

Productivity and people management

Explore the CIPD's point of view on productivity and people management, including actions for Government and recommendations for employers

With the UK lagging behind peer nations France, Germany and the US in productivity, we believe that raising the quality of people management across all sectors has the potential to boost productivity.

Productivity growth is critical if the UK is to benefit from sustainable increases in living standards and pay. However, since the financial crash the UK economy has experienced a productivity slow-down, with productivity lower than peer nations France, Germany and the US. This has been attributed to a range of factors, including measurement error, a slowdown in select industries, problems diffusing new technologies, and a lack of management capability.

The last factor in particular has attracted more interest recently after analysis by the Bank of England's chief economist Andy Haldane prompted him to conclude that lack of management quality was a plausible explanation for the UK's long tail of low productivity companies.

The CIPD's own research found differences in firm-level characteristics and productivity performance around culture, performance management, and training. More recent research by the ONS has showed that management practices (and certain people management practices in particular) are some of the most positively correlated with productivity.

The CIPD's view is that there is an untapped potential to boost productivity by raising the quality of people management across all sectors, and that the workplace should play a more central role in the government's industrial strategy and policy priorities. The Government's flagship policies (as currently outlined in the industrial strategy) have focused on macro-policy levers, such as infrastructure projects and the skills system, and have paid far less attention to micro- or firm-level drivers of productivity.

The CIPD has a key role to play by helping to professionalise HR, equipping HR practitioners with the knowledge and skills they need to help organisations build their people management and development capabilities. There's also a need to continue to build the business case for investing in people to convince stakeholders - such as

investors, CEOs, MDs and finance directors - that growing HR and people management capability is key to improving performance and productivity.

In addition, more needs to be done to support small firms with limited or no HR support to help owner-managers of small businesses improve their people management capability.

We believe the insights gained from a number of HR support pilots we've run in different parts of the country (aimed at exploring the best ways to boost small firms' people management capability) demonstrate how this can be done at scale.

- Increase the prominence of firm-level drivers of productivity, such as leadership, people management capability and workplace practices in government policy.
- Work with businesses, professional bodies and investors to develop voluntary human capital management (HCM) reporting standards on how organisations invest in, manage and develop their workforces for the long term.
- Work with key stakeholders to encourage more publicly listed companies to provide better HCM information, and introduce similar standards for public sector organisations.
- Government support for sector deals should be dependent on good quality proposals from employers that focus on improving their leadership and managing and developing their people.
- Boost the quality of business support services for small firms, including HR and people management support. This could be delivered at local level through partners such as Local Enterprise Partnerships, Growth Hubs and chambers of commerce. The CIPD's People Skills pilots suggest how this could be done.
- Ensure that there is clear alignment between your organisation's business strategy and objectives, and your people strategy.
- Regularly engage in strategic workforce planning to understand the risks and opportunities facing the business and what this means for organisational and people development, recruitment, and management policies and practices.
- Develop high-quality human capital information data analytics and reporting capability to drive insight. Highlight the value of investing in people, and inform management decision making.
- Use workforce data to improve diversity and inclusion. This is good business

practice, boosts innovation, and enhances the organisation's ability to serve a diverse customer base.

- Develop the people management capability of all line managers. They play a vital part in boosting employee engagement and well-being, as well as improving diversity and inclusion.
 - Develop key policies and practices central to motivating staff. These include both direct and indirect employee voice, conflict management, work-life balance, and training and career development.
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Reports

- [Productivity: getting the best out of people](#)
- [Building HR capability in small UK firms](#)

Guidance and factsheets

- [Productivity topic page](#)
- [People Skills Hub](#)

Consultation responses

- [BEIS Business productivity review](#)
- Find your [local Growth Hub](#)
- Management practices and productivity in British production and services industries: [initial results from the Management and Expectations Survey](#)