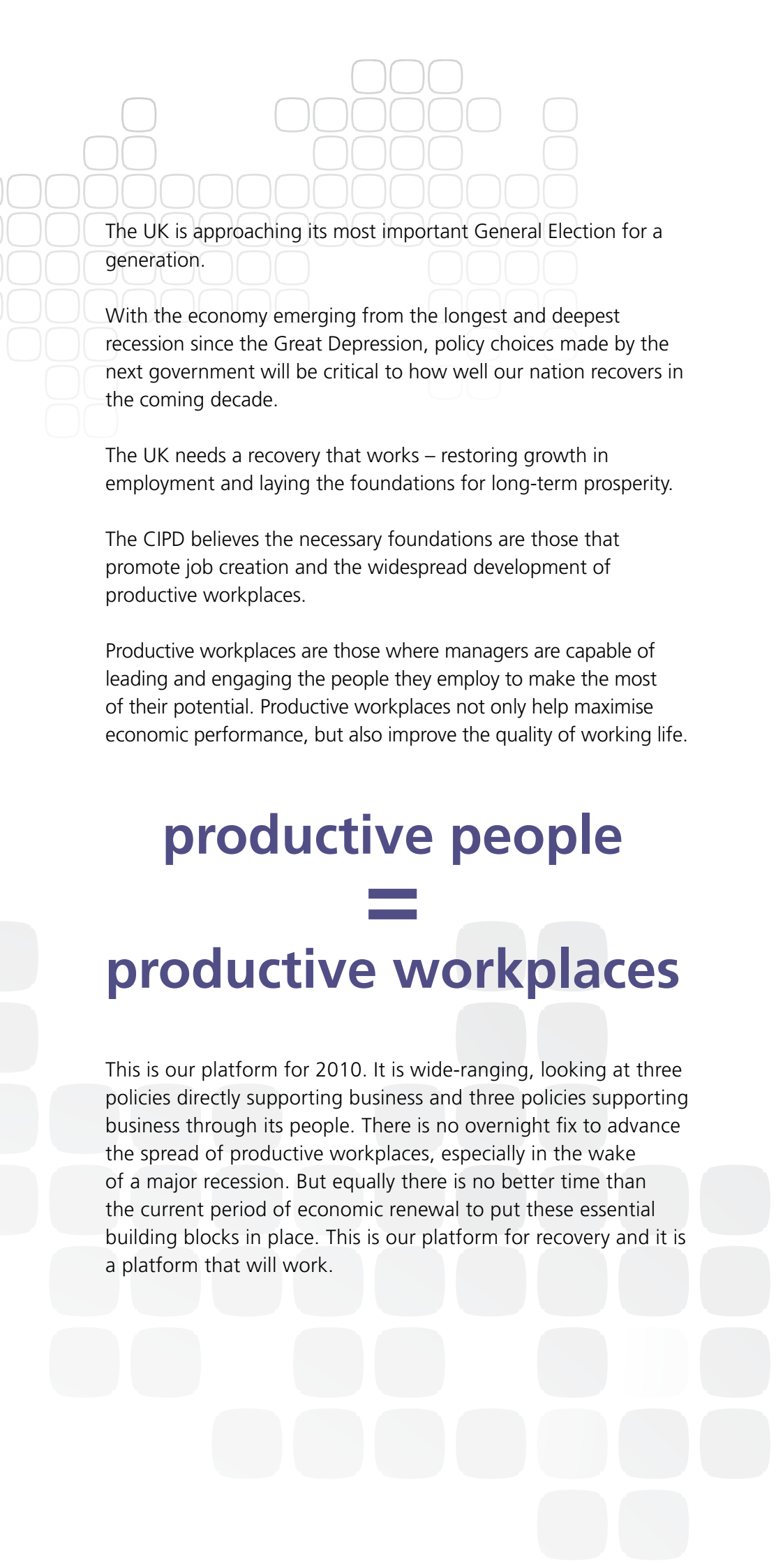


Chartered Institute of
Personnel and Development



PLATFORM 2010

A RECOVERY THAT WORKS



The UK is approaching its most important General Election for a generation.

With the economy emerging from the longest and deepest recession since the Great Depression, policy choices made by the next government will be critical to how well our nation recovers in the coming decade.

The UK needs a recovery that works – restoring growth in employment and laying the foundations for long-term prosperity.

The CIPD believes the necessary foundations are those that promote job creation and the widespread development of productive workplaces.

Productive workplaces are those where managers are capable of leading and engaging the people they employ to make the most of their potential. Productive workplaces not only help maximise economic performance, but also improve the quality of working life.

productive people

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productive workplaces

This is our platform for 2010. It is wide-ranging, looking at three policies directly supporting business and three policies supporting business through its people. There is no overnight fix to advance the spread of productive workplaces, especially in the wake of a major recession. But equally there is no better time than the current period of economic renewal to put these essential building blocks in place. This is our platform for recovery and it is a platform that will work.

As Europe's largest professional body for those involved in the management and development of people, the Chartered Institute of Personnel and Development (CIPD) is the leading voice in HR.

We have over 135,000 individual members across all UK business sectors. Many are the front-line implementers of government employment legislation and workplace policy.

We principally exist to enhance the quality of people management through our research and policy activity, to make workplaces work for both managers and those they manage.

CIPD calls

- **Delay fiscal deficit reduction measures, but freeze public sector pay bill and conduct efficiency review of all quangos.**
- **Abandon the increase in employers' NICs planned for 2011.**
- **Freeze National Minimum Wage in real terms in October 2010.**
- **Remove the default retirement age and extend the right to request flexible working to all employees from 2013.**
- **Extend the job guarantee scheme to the long-term unemployed aged over 50.**
- **Lead a national awareness campaign on the importance of good people management skills among line managers.**

A platform for business

Delay fiscal deficit reduction measures, but freeze public sector pay bill and conduct efficiency review of all quangos

We believe the UK's flexible labour market has the potential to create enough jobs for employment to return relatively quickly to pre-recession rates. However, demand for labour is unlikely to be strong enough initially to create anything more than a 'jobs light' recovery.

Therefore, the CIPD urges the Government to delay fiscal deficit reduction measures because we fear that big cuts in public expenditure or tax hikes too early risk putting the economy back into recession. The Government should focus initially (2010–11) on raising public sector efficiency and conduct an independent operational efficiency review of all quangos to extend beyond the current focus on savings from central and local government back-office operations.

There must also be an immediate freeze on the public sector pay bill for all non-military employees. Freezing the pay bill rather than pay awards offers public sector employers some flexibility in meeting particular recruitment and retention pressures, while encouraging moderation by highlighting the impact of pay awards on employment levels.

Abandon increase in employers' NICs planned for 2011

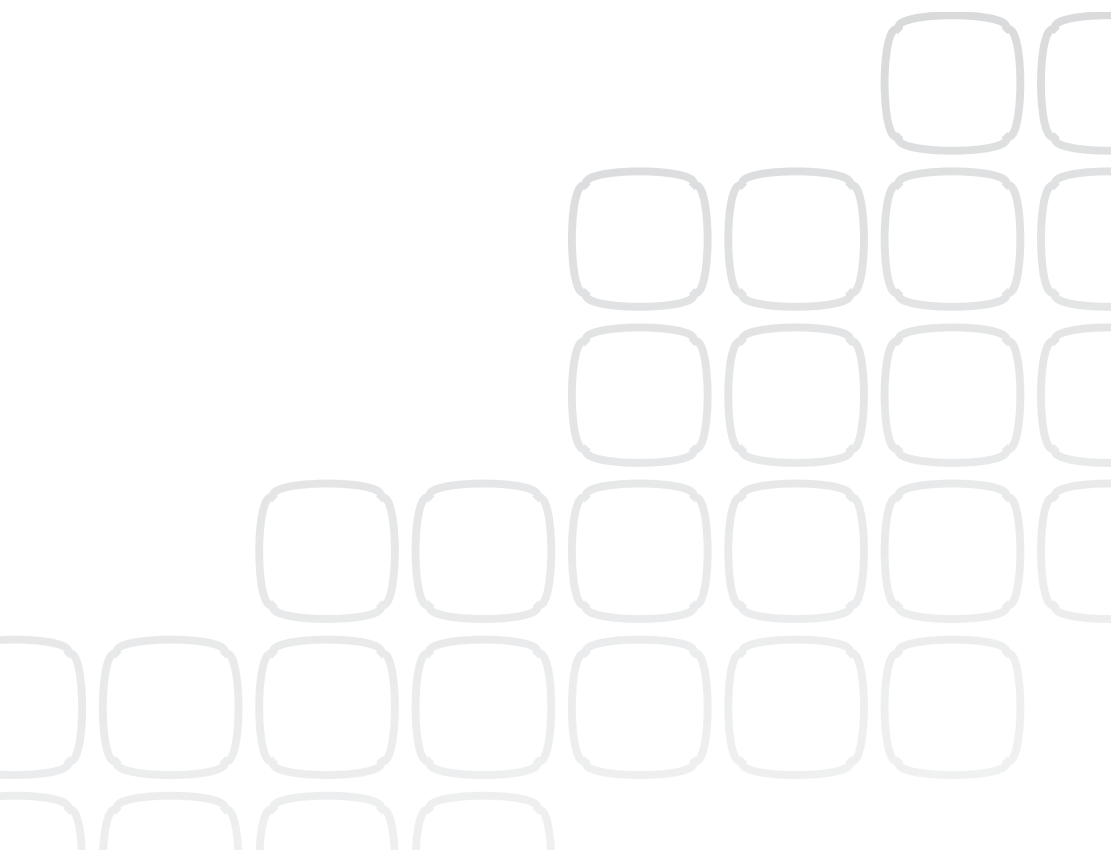
Beyond 2011 it is important that the Government adopts a fiscal policy mix of cuts in spending and tax increases that is as friendly as it can afford to be in supporting overall employment levels. The planned increase in employers' National Insurance Contributions (NICs) does not fit this bill. The resulting revenue shortfall should instead be met by a prompt switch towards green taxation. This would be better for jobs and aid much needed progress towards a low-carbon economy.

Freeze National Minimum Wage in real terms in October 2010

Pay freezes and cuts will remain widespread throughout the private sector in 2010–11, helping to support employment growth during the recovery. Alongside a public sector pay bill freeze, the Government should put jobs before pay rises and freeze the real value of the National Minimum Wage (NMW) for one year only.

Any nominal increase in the NMW in 2010 should apply only to the ‘adult’ rate (for those 22 and over) and should be pegged to the level of Retail Prices Index (RPI) inflation in March 2010 (the most likely date for any announced up-rating). This approach would maintain the real value of pay for workers on the NMW but reduce the impact on employment in low-paid sectors of the economy.

The NMW rate for younger workers (those aged 16–17 and 18–21), however, should be frozen in absolute terms in 2010. In a recession it is vital that the preservation and creation of jobs takes priority over pay increases. The current downturn is having a far bigger impact on young people than other age groups, and it is important to avoid any change that makes this group less attractive to employers, particularly SMEs.



A platform for people

Remove the default retirement age and extend the right to request flexible working to all employees from 2013

The default retirement age (DRA) is not compatible with broader equality and forthcoming pension policies and should be removed immediately. With the state retirement age due to rise, removing the DRA would help employers to think sooner about managing older workers, their performance and later retirement. Employers who already manage without a DRA point to the valuable skills and experiences these workers offer.

In removing the DRA, employers should recognise that productive workplaces are those where managers and staff mutually agree how people best work, including how many hours, when and where they work. This aids workplace performance and makes it easier for workplaces to adjust to short-run shocks.

It is inappropriate and inefficient for policy-makers to dictate how employers should organise their affairs, but policy-makers can nudge workplace practice in a sensible direction by introducing 'light-touch' measures, such as the right to request flexible working. To build on the success of the current entitlement, we would like to see the right to request flexible working extended to all employees. However, to mitigate the effects of the recession and allow employers time to adapt, we believe that the extension should be announced in 2010 and implemented in 2013.

Extend the job guarantee scheme to the long-term unemployed over 50

We believe the job guarantee scheme for unemployed people aged 18–24 should be extended to Jobseeker's Allowance (JSA) claimants aged 50 and over. Prevention of long-term youth unemployment has been a justified priority for the Government in the wake of the recession given the scarring effect on young people's subsequent employment prospects.

However, jobless older people are also the demographic group least likely to re-enter work quickly, if at all, once they become unemployed. Extending the job guarantee scheme to older people on JSA would keep them active in the labour market, ready for when employers begin actively recruiting again.

Lead a national awareness campaign on the importance of good people management skills among line managers

In his review of employee engagement, David MacLeod called on the Government to implement a national awareness-raising campaign about the business and economic benefits of employee engagement. The CIPD fully supports the report findings and its recognition that effective people management by line managers is key to staff engagement, well-being, innovation and productivity.

In the UK there is a significant 'people management skills deficit', which is particularly acute at line management level. This deficit means the UK has too few workplaces where skills are used to their full potential. It is also a cause of broader performance failure within organisations, such as the poor management of workplace conflict, stress and absence.

The MacLeod review has provided the Government with a compelling case for raising awareness of employee engagement and an opportunity to address the UK's ongoing people management skills deficit and subsequent productivity gap.

By drawing on the significant expertise of existing agencies, such as Acas, and the consensus among professional and employer bodies of the relationship between good line management and business performance, the Government should drive demand for the development of people management skills, particularly in the public sector.

For more information

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