

# Coworking spaces and regional development: a role for policy



**DOI reference:** 10.1080/13673882.2024.12466433

---

*By Dr Felicia Fai, Prof Phil Tomlinson and Dr Mariachiara Barzotto, School of Management, University of Bath*

## **Coworking spaces and regional development: a role for policy**

Fai, F. M., Tomlinson, P. R., & Barzotto, M. (2024). Coworking spaces and regional development: a role for policy. *Regional Studies*, 1-16. <https://doi.org/10.1080/00343404.2024.2399282>

The revitalization of lagging regions depends on bolstering six foundational 'capitals' of regional development: physical, intangible, human, social, financial, and institutional capital. The COVID-19 pandemic has reshaped work patterns, introducing remote, flexible, and hybrid arrangements that impact the geography

of work, infrastructure, and sustainability—key considerations for regional policy. Suburban, rural, and coastal areas have become increasingly attractive for skilled workers seeking better quality of life, with longer weekly commutes replacing daily ones. Amid debate between working from home (WFH) and returning-to (the)-office (RTO), the quiet rise of coworking spaces (CWSs) offers a ‘working near home’ (WNH) alternative, overcoming the downsides of both WFH (e.g., social isolation, poor mental health) and RTO (e.g., long commutes, poor work-life balance).

CWSs cater to a diverse range of freelancers, digital nomads, creatives, public and private sector employees. They provide affordable, flexible workspaces and amenities, but the best of them foster mutually supportive communities of users that encourage knowledge sharing and social networks. CWSs have the potential to re-invigorate local economies in provincial towns, post-industrial cities, and rural areas. However, they remain underutilized in place-based growth policies.

We interviewed and held focus groups with 60 stakeholders (CWS managers, CWS users and local policymakers) from three geographically distinct English Local Enterprise Partnerships (LEP) areas: Stoke-on-Trent and Staffordshire, Heart of South-West and Thames Valley Berkshire. Our findings were mapped to the ‘six capitals’ to evaluate CWSs’ contributions to regional development.

## **Findings**

### **Physical capital**

WNH from CWSs will influence transport and digital infrastructures, by reducing daily commutes, alleviating congestion, and potentially lowering carbon emissions. However, rural and coastal areas often require substantial investment in digital infrastructure to support WNH options. Underused public and private buildings have found a renewed purpose as CWSs, generating revenue for their owners. However, if considered merely as physical spaces, there is a risk of an oversupply of CWSs in the region, which will reduce occupancy rates (in each CWS) and their ability to nurture fruitful CWS communities. This may damage the reputation of CWSs as an organisational type.

It would be advantageous for policymakers to incorporate CWSs into regional planning strategies to ensure appropriate local provision and capitalise on their wider impacts on local infrastructures. Meanwhile, CWS owners should focus on

building distinctive, engaged communities to ensure sustainable success.

### **Intangible capital**

Intangible capital that is critical to regional prosperity, can be built through CWSs; they cultivate innovation and idea-sharing through diverse coworker expertise. Bringing disparate individuals into a CWSs can generate serendipitous networking and spark collaboration by users 'just being there'.

However, the most effective CWSs communities are purposefully constructed by skilled CWS managers. In larger cities and towns, some CWSs develop industrial or technical specializations, but even in rural or coastal regions where there is a relative sparsity of skilled professionals residing in the locality, users found value in exchanges of knowledge and contacts. Policymakers can enhance regional ecosystems by coordinating CWS networks, ensuring that knowledge-sharing extends beyond individual spaces.

### **Human capital**

Regional skills gaps, particularly in digital competencies, are significant contributors to weak regional productivity. Whilst much policy attention is paid to upskilling school leavers and graduates, our regions primarily identified skills deficiencies and inertia among business owners themselves. The latter cited time and resource constraints as barriers, although cognitive barriers and a general resistance to change also exist.

Yet 'just by being there', skills can be upgraded at minimal financial and temporal cost in a CWS. Members commonly share business advice, software skills, and managerial guidance, through ad-hoc interactions or structured events like "lunch and learn" sessions. Some CWSs arrange external trainers to run workshops collectively for their users when they identify a common need. However, CWSs and their benefits are a little-known in rural areas. Borrowing from Ireland's Rural Development Policy 2021-2025, policymakers could offer vouchers for free to familiarize entrepreneurs with the benefits of CWSs.

### **Social capital**

Social capital is the foundation for local community cooperation, placemaking and local well-being. Many CWSs hold strengthening social connections, fostering

community cooperation and local pride as core values. They prioritise local embeddedness, supporting stakeholders through initiatives like sourcing supplies locally, hosting community events, and providing free meeting spaces for local organizations. They also engage in outreach to schools and charities, inspiring entrepreneurship and civic engagement.

Policymakers should encourage closer relationships between CWSs and local anchor organisations from educational, business, policy and civil society domains as part of their bottom-up approach to place-making and regional growth.

### **Financial capital**

Access to financial capital is a persistent challenge for SMEs in lagging regions because of their distance from institutional investors (across all dimensions (Boschma, 2005). The closure of local bank branches means local entrepreneurs and businesses often lack in-person financial guidance and support. Whilst CWSs cannot offer financial capital directly, the sense of community again affords benefits to their users.

During the pandemic, some CWS owners demonstrated community solidarity by offering rent holidays to regular users. CWS social networks often included accountants and financial services advisers. Policymakers could leverage CWSs to host finance clinics and networking events, addressing gaps left by traditional financial institutions in rural and coastal areas.

### **Institutional capital**

Effective leadership is vital for place-based regional development. Whilst variegated, CWSs enable local actors to unite, share resources, and amplify their voices in regional strategies. We advocate for CWSs to be included in place-making conversations and place-based initiatives, but this relies on creating positive relationships with other more conventional institutional leaders.

In a successful example, local policymakers in a post-industrial region supported CWSs as part of their broader plans to rebrand regions and foster innovation. But in others, resistance, or ambivalence from institutional leaders, such as councils and chambers of commerce, limited CWSs' potential. Policymakers must foster collaboration with CWSs, recognizing their role in place-making and economic revitalization.

## **Conclusions**

The rise of flexible working, coupled with digital advancements, has driven the growth of CWSs, reshaping urban and rural geographies. Policy evidence from international examples such as the revival of US 'Rust Belt' cities and rural communities in Germany and Ireland, show how they offer a model for inclusive, place-based growth.

Yet, CWSs have yet to enter mainstream of UK policy discourse. Our findings show CWSs already making significant contributions to the six capitals of regional development and stronger policy support could drive socio-economic progress and strengthen communities in lagging regions.

## **References**

Boschma, R. (2005). Proximity and innovation: A critical assessment. *Regional Studies*, 39 (1), 61-74. <https://doi.org/10.1080/0034340052000320887>

## **Funding**

This work was funded by the UK Research & Innovation (UKRI) Made Smarter Innovation Challenge and the Economic and Social Research Council (ESRC) via InterAct [grant number ES/W007231/1]. We also acknowledge support from Made Smarter Innovation: Centre for People-Led Digitalisation (hosted at the University of Bath, with partners, the University of Nottingham, and Loughborough University), and funded by the Engineering and Physical Sciences Research Council (EPSRC) [grant number EP/V062042/1].