

# Dynamics of Change at Work and Reactions of Coworking Spaces in the Aftermath of the Pandemic: Notes on Portugal



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## 1 Introduction

The COVID-19 outbreak forced governments to intervene to contain the spread of the virus and mitigate the multiple impacts on various aspects of economic and social life. These circumstances have had significant effects on the forms of work and the workspaces not yet sufficiently analysed. This exploratory research aims to provide a brief overview of the impacts and subjects related to CSs activity in Portugal, highlighting how they were affected by measures such as restrictions on mobility and telework regulations. It was carried out from January 2021 to September 2022 through desk research, fact-finding visits, and formal and informal interviews with coworking managers<sup>1</sup> and key informants in different locations across the Portuguese mainland to apprehend their reactions and perceptions about the current situation as well as the forecasted future.

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<sup>1</sup> The CSs managers interviewed are included in a database in continuous update, which intends to map all CSs of Portugal.

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## 2 Brief Notes of a Pandemic and Its Effects

### 2.1 Main Pandemic Peaks and Policy Responses

Portugal registered the first confirmed case of COVID-19 on 2nd March 2020. The government quickly took a set of extraordinary measures<sup>2</sup> trying to contain the spread of the coronavirus, such as the closure of schools and universities, the temporary suspension of a wide range of non-essential public and private services, the prohibition of non-essential travel and public gatherings; the mandatory adoption of teleworking, among other measures (e.g., [2]). In the following months, successive pandemic waves hit the country, and several legal, financial, and regulatory measures to protect and support businesses and individuals were implemented by public authorities.

The teleworking regime was imposed on all functions that allowed it, urging companies and workers to adopt prompt solutions to continue operating under new safety measures. From the use of face masks to the rotation of work scales and time-lagged working hours to reduce interpersonal interactions and daily commuting, the entire society had to be mobilised to keep the country functioning while trying to control the pandemic.

Renewed twice, the first State of Emergency ended on 2nd May 2020.<sup>3</sup> Followed by the State of calamity (which covered the period between May and June), a plan of confinement in three phases was launched, allowing a gradual reopening of several activity fields, although maintaining partial confinements in municipalities with high and extreme risks. Later that year, after the summer and with infection rates rising from September, the government reintroduced restriction measures concerning social gatherings, namely in restaurants, culture, and leisure venues.

A new State of Emergency<sup>4</sup> had to be declared at the beginning of November, and stricter restrictions were implemented. The number of cases exploded in early 2021, and a second lockdown started on 14th January 2021, forcing the use of tighter measures again.

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<sup>2</sup> Decree of the President of the Republic No.14-A/2020 of 18 March 2020, available in Portuguese at: <https://bit.ly/2RAHCiS>. During this period, the state of emergency was regulated by Decree No.2-A/2020 of 20 March 2020, available in Portuguese at: <https://bit.ly/2V4qRie>.

<sup>3</sup> On 2 April 2020, the state of emergency was extended until 17 April 2020, and was then renewed again until 2 May 2020. Decree of the President of the Republic No.17-A/2020 of 2 April 2020, available in Portuguese at: <https://bit.ly/2Xz3vml>. During this period, the state of emergency was regulated by Decree no.2-B/2020 of 2 April 2020, available in Portuguese at: <https://bit.ly/34E3grY>. Decree of the President of the Republic no.20-A/2020 of 17 April, available in Portuguese at: <https://bit.ly/2KrNKGi>. During this period, the state of emergency was regulated by Decree No.2-C/2020 of 17 April, available in Portuguese at: <https://bit.ly/3bA7ROr>.

<sup>4</sup> Decree of the President of the Republic no. 51-U/2020, of 6 November and successively renewed until April 30, 2021.

## 2.2 *Impacts on Work and Ways of Working*

The declaration of a State of Emergency determined that teleworking was mandatory if the job performed allowed it. Until then, teleworking in Portuguese companies was almost uncommon and used mainly by highly skilled and self-employed workers on an occasional basis. According to Eurostat data, only 6.5% of Portuguese employees were in teleworking regime in 2019. However, containment measures due to the pandemic have led companies and workers to adopt quick solutions to continue operating.

The shuttering of many workplaces and schools has triggered an explosion in the number of new teleworkers, especially in the service sector (notably in education, financial services, insurance, consulting, and public administration).

During the second quarter of 2020, about half of the Portuguese companies operated in a teleworking regime, of which 90% were large companies and about a quarter were micro-enterprises [3]. In May 2020, the percentage of teleworking employees increased significantly, ranging from 30.4% reported by micro-enterprises to 93% in large companies [2]. In many cases, most such work was carried out from home, rather than any other location, under challenging conditions. The need to reconcile work and childcare, particularly by adapting domestic spaces and adjusting access to internet networks and technological devices in families with school-age children, was a significant challenge, especially for women.

Many urban dwellers, especially families when the schools closed, decided to temporarily move to second homes outside the big cities. Some managers interviewed by CSs in non-metropolitan areas revealed that broadband access was a motivation for desk rental, particularly those without a good internet connection at home. This situation was particularly noticeable in the Lisbon Metropolitan Area (LMA), where service workers predominate. According to Statistics Portugal [1], 15.6% of the employed population worked remotely in Portugal from April to December 2020. Among the seven regions (NUTS II), the LMA recorded the highest proportion (27.9%), concentrating 48% of the employed population in telework in the country. In the other regions, the proportion of the employed population working remotely was lower than the national average and was below 9% in the autonomous regions.

Many tourist developments, such as hotels and short-term accommodations, have been hit hard by the pandemic and provide all or part of the unit for other compatible uses, namely office and coworking spaces. The adaptation of its offer to a new customer profile, namely telework and digital nomads, has become constant.

In this period, several extraordinary social and economic procedures were also taken by the government—adjusted or strengthened as the pandemic situation evolved—to maintain household income (such as subsidies and justification of absences from work in case of illness or assistance to family members; moratoria on loans, etc.) or support business activity and employment. These included measures for the temporary reduction of standard working time or suspension of the employment contract (simplified lay-off); financial incentives to support the resumption or normalisation of firms' activity; government-backed loans; incentives to support the

normalisation of the firms' activity, extended support for workers' lost income and coverage for those without access to unemployment protection.<sup>5</sup>

After a year of pandemic, many workers continued to have multiple resistances to leaving the permanent or partial teleworking regime (c.f., [5]). The possibility of decreasing the exposure to the virus has been converted into another type of argument listing the advantages of the option of teleworking, both for employees and companies. For the former, the timesaving in commuting could be converted into working hours and increased productivity, with cost savings in transportation and other expenses in the scope of professional activities.<sup>6</sup> From the side of the companies, the same operational results could be guaranteed with some cost production savings, namely in energy, space rental and other consumable supplies.

### 2.3 *The Resilience of Coworking Spaces*

Having emerged in Portugal in 2009/2010, the CSs phenomenon was in a cycle of pungent growth, with the opening of new spaces—increasingly diversified in their nature and location, when the pandemic suddenly hit the country. Of the 184 CSs in mainland Portugal at the time, 52% were located in the LMA (n = 95), with 43 new CSs opening in 2019 (about 45%). In the Porto Metropolitan Area (PMA)<sup>7</sup> there were 32 CSs before the pandemic, a little more than 17% of the total number of CSs in the mainland.

During the first lockdown, many CSs in Portugal had to close. Only a few remained open to answer to regular subscribers who got the mandatory justification for working outside the home. Faced with the unexpected situation that called into question the coworking principles, managers sought to maintain online activities to support their user community. As a result, many coworking spaces have developed virtual subscriptions (e.g., online memberships, virtual office services, online social events, etc.).

After the lifting of the mandatory confinement, the CSs gradually reopened, trying to recover revenues and the community of users, despite the uncertainty. They adapted their spaces according to the guidelines of the government and the Health Directorate-General, namely, applying additional hygiene rules, wearing face masks, reducing capacity to enable a greater physical distance between users, and providing only fixed desks for a longer period, among others.

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<sup>5</sup> Measures approved by the Portuguese Government through different entities to support citizens and businesses are available on the portals of Social Security (MTSSS) (<https://www.seg-social.pt/covid-19>); Institute for Employment and Vocational Training—IEFP (<https://www.iefp.pt/covid19>) and IAPMEI - Agency for Competitiveness and Innovation). See also Martins et al. [4].

<sup>6</sup> See also the study of *Robert Walters Consultants* about Portugal. <https://www.robertwalters.pt/hiring/hiring-advice/productividade-portugueses-aumenta-com-teletrabalho.html>.

<sup>7</sup> The PMA integrates 17 municipalities under the influence area of Porto, the second largest city in Portugal. Unlike the LMA, which is an independent NUTS II region, the PMA is part of the Norte region (NUTS II).

During the summer of 2020, a period with lower occupancy, many CSs experienced an increase in demand, especially from occasional users and digital nomads.

The second lockdown was much less severe, and the vast majority of CSs interviewed remained open, following the respective governments' guidelines and measures. The need to answer to the new challenges also led to new forms of organisation to jointly seek solutions. For example, five CSs in Porto organised themselves in a partnership to find solutions to maintain the spaces running in case of new temporary closures and answer new pandemic challenges. The regular contact between the five founders was one of the aspects that they valued most. Besides, they used this partnership to make collective purchases like hand sanitiser and obtain financial deals with suppliers. They also created the campaign #SafeCoworkingPorto regarding the expected behaviour while returning to space through social media and placing posters strategically in each CSs area (Fig. 1).

In general, in the following months, the demand for spaces seems to have changed: from spaces for larger groups to smaller and more flexible configurations, and social events in-presence to online community-building events. For the private CSs, this situation has compromised an important income supplement from the rental of event space or meeting rooms.

In many interviews with coworking managers and key informants, the mandatory, and later, the recommendation of keeping the remote work was seen as an opportunity for the growth of these spaces in alternative to traditional offices. It was widely reported that daily users sought better access to the internet and separation between private life and professional activities in an environment that could improve their productivity. In addition to the generalised fatigue related to the overlapping of daily activities confined to the domestic space, the advantage of enjoying a work environment that is, at the same time, a meeting place for equals allowing separation between professional and private life, was also highlighted.

The demand for companies was a new feature also reported in the interviews. After improving digital tools, several companies started reconsidering their investment in office spaces, mainly those traditionally located in the city center of Lisbon and Porto, where the rental prices are quite high. Alternatively, several companies started offering CSs user passes to their employees, keeping them in telework but not necessarily confined to the domestic space.

Some respondents also predicted that the physical relocation of companies to suburbs and smaller towns could be a significant trend in the future.

The health crisis has undoubtedly caused financial difficulties for CSs and their users. Some private managers reveal that they had to negotiate with the property owners to pay the rents since they did not have the support of public entities, as well as their tenants, for example, reducing the prices of their offer.

Finally, it should be noted that CSs continued to grow with resourcefulness. COVID-19 demonstrated that it is possible to work anywhere, generating even more interest in places with greater flexibility in rental contracts and working hours, and avoiding the social isolation inherent to work from home.

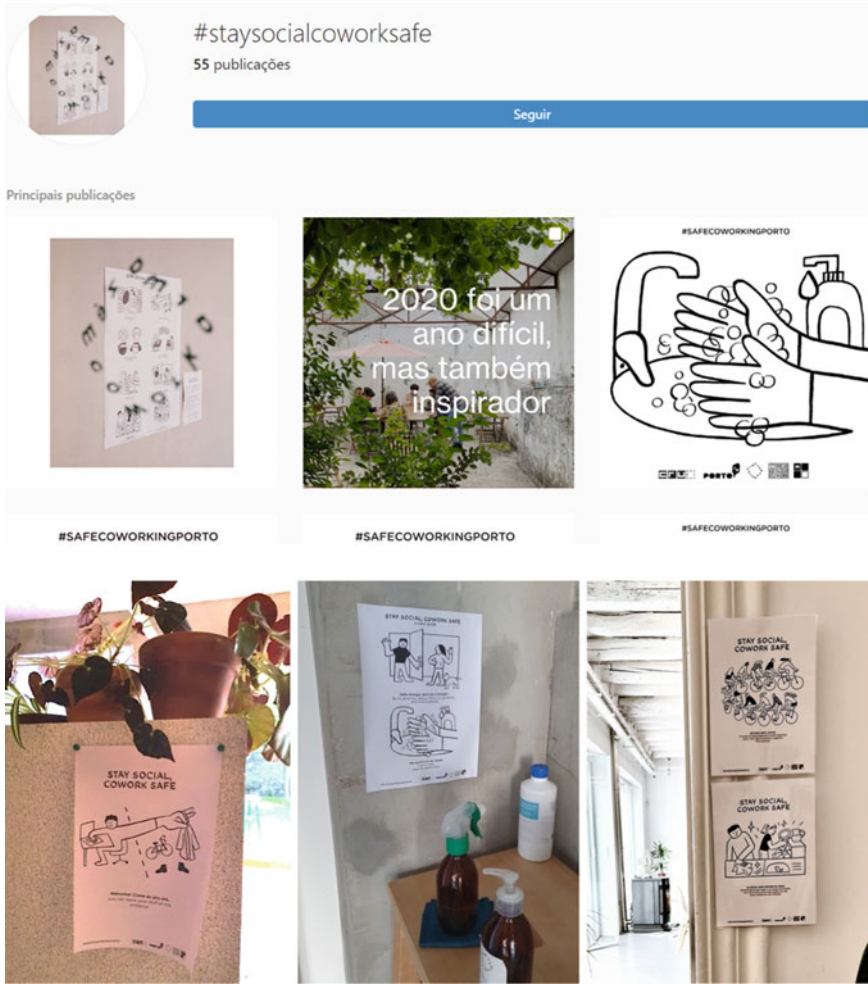


Fig. 1 Social media campaign #SafeCoworkingPorto and orientations to operate during the pandemic (author's photos)

### 3 Policies and Trends Toward Coworking Spaces

Local governments play a vital role in promoting the business ecosystem and developing CSs as innovative and collaborative practices for fostering cities' dynamism.

Regarding the policies, many changes in labor legislation were implemented during the pandemic crisis, leading to the approval of new labor legislation in Portugal in December 2021. The new laws that came into force in January 2022 aimed to

frame and protect remote workers but also to make Portugal an attractive destination for digital nomads, the foreign remote workers known for their distinctive lifestyles and high mobility. Although Portugal does not have a visa program especially directed at digital nomads, the attraction of this new type of mobile worker has been receiving new legal frameworks (e.g., Lei n° 23/2007 recently changed in August 2022). The government concedes D2 Visa intending to raise external resources and investments. This Visa allows entrepreneurs, freelancers, and independent service providers (non-EU/EEA/Swiss citizens) to reside temporarily in Portugal.

These are some examples attesting the production of legislation to frame a new way of working that will be maintained. From an atypical, marginal, and deviant contractual modality, teleworking has become a “normal” way of providing work, putting an end to a long-standing claim expressed by workers in various sectors of activity. Along with new rights<sup>8</sup> and duties, the new Labor Law<sup>9</sup> defines telework as “the provision of work under the legal subordination of the employee to an employer, at a location not determined by the latter, through the use of information and communication technologies.” This law frames hybrid or mixed work regimes and allows employees to work in a place not determined by the company.

Considering the multiple resistances and mistrust that employers in public and private sectors maintained toward the teleworking regime until the pandemic crisis, and considering above all the specificities that are at the root of the emergence of CSs in Portugal, it became clear the strong impact of the pandemic on the increase of CSs throughout the country.

Between 2020 and the beginning of 2022 emerged in the Portuguese mainland 62 new CSs, which joined the 184 already existing. This represents an increase of slightly more than 25% in just two years (Fig. 2).

Of these 62 new CSs, only four are public spaces,<sup>10</sup> notably municipal ones still waiting for equipment to be used by municipal employees and others. This great disparity can be linked to two factors: (1) the attentive and timely response of private initiatives to the growing trend towards dematerialisation of companies in connection with digitalisation and new working possibilities; (2) the continuous resistance and mistrust on the part of the public sector towards teleworking. This reality also helps to understand why part of CSs Portuguese arose anchored in startups and the national network of incubators [6], as well as the unbalanced distribution of CSs across the territory. About 50% of the existing CSs in the Portuguese mainland are in the LMA and together, the two Metropolitan Areas (Lisbon and Porto) concentrate 88% of the CSs currently existing in Portugal mainland. This illustrates the unbalanced distribution between the two large cities and the rest of the territory.

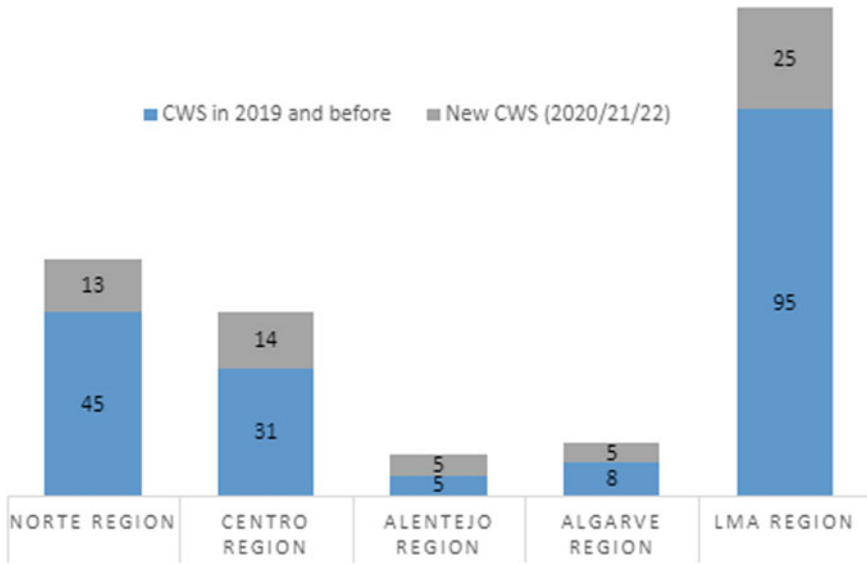
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<sup>8</sup> As the right to “disconnection”, in which the worker has the right to disconnect and be unavailable after working hours.

<sup>9</sup> Law n° 83/2021, of December 6 that enter into force on January 1, 2022.

<sup>10</sup> Among the CSs that arose from private initiative, there are cases in which the municipalities provide the space within the scope of partnerships established with non-profit associations or private entities.





**Fig. 2** Number of CSs in Portugal mainland by region (NUTS II), before the pandemic and the new ones (own elaboration)

Despite the significant effort of many municipalities in the interior to promote conditions of digital accessibility and the empowerment of their residents, there are still clear asymmetries in this area, and the distribution of CSs is only one example. However, the pandemic has accelerated an evolutionary work trend that goes beyond workspaces.

#### 4 Final Notes

COVID-19 occurred during a particular moment in CSs history when the number and types of CSs were expanding sharply. It has also shifted the attention from the Lisbon and Porto metropolitan areas to smaller urban cities and rural towns.

During the pandemic crisis, the variability of advantages and disadvantages for employees and companies in terms of work regimes, spaces, and organisation of people’s daily lives has become more evident. It is not expected that CSs will replace traditional offices that have been dematerialised in the meantime. In the post-pandemic “normality”, it is likely to be frequent to use flexible spaces, such as CSs, in combination with work from home and presence in company offices.

Furthermore, some irreversible transformations in the Portuguese labor field have come to respond to long-standing demands, framing the rights and duties generated by new ways of working in new workspaces. Portugal was the first European country to legally regulate the telework regime in the private sector. In December 2021, a



new law came into force, introducing an unprecedented openness in the work regime and promoting the proliferation of CSs, both directly and indirectly.

Being particularly attentive to the new concerns on the part of workers and the more flexible reactions on the part of companies, several private entrepreneurs saw the circumstance generated by the pandemic as an opportunity to install CSs in new locations inside and outside cities and develop attractive offers to meet the needs of new users.

At the same time, the CSs market is increasingly seen as appetising for large real estate companies and other sectors, which can undermine the original mission of CSs—providing collaborative and community environments. In addition, some firms are renovating their offices following the CS model to attract their employees back.

Beyond all the advantages in terms of working spaces and facilities, the social dimension of CSs and the intrinsic philosophy of co-participation and collaboration are becoming more and more important, given the growing labor autonomy.

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