces) , [www.deskmag.com](http://www.deskmag.com)
- Coworking - How coworking is changing how and where we work (a YouTube video that does a great job of explaining coworking), [www.youtube.com/watch?v=le0dfcG\\_jVw](http://www.youtube.com/watch?v=le0dfcG_jVw)
- The Future Of Coworking And Why It Will Give Your Business A Huge Edge (recent article in Fast Company), [www.fastcompany.com/3004788/future-coworking-and-why-it-will-give-your-business-huge-edge](http://www.fastcompany.com/3004788/future-coworking-and-why-it-will-give-your-business-huge-edge)
- Coworking resources, [coworking.com](http://coworking.com)
- Coworking Wiki, [www.wiki.coworking.com](http://www.wiki.coworking.com)
- The 2013 Global Coworking Unconference Conference will be held on March 5 and 6 in Austin, Texas. [austingcuc.com/2013/](http://austingcuc.com/2013/)