CIPD
Championing better work and working lives

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THE ADECCO GROUP

LABOUR MARKET OUTLOOK

VIEWS FROM EMPLOYERS

Winter 2018–19

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 150,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Report

Labour Market Outlook

Winter 2018–19

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1 Foreword from the CIPD

We've become used to the monthly labour market statistics setting records. Employment is at its highest rate (75.8%) since records began. Unemployment at 4% has not been lower since the 1970s, and with vacancies at an all-time high there are more job openings chasing fewer people. This shines through in this edition of the LMO, where employers are telling us that recruitment is challenging. An increasing proportion of vacancies are hard to fill and employers, especially in the private sector, are responding to recruitment difficulties by raising starting salaries.

In this edition of the LMO we see the continuation of established trends and the possible beginnings of some new ones. The expected increase in private sector pay awards combined with the expected decrease in public sector pay awards could cause problems for public sector recruitment and retention if it becomes a trend. Over time the difference compounds, driving a wedge between public and private sector pay. This will be one to watch over the coming quarters.

Employees will welcome the expectation in this LMO that basic pay awards will be above inflation, but this probably won't become a trend long term. Inflation is expected to do much of the hard work here by falling. What is really needed for this to become a trend is productivity gains.

This is the subject of our final section. Here we revisit questions that we asked HR leaders in 2014 to explore the link between high-performance working (HPW) practices and productivity. The role of these practices is increasingly recognised as an important tool in the pursuit of productivity growth.

Jonathan Boys, Labour Market Economist, CIPD

2 Foreword from the Adecco Group UK and Ireland

The fact that this report is showing a third successive quarter of falling labour demand may seem, on the surface, like a cause for concern. However, context is important when considering this last edition of the CIPD/Adecco Group *Labour Market Outlook* report before the official Brexit date. This and the past three quarters represent high points for the survey, and before that, only one previous quarter (summer 2013) had scored higher than the current score of +20. So, demand still remains strong despite the inherent uncertainty of the months ahead.

Keeping up with inflation might be the biggest reason for pay increases of 2% or more, but the demands of candidates in the market, along with retention pressures, are hot on its heels. Employers are increasingly finding it more expensive than they expect when they enter the recruitment market, and the Adecco Group does not expect that to change any time soon.

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The Adecco Group's global CEO, Alain Dehaze, called talent '*the deciding factor in the global scramble for prosperity*' in the recent Global Talent Competitiveness Index (GTCI) 2019 report. While this is true, organisations should remember that increasing wages is not the only option in this situation, especially during periods of uncertainty. Furthermore, it also might not be the most effective method.

For highly skilled candidates – those who are hardest to acquire – incremental salary increases might not be all they are interested in. The right environment, colleagues and working practices may well be as valuable. In addition, in the current climate, some candidates might be more focused on stability, while others may be looking to take advantage of the uncertainty and the opportunities it presents.

Employers should make sure they understand the type of candidate they think will succeed in their organisation before embarking on any recruitment activity. The GTCI talks about the difference between talent and traits. Firms can identify and recruit for certain traits, and then leverage the company infrastructure and environment to nurture their talent.

Organisations should also ensure their talent process is streamlined. Candidates have many options these days, so when a good fit appears, employers don't want to lose out to a faster-moving competitor.

Alex Fleming, Country Head and President of Staffing and Solutions, the Adecco Group UK and Ireland

3 Executive summary

The quarterly CIPD *Labour Market Outlook* (LMO) provides a set of forward-looking labour market indicators, highlighting employers' recruitment, redundancy and pay intentions for the first quarter of 2019. The survey is based on responses from 1,254 employers.

Labour demand

The net employment balance[1] stood at +20 for Q4 2018. This continued a downward trend from Q1 2018, when it stood at +26. The balance is positive in all sectors but varies widely. It remains stable in healthcare (+32) and education (+2), while it has increased in public administration and defence (up from +4 points to +10), and manufacturing and production (up from +13 points to +18). Key indicators suggest increased pressure on recruitment. Seven in ten (71%) employers with vacancies report that at least some of these vacancies are proving hard to fill, which is up from 64% in the same quarter of last year.

Wages

After more than six years at 2%, the median expected basic pay increase in the private sector has risen to 2.5%, which is the highest registered since tracking began in 2012. At the same time, the expected basic pay increase in the public sector has fallen to just 1.1%, driving a wedge between the two sectors. The median expected basic pay increase for all sectors is 2%. With the Bank of England forecasting inflation to fall below 2% for much of 2019,[2] this will mean a real-terms pay rise for many in 2019. It must be noted that 43% of employers still say they cannot tell how they will change their pay.

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Response to recruitment and retention pressures

As is reflected in the pay settlement expectations, the private sector is much more willing to spend money to tackle recruitment and retention problems. Of those private sector employers with recruitment difficulties, 66% have increased starting salaries, up from 56% in the previous quarter. The same figure for the public sector is 27%, which is down from 29% in the previous quarter and 43% in summer 2018. Private sector employers with retention difficulties are much more likely to raise overall salaries (62%) than public sector employers (34%). Public sector employers are limited, as public sector pay restraint is cited as the top reason (for all employers) for expected average basic pay increases below 2%.

Focus on productivity

This quarter's survey includes a focus on workplace productivity and the link to people management and development practices. It shows only half of all employers (50%) use the term productivity often when discussing performance, and 60% of employers have measurements for productivity. There are marked differences by industry. Some employers live and breathe productivity, finding it a useful concept in improving their day-to-day operations. In other industries, the term means little. For example, 78% of manufacturing employers use the term often, compared with just 18% of education employers and 16% for voluntary sector employers.

There is a relationship between how prominent productivity is within an organisation and how likely they are to employ certain formal people management and development practices, also known as high-performance working (HPW) practices.

4 Recruitment and redundancy outlook

What is the short-term employment outlook?

This section focuses on the recruitment and redundancy intentions of employers in the first quarter of 2019. This latest report suggests that employment confidence has remained broadly consistent with the previous quarter.

This quarter's net employment balance – which measures the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels – stood at +20. It has been on a downward trend for the past three quarters and was at its highest in spring 2018, when it was +26 (Figure 1).

How to interpret Figure 1
The red line represents the LMO net employment outlook, which indicates how employers feel employment levels will change over the next three months. The purple line represents the ONS quarterly change in employees to show what actually happened to the number of employees in the labour market.

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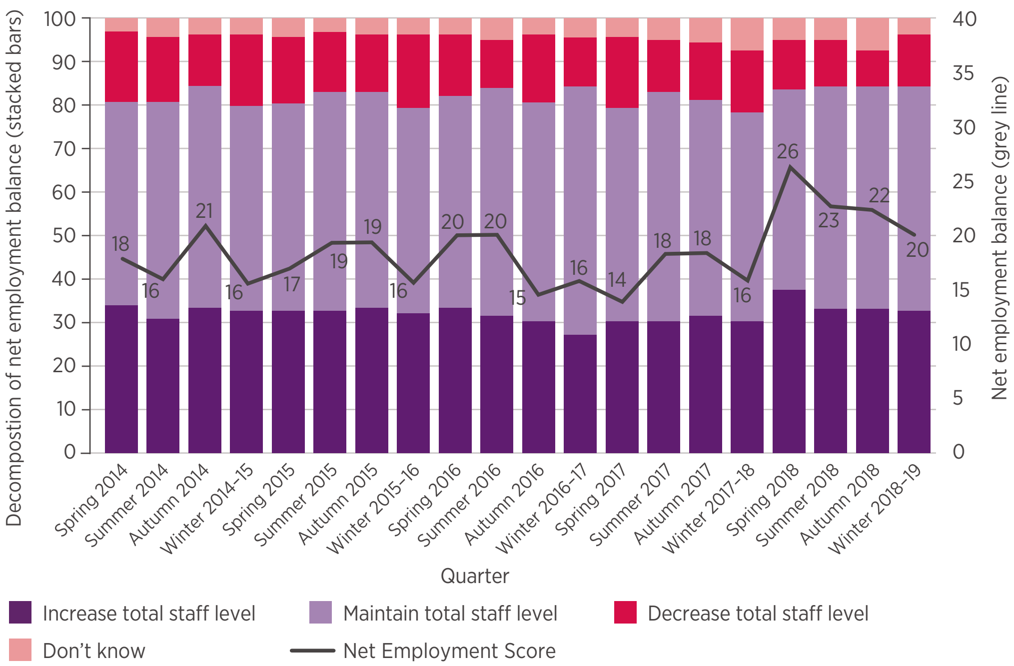
Figure 1: Relationship between quarterly increase in number of employees (Labour Force Survey) and *Labour Market Outlook* net employment balance projection[3]

Base: winter 2018–19, all employers (n=1,254)

Figure 2 deconstructs the net employment balance so that we can examine what has caused the movement up or down. The decrease in this quarter from +22 to +20 is due to more employers saying that they plan to decrease total staff levels.

Figure 2: Decomposition of net employment balance over time



Base: winter 2018–19, all employers (n=1,254)

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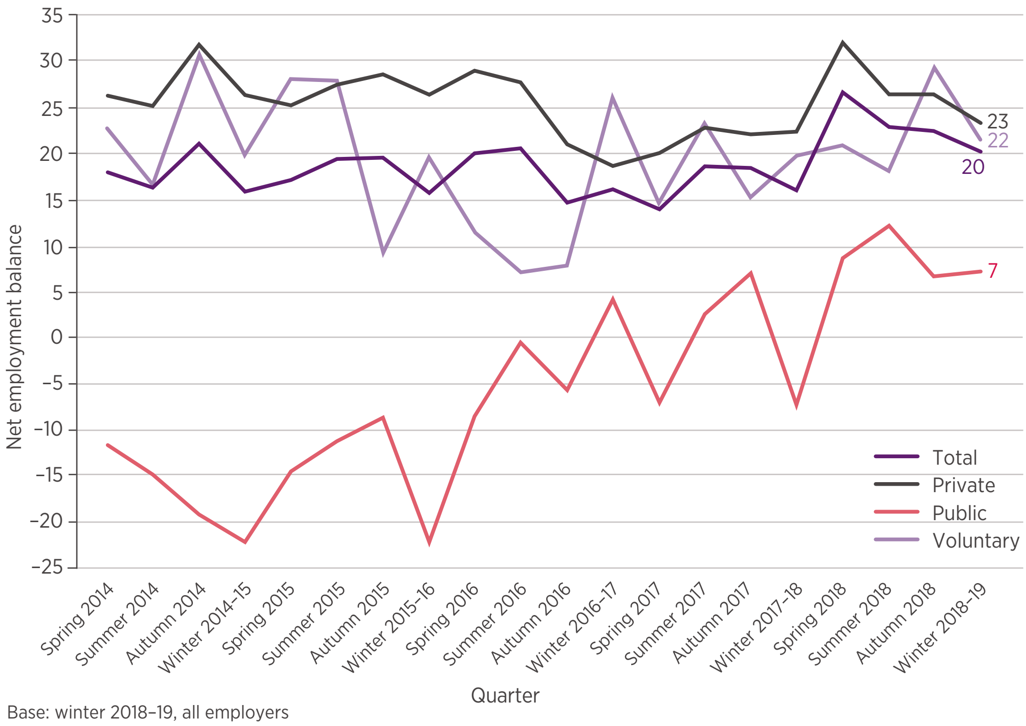
Figure 3 considers employment confidence by sector. This has fallen by 3 in the private sector, with an overall net score of +23. Within the public sector, the recorded level remains at +7 since a high in summer 2018 of +9. The voluntary sector follows a similar pattern to that of the private, with a fall from +29 in autumn 2018 to +22 this quarter.

Figure 3: Overall effect of increasing or decreasing staff over the next three months, by business sector



Base: winter 2018–19, all employers
(total n=1,254; private n=831; public n=320; voluntary n=103)

Table 1 considers employment confidence by broad industry group. While healthcare and education remain stable at +32 and +2 respectively, confidence in private sector services[4] has fallen by 7 points to +23. However, this is the only decrease across the sectors this quarter, with increases in public administration and defence (+4 to +10) and manufacturing and production (+13 to +18). While confidence has risen, these sectors have not regained the confidence they held in summer 2018.

Table 1: Net employment intentions for the next three months, by combined sector

Sector	Autumn 18	Winter 18–19	% point change
Public administration and defence (n=138)	+4	+10	+6
Healthcare (n=87)	+29	+32	+3
Education (n=177)	0	+2	+2
Private sector services (n=563)	+30	+23	–7
Manufacturing and production (n=176)	+13	+18	+5

Base: winter 2018–19, all employers (n=1,254)

What are the recruitment intentions for the coming quarter?

Recruitment intentions among employers have remained broadly consistent for several years. Two-thirds (66%) of employers state that their organisation is planning to recruit in the next quarter. This figure has fallen since autumn 2018 (71%).

4 Recruitment and redundancy outlook

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The figure is higher in the public sector (79%) than the private sector (63%) and voluntary sector (62%). Generally larger businesses are more likely to be hiring and this is reflected in the LMO data, with 80% of large private sector employers looking to recruit in comparison with 46% of smaller private employers.

Plans to recruit in the public sector are significantly higher than in the private sector,[5] healthcare (80%) and public administration and defence (83%) employers are significantly more likely to be hiring than those in manufacturing and production (61%) and other private sector services (63%).

What is the outlook for redundancies in the first quarter of 2019?

A fifth of organisations (20%) are looking to make redundancies over the next three months, which is consistent with previous reports. The figure remains the same since the last quarter for private sector employers (19%). The outlook for redundancies has risen from 18% to 24% in the public sector and from 11% to 16% in the voluntary sector.

5 Job vacancies

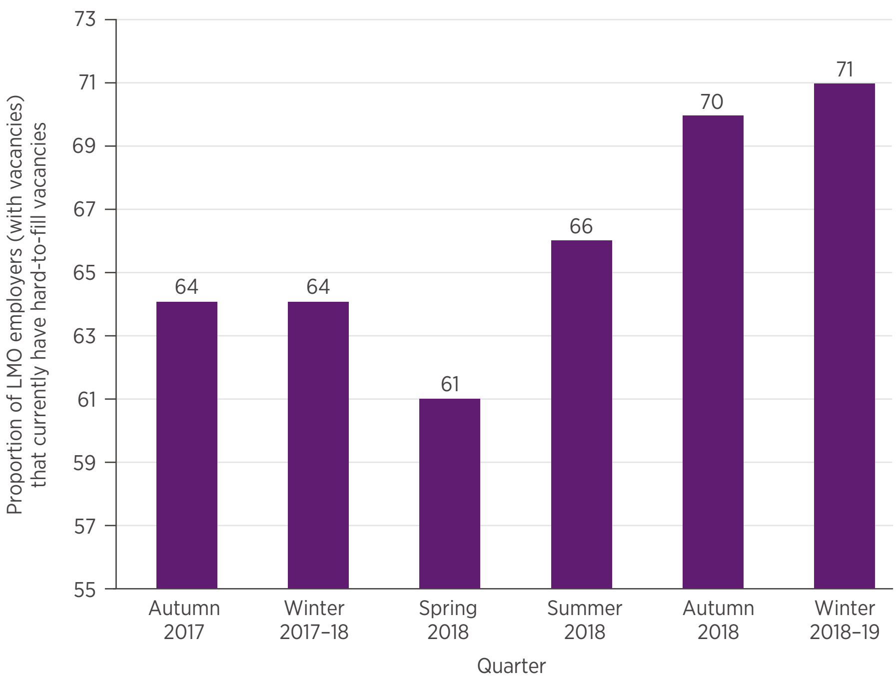
How many vacancies do organisations currently have?

Among employers with at least one vacancy, the median number of unfilled vacancies is currently ten.[6] The median number of current vacancies in the private sector is ten and remains lower than the median seen in the public sector (25) because of public sector employers having more staff.

How common is it for organisations to have difficulty filling vacancies?

Among employers who currently have vacancies in their organisation, 71% report that at least some of these vacancies are proving hard to fill, a proportion that is now higher than it was in the same quarter of 2017 (Figure 4).

Figure 4: Proportion of organisations with current vacancies that have hard-to-fill vacancies (%)



Base: winter 2018–19, all employers who currently have vacancies (n=720)

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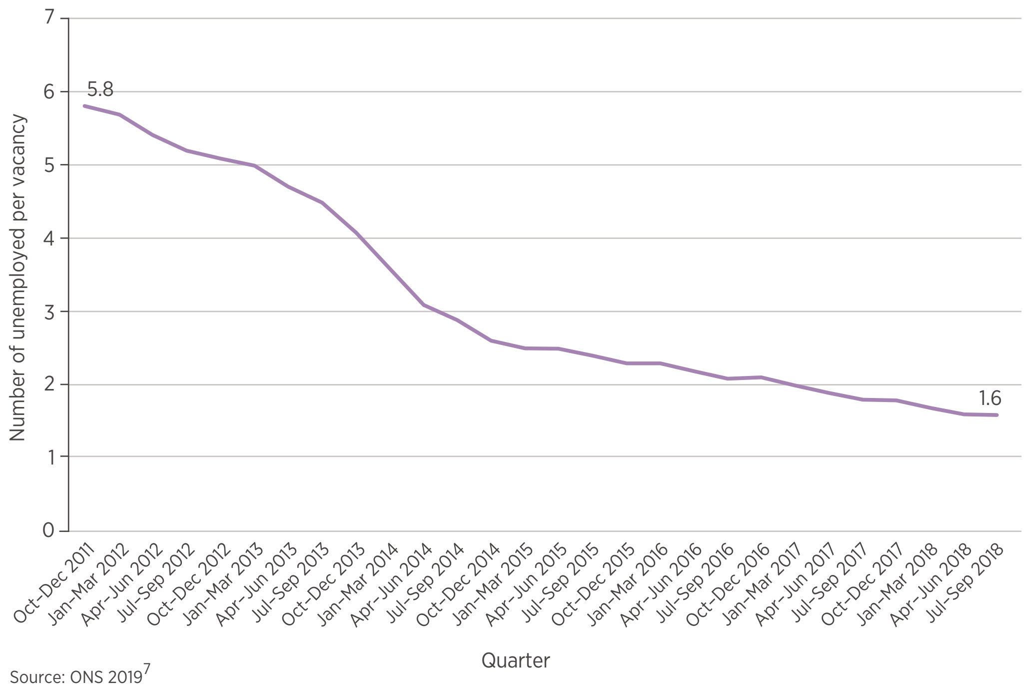
Considering only those employers with hard-to-fill vacancies, employers in manufacturing and production have the highest proportion of hard-to-fill vacancies (48%), compared with only 23% in public administration and defence.

The latest official data from the ONS shows that the number of unemployed per vacancy stands at a historic low of 1.6, which has trended down from 5.8 in Q4 of 2011 (Figure 5).

Figure 5: Number of unemployed people per vacancy



Source: ONS 2019[7]

How are hard-to-fill vacancies affected by skills and labour shortages?

Employers are most likely to be struggling to fill vacancies where specific skills are required. On average, employers state that 62% of their hard-to-fill vacancies are skills-based.[8] This is more prevalent within the public sector (67%) than the private (60%). Private sector SMEs are more likely to require skilled employees to fill certain roles, with 65% stating hard-to-fill roles are skills-based compared with 57% of larger private employers.

How are recruitment pressures changing?

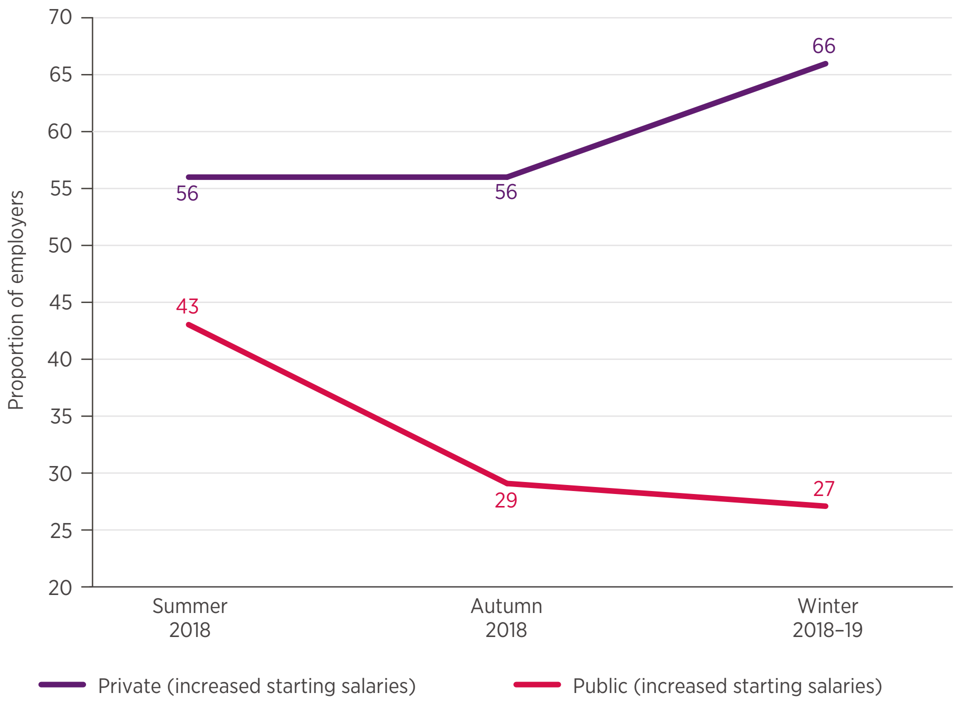
Forty-three per cent of employers report that it has become more difficult to fill vacancies during the past year. A larger proportion (48%) say that there has not been any change and 6% feel is it becoming less difficult.

Public sector employers are more likely to report that it has become more challenging to fill vacancies in the past year (57%, compared with 41% in the private sector). These figures remain unchanged since the last quarter. Similarly, large private organisations (48%) are significantly more likely than private sector SMEs (34%) to say it is more difficult to recruit than a year ago.

To alleviate their recruitment difficulties, the majority (56%) have increased starting salaries for at least a minority of vacancies. Over a quarter (28%) have increased salaries for the majority of roles, but 42% have still not made any increases in starting salaries.

Figure 6 shows how employers have responded to recruitment pressures by raising starting salaries. In the private sector, the proportion of employers raising starting salaries has increased from 56% to 66%. In the public sector, only 27% of employers have raised starting salaries to recruit, which is down from 43% in summer 2018.

Figure 6: Proportion of employers raising starting salaries in response to recruitment difficulties (%)



Base: recruitment has become more difficult (raise starting salaries): total: n=543; public: n=128; private: n=387

How are retention pressures changing?

A third of employers (32%) assert that it has become more difficult to retain staff at their organisation over the past 12 months. There has been a slight increase in those finding it less difficult since the last quarter (from 7% to 11%). Employers in the public sector are significantly more likely than those in the private sector to report it has become more difficult to retain staff (45% compared with 30%) during the past 12 months.

Among organisations that have had increasing difficulty retaining staff over the past 12 months, over half (55%) have increased salaries in some capacity. However, only a quarter (24%) have increased salaries for a majority of employees in response to retention pressures.

Employers in the public sector are significantly less likely to have increased salaries than those in the private sector (34% compared with 62%) (Figure 7).

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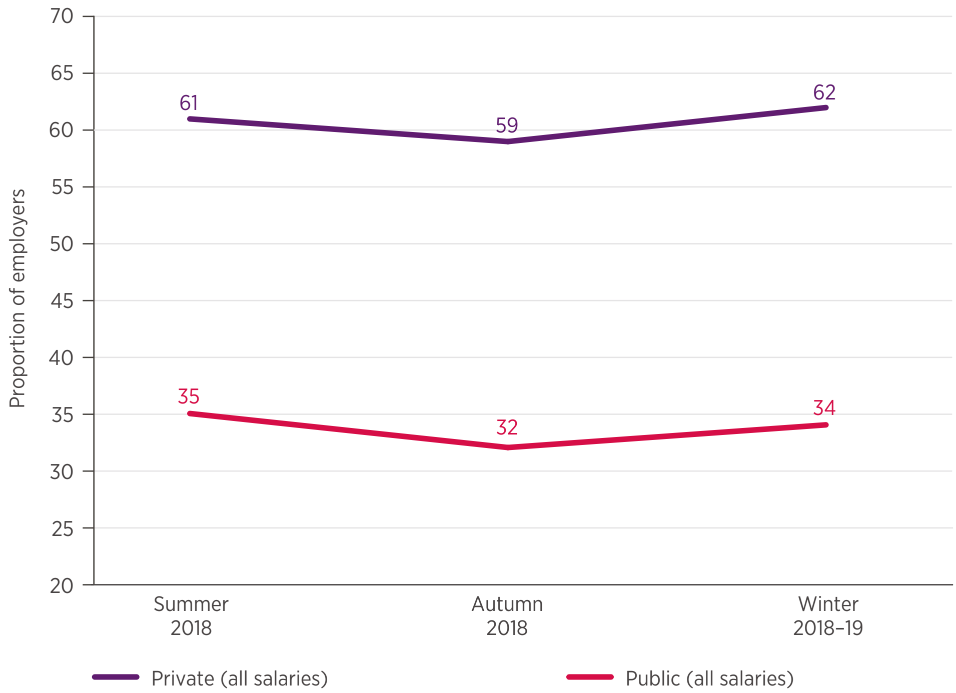
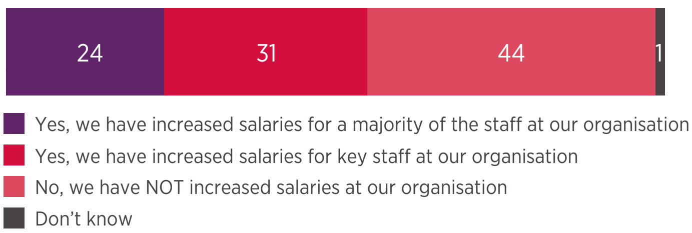
Figure 7: Proportion of employers raising salaries in response to retention difficulties (%)



Base: retention has become more difficult (raise salaries): n=390; public: n=140; private: n=225

Employers in manufacturing and production (63%), and private sector services (62%) are the most likely in the labour market to have increased salaries for current employees. They are significantly more likely to have done so than employers working in education (33%) and public administration and defence (34%).

Figure 8: Changes in salaries as a result of increased difficulty retaining staff during the past 12 months (%)



Base: winter 2018–19, all employers who report it has become more difficult to retain staff during the past 12 months (n=390)

6 Pay outlook

What is likely to happen to pay in the next 12 months?

Employers' median basic pay increase expectations in the 12 months to December 2019 have remained stable at 2% for the sixth successive quarter.

While overall median expectations remain the same, pay expectations have changed for each sector. Expected pay in the private sector has risen to 2.5% for the first time since tracking began in 2012. Expected pay remains consistent in the voluntary sector at 2%.

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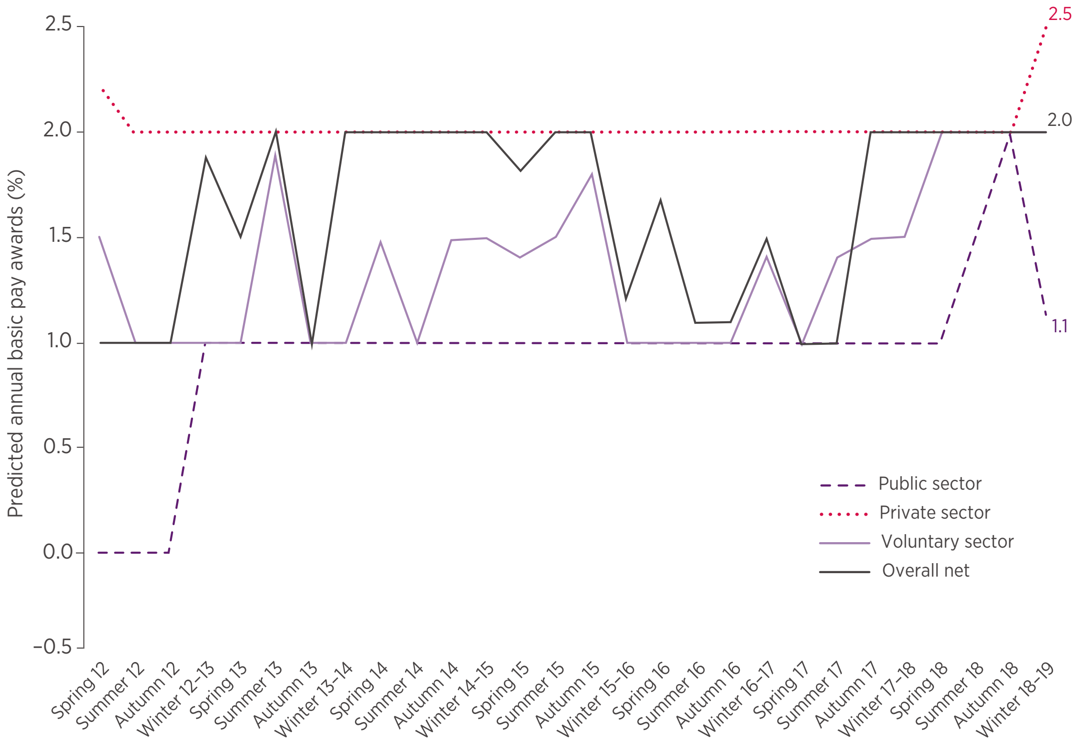
Pay expectations in the public sector have decreased to 1.1% from 2% in autumn 2018 (Figure 9).

Similarly, expected pay increases are highest in private sector services (2.5%) and reported lowest by employers in public administration and defence (1.3%). Interestingly, SME private sector employers report the highest expected pay increase of 3%, with larger private sector employers predicting a 2% increase.

Additionally, the report's mean average basic pay expectations indicator (the report's less preferred measure) indicates the upward pressure on pay, with basic pay expectations increasing to 2.6% from 2% in the previous quarter.

Figure 9: Average predicted annual basic pay awards (median), by business sector



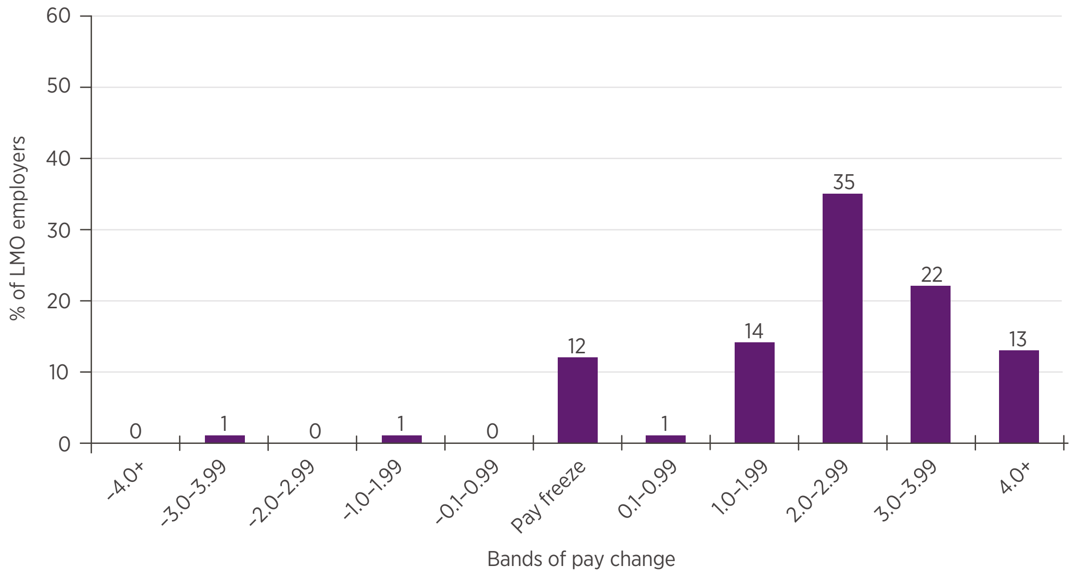
Base: winter 2018–19, all employers who report an expected increase, decrease or pay freeze in the next 12 months (total n=612; private n=378; public n=180; voluntary n=54)

Half (49%) of employers who are planning to make a pay decision in the next 12 months expect basic pay to increase at their organisation. This is on par with the 49% who reported that they felt pay would increase in the previous quarter (autumn 2018).

However, it should be noted that 43% of employers still report that it is too hard to tell how pay will change or that it will depend on their organisation's performance. This remains the same as autumn 2018 after a rise from 32% in summer 2018.

Figure 10 shows the distribution of expected pay settlements, which centres around 2–2.99%.

Figure 10: Distribution of forward-looking basic pay settlements – winter 2018–19 (%)

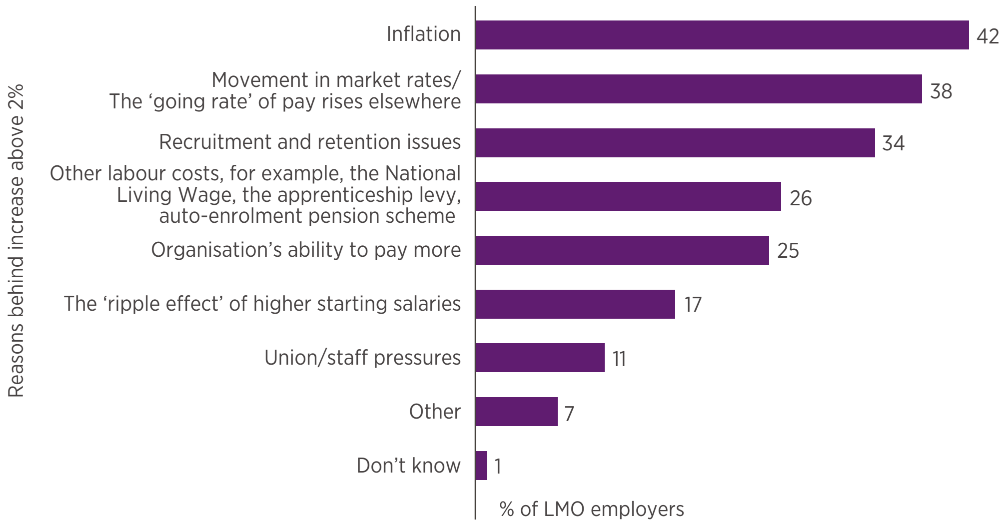


Base: winter 2018–19, all employers who report an expected increase, decrease or pay freeze in the next 12 months (total n=612)

What are the key factors behind employers' basic pay decisions?

Of those LMO employers that expected pay to increase by 2% or more, inflation (42%) remains the driving factor. In line with the increase in recruitment difficulties, employers stated the going rate of pay elsewhere (38%) and recruitment and retention issues (34%) were key reasons for expected rises in pay (Figure 11). A quarter (26%) now say this is due to other labour costs, such as auto-enrolment pension schemes or the National Living Wage, an increase from 18% in autumn 2018.

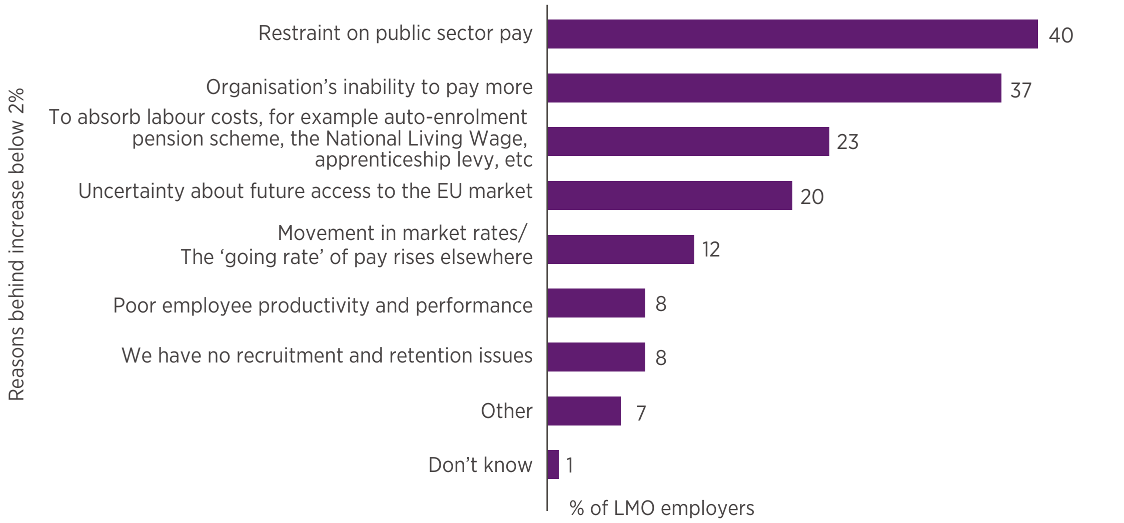
Figure 11: Top causes for increase in average basic pay by 2% or more (%)



Base: winter 2018–19, all employers who expect their organisation's basic pay will increase by 2% or more (n=408)

For employers who are not expecting to raise pay over 2%, this was largely because of public sector pay restraint (Figure 12).

Figure 12: Top factors restricting organisations' ability to match the inflation rate target of 2% (%)



Base: winter 2018–19, all employers who expect their organisation's basic pay will increase by less than 2%, be frozen, or decrease (n=206)

Looking more closely at employers in the private sector, uncertainty about the future access to the EU market remains a big concern (32%). For nearly half (49%) of SME employers, the main factor for smaller expected pay increases is their inability to be able to pay more.

There is a substantial group of private sector service employers who don't expect an increase above 2% because they are concerned about future access to the EU market (41%). However, most private sector service organisations have embraced expected pay increases because of the need to increase current wages and advertised salaries to meet the needs of their recruitment and to fill highly skilled hard-to-fill roles.

7 Focus on productivity

In 2014 the CIPD surveyed HR leaders on the meaning, measurement and importance of productivity. This culminated in the report *Productivity: Getting the best out of people*.[9] At this time, the labour market was performing a 'jobs miracle', but a worrying trend of low productivity growth was starting to emerge. Five years later and the productivity puzzle remains (Figure 13), prompting the CIPD to revisit the productivity questions in this edition of the LMO. This section then focuses on high-performance working practices and, in particular, the people management practices that are increasingly seen as a source of productivity gains.

'Productivity represents the relationships between inputs and outputs in the production process',[10] and in this section we are looking specifically at output per hour worked. Two charts set the scene for the problem facing UK businesses. Productivity – which was on an upward trend before the financial crash – has flat-lined since 2007. According to the ONS,

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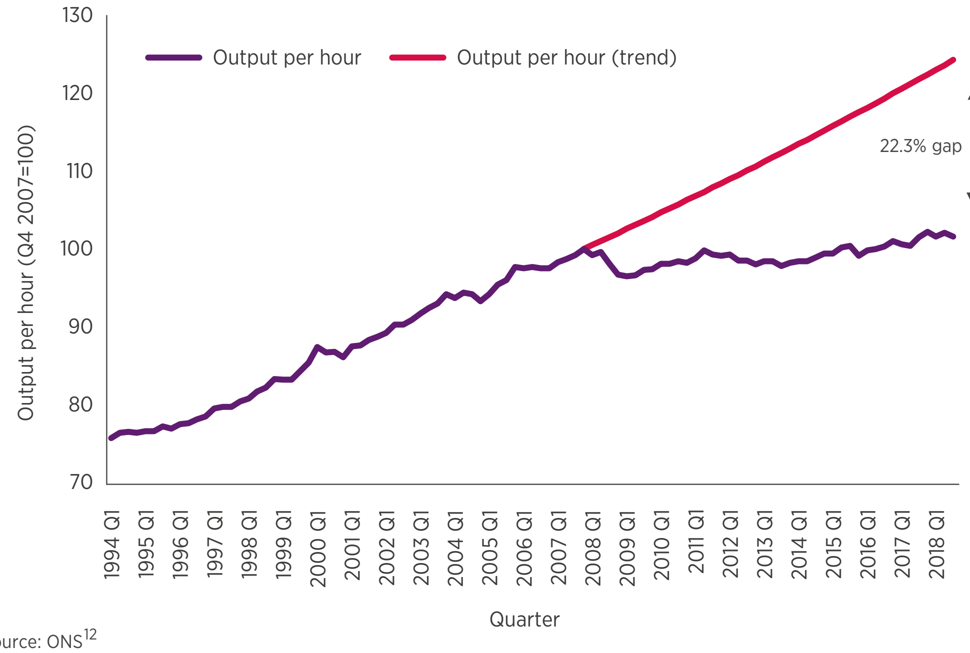
if productivity growth had continued at its pre-crisis trend, it would now be 22.3% higher (Figure 13). Although productivity growth has slowed in most major economies, the UK has the biggest difference in the G7 between its post-downturn productivity performance and the pre-downturn trend.[11]

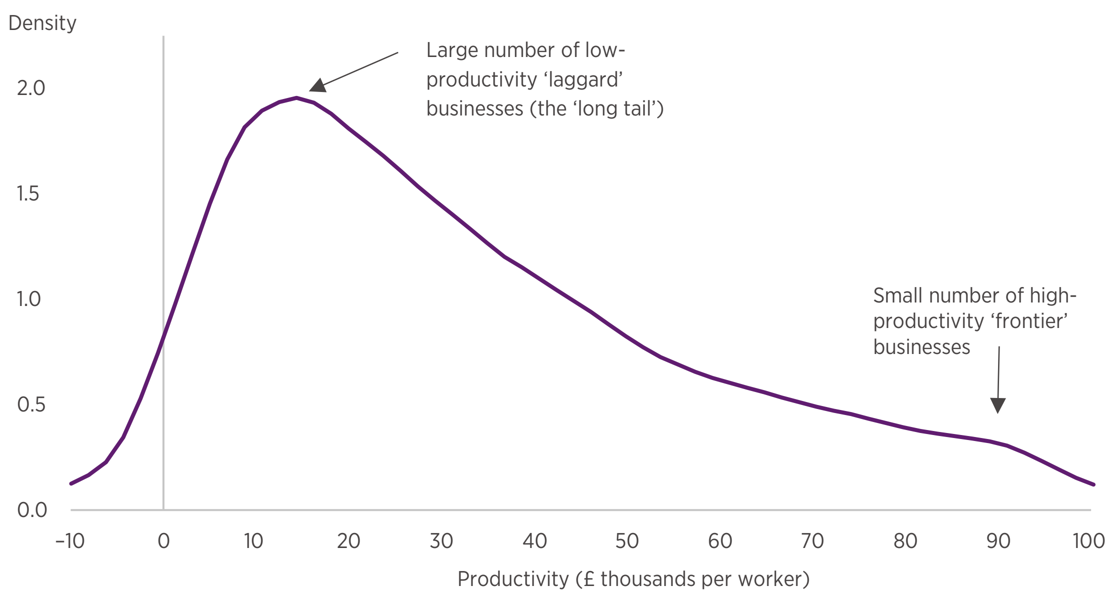
Figure 13: Output per hour (Q4 2007 = 100)



Source: ONS[12]

Figure 14 shows the distribution of UK firms by productivity performance in what has come to be known as 'the long tail'. A small number of highly productive businesses – dubbed 'frontier' firms – are trailed by many low-productivity businesses, or 'laggards'. Confusingly, the long tail is actually the hump, which represents the majority of low-productivity firms. The gap between the top- and bottom-performing companies is larger in the UK than in France, Germany and the US.[13]

Figure 14: The long tail of unproductive firms – 2015



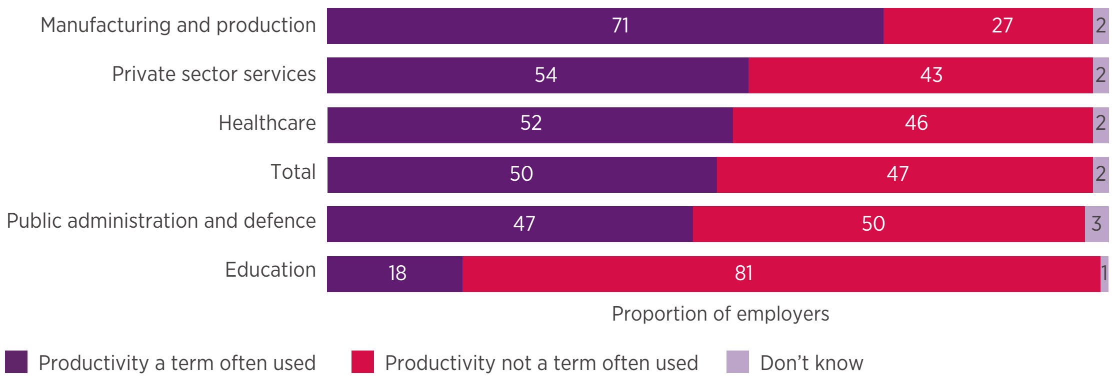
Source: ONS[14]

Business awareness of productivity

Figures 13 and 14 are derived from official statistics that aggregate data from the whole economy, representing outputs as disparate as cars, haircuts, and public services. It is no wonder that this abstract macroeconomic concept may feel distant from the everyday practice of employers. The questions asked in the LMO survey explored how far respondents have internalised the national productivity challenge.

Respondents were asked if productivity is a term often used when discussing performance, and half do so. The proportion differs widely by employer type. While productivity is a term familiar to employers in most manufacturing and production firms (71%), the term is used by less than a fifth of employers in education (18%) (Figure 15). In part this is because productivity is a term more commonly used in business: it is often used by 57% of private sector employers, compared with 36% of public sector employers and just 16% of voluntary sector employers.

Figure 15: The proportion of LMO employers that use the term productivity often (%)

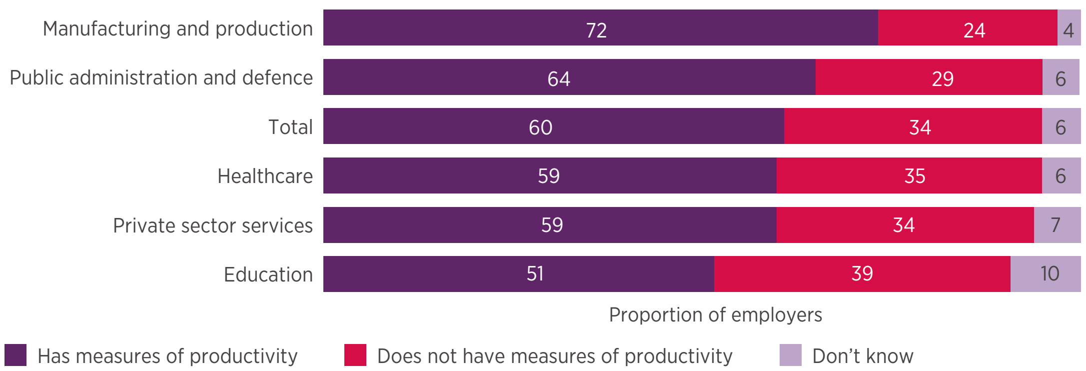


Base: winter 2018–19 (total: n=720; manufacturing and production: n=176; education: n=177; healthcare: n=97; private sector services: n=563; public administration and defence: n=138)

Productivity measurement

Figure 16 shows the proportion of organisations in each broad industry group that measure productivity and demonstrates a similar pattern to those organisations that often use the term productivity. Unsurprisingly, there is a strong relationship between the two, with those businesses using the term when discussing performance also being more likely to measure it. While 78% of employers who use the term productivity also measure it, the proportion is much lower – 41% – when productivity isn't a term that's widely used.

Figure 16: The proportion of LMO employers that measure productivity (%)



Base: winter 2018–19 (total: n=1,254; manufacturing and production: n=176; education: n=177; healthcare: n=97; private sector services: n=563; public administration and defence: n=138)

Measurement is much easier in some industries than others. It is much easier to measure the value of a car that is openly traded in the market than a teacher's lesson. This probably explains why only 51% of education sector organisations measure productivity compared with 72% in manufacturing and production. Of those employers that measure productivity, around half (51%) measure it at the level of the whole organisation. Employers may be surprised to know that measuring productivity at the organisation level is relatively straightforward – see Box 1.

Box 1: How productive is your business?

Office for National Statistics

Since the economic downturn of 2008, the UK's productivity growth has remained subdued and is currently growing at half its pre-downturn pace. In its simplest form, labour productivity measures the amount of output produced per worker.

In the long term, productivity growth drives higher wages and living standards for workers, higher profits for businesses, enabling higher levels of investment and employment, and increased revenue in taxes for government, in turn making it easier for government to provide essential services.

Increasing awareness of this issue among businesses has increased demand for better information for businesses, so they can understand how to improve their own productivity growth. Consequently, in July 2018, the ONS launched an interactive productivity benchmarking tool. This allows businesses to calculate their own productivity – between 2010 and 2016 – and compare their productivity performance with businesses in similar and across a wide range of industries. This easy-to-use tool only requires three pieces of information: turnover (or sales), purchases of inputs (excluding investment), and the number of people employed.

Knowing your firm's productivity is a step in the right direction, but understanding what makes some businesses more productive than others is the next critical step. ONS research has identified a range of business characteristics that are correlated with higher levels of productivity, including the impact of size, foreign direct investment (FDI), management practices and trade. All our research is available at www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures.

Is productivity a priority?

Improving productivity is a middle-ranking priority for employers (see Figure 17). However, objectives that are more common, such as managing costs or improving quality of service, are likely to improve an organisation's productivity. In fact, these measures are constituent parts of the productivity calculation as they relate to inputs and outputs. Reducing costs, for example, lowers the inputs, thus boosting the productivity figure.

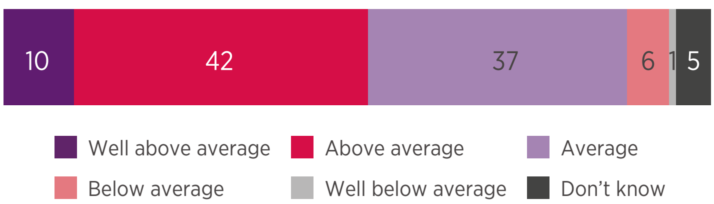
Figure 17: Current priorities for LMO employers (%)

Base: n=1,254

The proportion of employers that said improving productivity was a priority varied by sector, with 41% of private sector employers prioritising it compared with 28% in the public sector and just 10% in the voluntary sector – which is not surprising, as voluntary sector employers are less likely to use the term in the first place.

Perhaps businesses are not prioritising productivity because they do not perceive it to be a weakness. When asked what their productivity performance was relative to their peers, 88% believed their organisation to be average or above. Taking out the 'don't knows' (5%) leaves just 7% of employers who believe their organisation to be below average (Figure 18). We found a similar case of rose-tinted glasses in 2014 when we noted that performance rating questions have a history of inducing such results. However, few employers believing they are below average could be a recipe for inertia. The scale of this result does suggest that LMO employers may be unaware of their true productivity performance, which in turn may make them less likely to act.

Figure 18: How LMO employers rate their organisation's productivity performance relative to their peers (%)



Base: n=1,254

Recent research by the Centre for Cities suggests that we may be focusing on the 'wrong tail',[15] noting that '*not all businesses are capable of large increases in productivity gains. Specifically, local services businesses such as hairdressers and restaurants are both low productivity and have limited scope for growth. And it is these types of businesses that dominate the long tail.*'

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Some industries are more amenable to productivity gains than others, and the LMO data suggest that some industries are more receptive to productivity as a framework for improvement. Translating the abstract macro concept into the everyday language and operation of many employers will be a challenge, but the potential gains may make it worthwhile even if these gains are larger for some than others. There is one area for potential productivity gains that many employers could benefit from – that of structured management practices.

The importance of people management

Advocating for better people management is a natural call for an organisation like the CIPD that champions better work and working lives. Now this call is increasingly being taken up by other important stakeholders in business and government (see Box 2) in response to a growing body of compelling research into the links between management practices and productivity. In 2018 the Office for National Statistics published the results of a survey of 25,000 businesses in Great Britain looking at structured management practices and productivity.[16] The study reinforced earlier findings on the link between management practice and productivity and noted:

'Among the four broad management practices categories, we find that practices relating to continuous improvement and employment management – such as those relating to promotions, performance reviews, training and managing underperformance – were most correlated with productivity.'

The ONS research suggests that increasing the quality of structured management practices, particularly those relating to the management and development of people, could boost firm-level productivity and help tackle the long tail of underperforming businesses in the UK.[17]

Box 2: be the business

Having been asked by the Chancellor in 2015 to dig deeper into Britain's productivity problem, John Lewis Partnership chairman Sir Charlie Mayfield brought together some of the brightest minds in UK plc to approach the problem in a different way.

Now led by Sir Charlie and Chief Executive Tony Danker, **be the business** was launched in November 2017 with funding and support from the UK Government and some of Britain's leading companies, who continue to sit on its board. It works with the entire business community, from large corporates to SMEs in every region and sector, to share what works for today's best businesses with every company that wants to learn and improve.

be the business was founded on two fundamental insights about UK productivity. First, that good management practices are a major driver of performance improvement; and second, that while the UK is home to some of the most productive firms in the world, the practices that drive success have not been diffused throughout the wider business community.

With partners, it offers a range of programmes to address these issues. This includes Productivity through People, an executive education programme for SMEs; a nationwide mentoring programme; and business improvement networks in Cornwall and the north-west. It shares the unique, on-the-ground insight generated from these programmes with policy-makers to aid the development of more targeted business support for firms that have traditionally proven hard to reach.

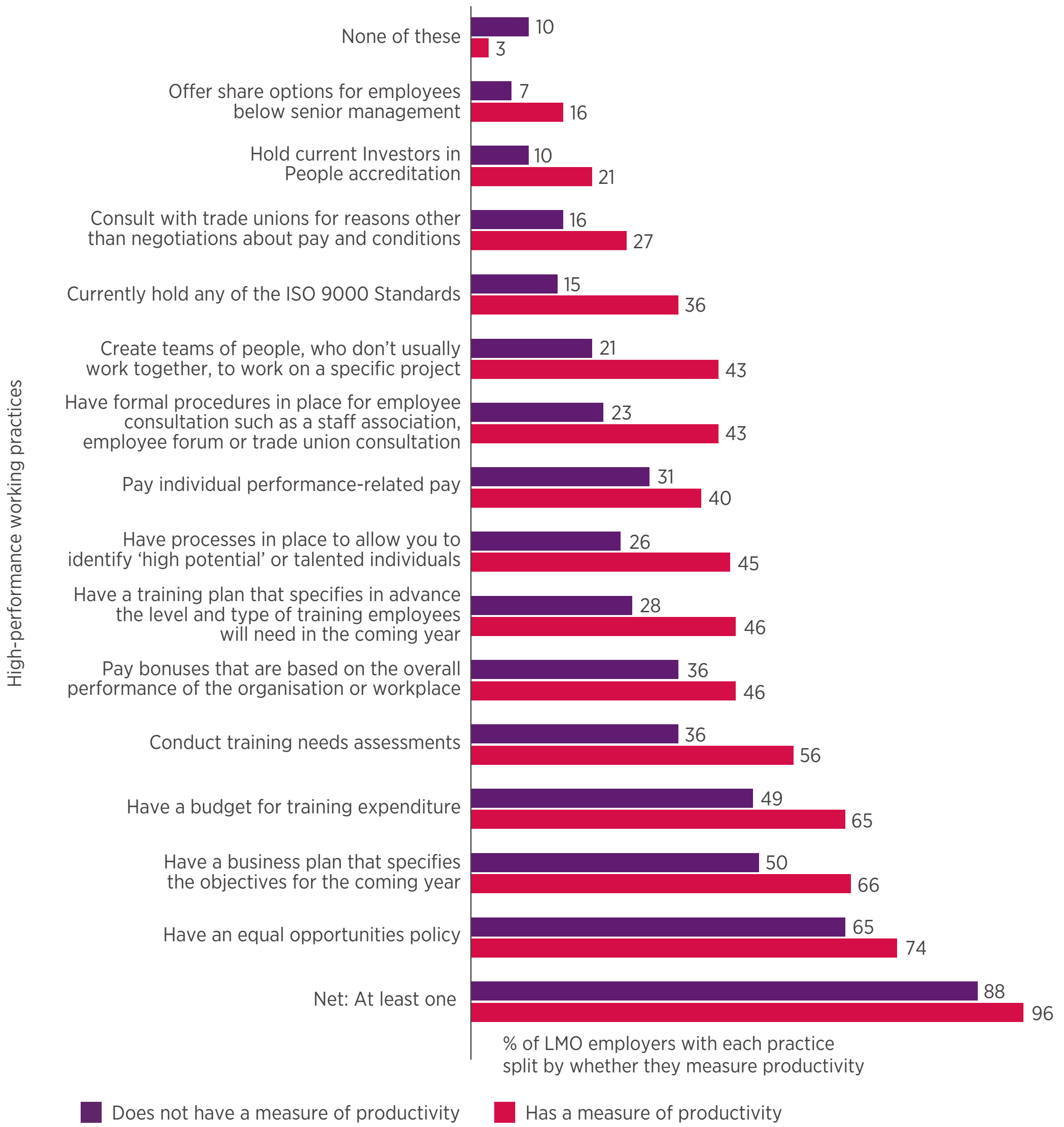
www.bethebusiness.com

High-performance working practices and productivity

This section of the report sheds light on the prevalence of key formal people management and development practices, also known as high-performance working (HPW) practices, and their links to firms' attitudes to and awareness of productivity.[18]

Naturally some practices, such as having an equal opportunities policy (70%), are more prevalent than others, such as Investors in People accreditation (17%). But, for every single HPW practice considered, organisations that said they have HPW practices in place were more likely to say they are measuring their productivity (Figure 19).

Figure 19: Prevalence of HPW practices against whether the employer has productivity measures (%)



Base: total: n= 1,254; measures productivity: n=720; does not measure productivity: n=462

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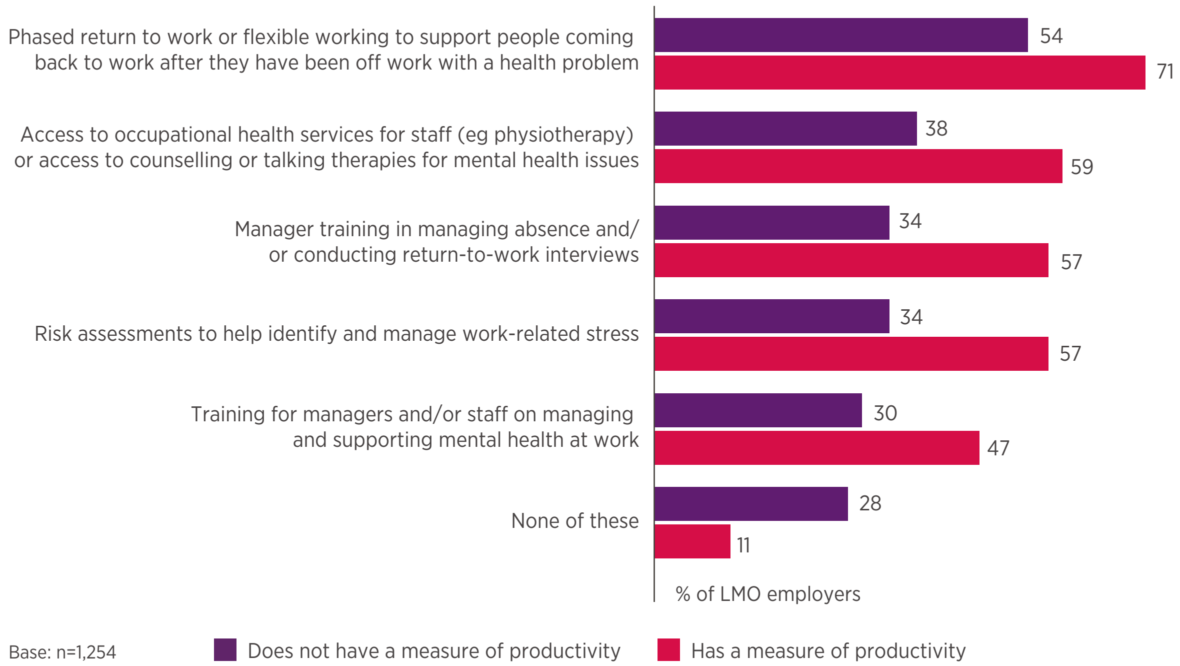
Flexible working, health and well-being

Organisations that measure productivity are slightly more likely to offer flexible working (76%) compared with organisations that don't have productivity measures (70%). In the important area of policies that support health and well-being, firms that have measures of productivity are more likely to employ all of the five policies listed (Figure 20). In all of these policies the gap is large, for example in employers with productivity measures, 57% have risk assessments to help identify and manage work-related stress, compared with just 34% in employers without productivity measures.

Figure 20: Health and well-being practices (%)



Base: n=1,254

8 Conclusion

Many employers live and breathe the language of productivity, but many do not. There is a strong call to action here. The challenge is to convince employers and employees that productivity isn't a distant academic concept, but something within their reach. The finding that management practices and, in particular, people management practices, may hold the key gives businesses of all sizes and industries a place from which to start.

9 Survey method

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,254 senior HR professionals and decision makers in the UK. Fieldwork was undertaken between 7 December 2018 and 7 January 2019. The survey was carried out online. The figures have been weighted and are representative of UK business by size, sector and industry.

Weighting

Rim weighting is applied using targets on size and sector drawn from the *Business Population Estimates for the UK and Regions 2016*. The following tables contain unweighted counts.

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Table 2: Breakdown of the sample, by number of employees in organisation

Employer size band	Count
2 to 9	198
10 to 49	230
50 to 99	86
100 to 249	114
250 to 499	117
500 to 999	95
1,000 or more	414
Total	**1,254**

Table 3: Breakdown of sample, by sector

Sector	Count
Private sector	831
Public sector	320
Third/voluntary sector	103
Total	**1,254**

Table 4: Breakdown of sample, by industry

Industry	Count
Voluntary	103
Manufacturing and production	176
Manufacturing	96
Construction	55
Primary and utilities	25
Education	177
Healthcare	97
Private sector services	563
Wholesale, retail and real estate	81
Transport and storage	35
Information and communication	56
Finance and insurance	83
Business services (eg consultancy, law, PR, marketing, scientific and technical services)	149
Hotels, catering and restaurants/Arts, entertainment and recreation	69
Administrative and support service activities and other service activities	90
Public administration and defence	138
Public administration and other public sector	121
Police and armed forces	17
Total	**1,254**

10 Endnotes

1 The net employment balance is an indicator of employment confidence. It takes the difference between the proportion of employers who expect to increase staff levels and those who expect to decrease staff levels.

2 Bank of England. (2019) *Inflation Report – February 2019*.

3 Labour Force Survey data taken at quarterly intervals based on GB population aged 16+. Winter (November–January), Autumn (August–October), Summer (May–July), Spring (February–April).

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[4] To ensure a sufficient sample size to draw comparisons at the industry level we have aggregated industries into larger groups. Some – such as healthcare, and education – are fairly obvious. and some are less so. Private sector services comprises: wholesale, retail and real estate; transport and storage; information and communication; finance and insurance; business services (for example, consultancy, law, PR, marketing, scientific and technical services); hotels, catering and restaurants/arts, entertainment and recreation; administrative and support service activities, and other service activities.

[5] Public sector employers in our sample tend to be larger, and larger employers are more likely to have plans to recruit. Sixty-three per cent of public sector employers had 1,000+ staff compared with 25% of private sector employers.

[6] We have excluded those with zero vacancies and then taken a median. This means that we lined up all LMO employers with at least one vacancy from the smallest number of vacancies to the largest number and then took the number of vacancies for the LMO employer in the middle of the ranking.

[7] ONS. (2019) *VACS01: Vacancies and unemployment.*

[8] By skills shortage vacancies we mean vacancies that remain unfilled because applicants do not have the required skills, experience or qualifications. By labour shortage vacancies we mean vacancies that are difficult to fill for non-skill-related reasons, such as an insufficient number of applicants for the role or because there are specific issues related to the role, such as anti-social hours or poor working conditions.

[9] CIPD. (2015) *Productivity: getting the best out of people.*

[10] This definition is taken from the ONS (2017) *Productivity handbook*.

[11] ONS. (2018) *International comparisons of UK productivity (ICP), final estimates: 2016*.

[12] ONS. (2019) *Labour productivity, UK: July to September 2018.*

[13] HALDANE, A. (2018) *The UK's productivity problem.*

[14] ONS. (2017) *Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: 'the laggards', 2003 to 2015*.

[15] CENTRE FOR CITIES. (2018) *The wrong tail*.

[16] ONS. (2018) *Management practices and productivity in British production and services industries – initial results from the Management and Expectations Survey: 2016*.

[17] The Economic and Social Research Council recently announced a £4.5 million fund to further research management and employee engagement.

[18] Questions were adapted from the 2017 Employer Skills Survey – Department for Education. (2018) *Employer Skills Survey 2017: supplementary documents.*

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