CIPD

Survey report
September 2023

People management and productivity

The CIPD has been championing better work and working lives for over 100 years. It helps organisations thrive by focusing on their people, supporting our economies and societies. It’s the professional body for HR, L&D, OD and all people professionals – experts in people, work and change. With over 160,000 members globally – and a growing community using its research, insights and learning – it gives trusted advice and offers independent thought leadership. It’s a leading voice in the call for good work that creates value for everyone.

Survey report

People management and productivity

Contents

Acknowledgements

This report was written by Mark Beatson of the CIPD.

The survey data used in this report was collected by YouGov. Any errors that remain are entirely the author's responsibility. The CIPD is also grateful to all the survey respondents who gave their time to contribute to the survey.

Please use the following citation:

CIPD. (2023) *Productivity and people management*. London: Chartered Institute of Personnel and Development.

This report is available at www.cipd.org/uk/knowledge/reports/people-management-productivity

1 Summary

Productivity growth since 2011 has been both weak and sporadic. It has weakened in all the major (G7) economies, but the slowdown has been greatest in the UK.

Productivity improvements usually require investment. However, the amount of investment made by business stopped increasing in 2016. Brexit-related uncertainty probably added to the general uncertainty that surrounds any investment decision.

In 2016, average productivity in firms with more highly structured management practices was 38% higher than in firms with less structured management practices.

The CIPD *Labour Market Outlook* (LMO) is a regular quarterly survey of employers in the private, public and voluntary sectors. Respondents are usually the senior person in their organisation with responsibility for HR/ people management. Questions were added to the spring 2023 survey that covered productivity and people management practices.

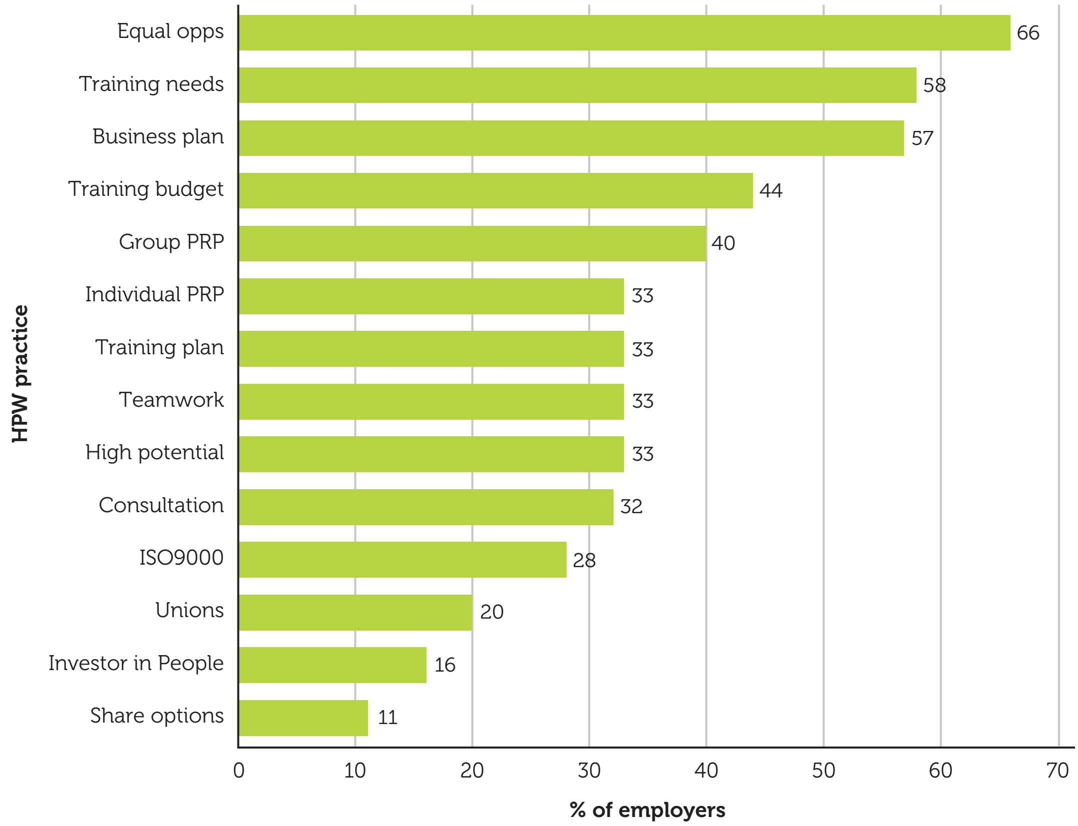
In spring 2023, 51% of employers said productivity was a term used widely within their organisation in conversations to improve business performance. It was a term most widespread among firms in certain industries – especially manufacturing and production, and transport and communication – as well as in private sector organisations and medium and large organisations (those employing 50 or more people).

Three-fifths of employers (62%) said they measured productivity. Efforts to embed productivity into business conversations made it more likely that the organisation also measured productivity: 82% of employers who used the term 'productivity' in business conversations also measured it, versus 41% for employers who didn't use the term.

In many cases, little further detail about these measures was forthcoming. Measurement of productivity often looked like measurement of performance more generally.

One approach to people management, thought to offer benefits to both employers and employees if implemented effectively, is high-performance working (HPW), "a term that is used to describe a distinctive approach to management in the workplace that aims to maximise organisational performance by investing in the skills and capabilities of employees."

LMO respondents were asked if their organisation implemented 14 different people management practices commonly associated with HPW (see Figure below).



Base: UK organisations with 2+ employees (n=1,921).
Source: CIPD *Labour Market Outlook*, spring 2023.

Just 1% of organisations said they had all 14 of these practices in place, but only 5% used none of them. The average (mean) number of practices was just over five, down slightly from 2018.

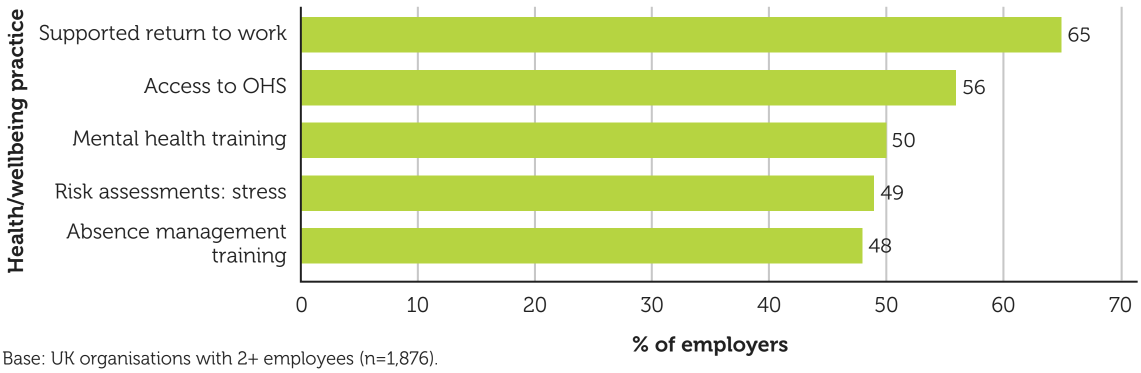
The number of practices adopted was greater in the public sector, in public administration, defence and police, and, most clearly, in large organisations (those with 250+ employees).

The vast majority of organisations – over 80% – said that at least some of their staff received a formal appraisal or review. The remainder – about 15% – either did not have an appraisal system or said it applied to nobody at the workplace. In most organisations, if there was an appraisal system at all, it applied to most of the workforce (over 75% of it). But whereas appraisal systems of some kind were virtually universal in large organisations, more than half of those responsible for the smallest organisations (those with fewer than 10 employees) didn't have a system at all or said that it didn't apply to anyone.

While just 6% of employers said none of their workforce had received training within the previous year, over a third said that more than 75% of their workforce had received training. Again, it was more common for most of the workforce to have received training in larger organisations.

Over a quarter (27%) of employers said most of their people managers had been trained how to manage people. However, 12% said no managers had been trained – more in the smallest workplaces.

There are risks to employee wellbeing from HPW. The LMO therefore aimed to capture the extent to which employers sought to offset such problems or prevent them arising. The LMO asked employers whether they had each of five specific practices in place (see Figure below).



Base: UK organisations with 2+ employees (n=1,876).
Source: CIPD *Labour Market Outlook*, spring 2023.

Only 17% of employers said they had none of these five practices in place, whereas nearly a quarter (24%) of organisations said they had all five practices in place. Like HPW management practices, their presence is greatest in the public sector and in large organisations. Unlike HPW management practices, their use was more widespread than in 2018 (especially mental health training, up from 42% to 50% of employers).

When asked to rate their productivity relative to their peers and competitors, just less than half (48%) of organisations rated their productivity 'above average' or 'well above average'. In contrast, just 5% of employers were prepared to concede that their productivity was 'below average' or 'well below average'.

Public and private sector employers were less likely to describe their productivity as above average (or better) than employers in the voluntary sector. In contrast, employers who said their organisation had a premium quality approach to products or services were substantially more likely to rate their productivity highly than those who described their strategy as based on standard or basic quality.

The presence of HPW practices was associated with higher (relative) productivity.

Appraisal, training and manager training were all associated with a more positive productivity rating, as were all five of the employee health and wellbeing practices covered in this LMO. Broader aspects of managing productivity – talking about it, measuring it – also had a positive effect on the productivity rating.

The appendix presents the results of modelling that attempts to correct for other factors, such as industry and size of organisation:

- Most strikingly, employers who adopted a standard or basic approach to quality were 26 percentage points *less* likely to rate their productivity highly.
- In contrast, employers who measured productivity were 9 percentage points *more* likely to rate their productivity highly than employers who didn't measure their productivity.
- Employers who invested in training their managers or employees on managing and supporting mental health at work were 8 percentage points *more* likely to rate their productivity highly.
- Those who ensured that more than three-quarters of managers received training in managing people were an additional 10 percentage points *more* likely to rate their productivity highly.

The evidence suggests the effect of management was mainly down to *the general way the business was managed* – its approach to quality, its approach to measuring performance – rather than the presence (or not) of specific people management practices.

Policy recommendations

1. Prioritise the development of a broad-based industrial strategy that seeks to influence the wider business environment across the whole economy, rather than focus on a small subsection of high-growth or R&D-intensive firms.
2. Make the Apprenticeship Levy a more flexible training levy to remove the employer incentive to develop generic management skills via an apprenticeship. This would leave more public funding to invest in apprenticeships for young people, who most need and benefit from them, and in apprenticeships that address key technical skills shortages. Public funding to boost management capability should focus on SMEs, which most need and benefit from support to build their people management and development capability.
3. Review publicly funded management qualifications and business support programmes designed to build management capability, to understand what types of support work best. Develop an accessible, high-quality, locally delivered business support service for raising management capability.
4. Set up and fund a limited number of 'workforce productivity pilots' to develop innovative approaches to public sector people management that improve its efficiency.

2 Introduction

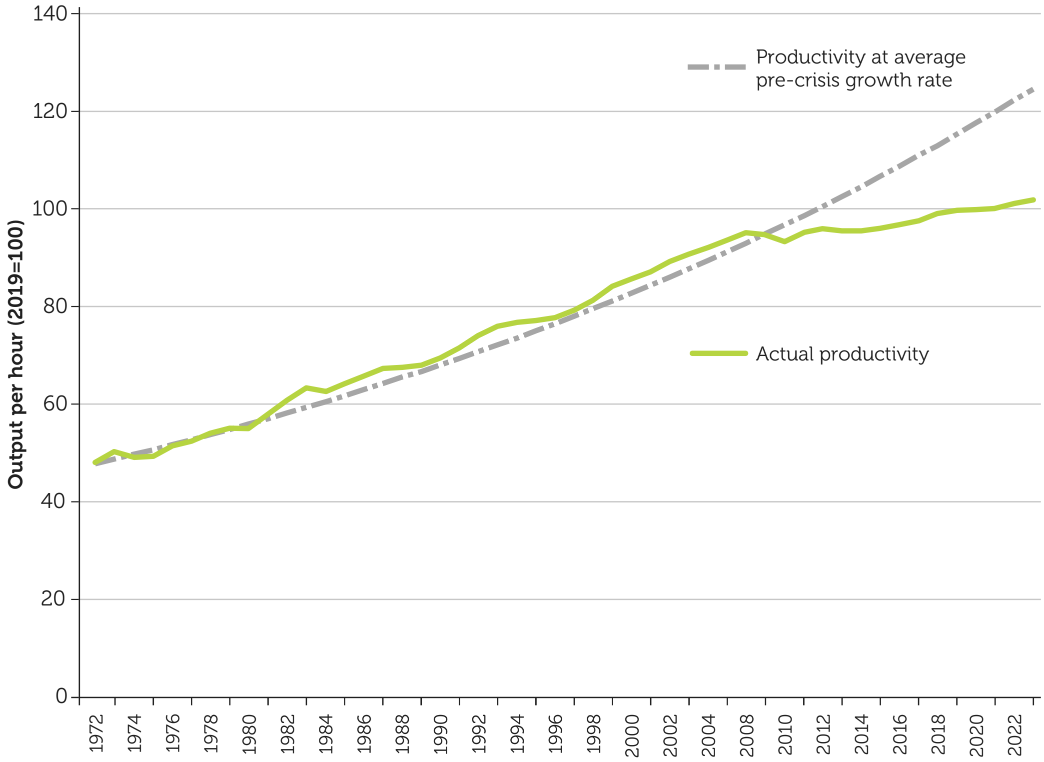
Productivity is usually defined as the ratio between outputs and inputs. In other words, how efficiently inputs are being used to produce a given level of output, or how much output can be produced from a given level of inputs. Typical inputs in a modern economy are labour, capital, land and energy. Typical outputs are the many goods and services measured by gross domestic product (GDP).

According to Nobel Prize-winner Paul Krugman, "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

The productivity slowdown

According to the (now defunct) Industrial Strategy Council, before the pandemic, the UK "experienced the worst decade of productivity growth in nearly 200 years". Indeed, the Royal Statistical Society made productivity growth its UK Statistic of the [last] Decade, contrasting average annual growth of 0.3% with the average pre-crisis growth rate of 2%. By 2022, UK productivity was 22% lower than it would have been if the pre-crisis growth rate had been maintained (Figure 1).

Figure 1: Fifty years of UK productivity, 1972–2022



(UK, output per hour, whole economy, 2019=100)
Source: Office for National Statistics.

1
2
3
4
5
6
7
8

Productivity growth weakened in all the G7 countries during the last decade, but the slowdown (compared with the pre-crisis average) was greatest in the UK (Table 1).

Table 1: Average growth rates of labour productivity in the G7, 1995–2021 (%)

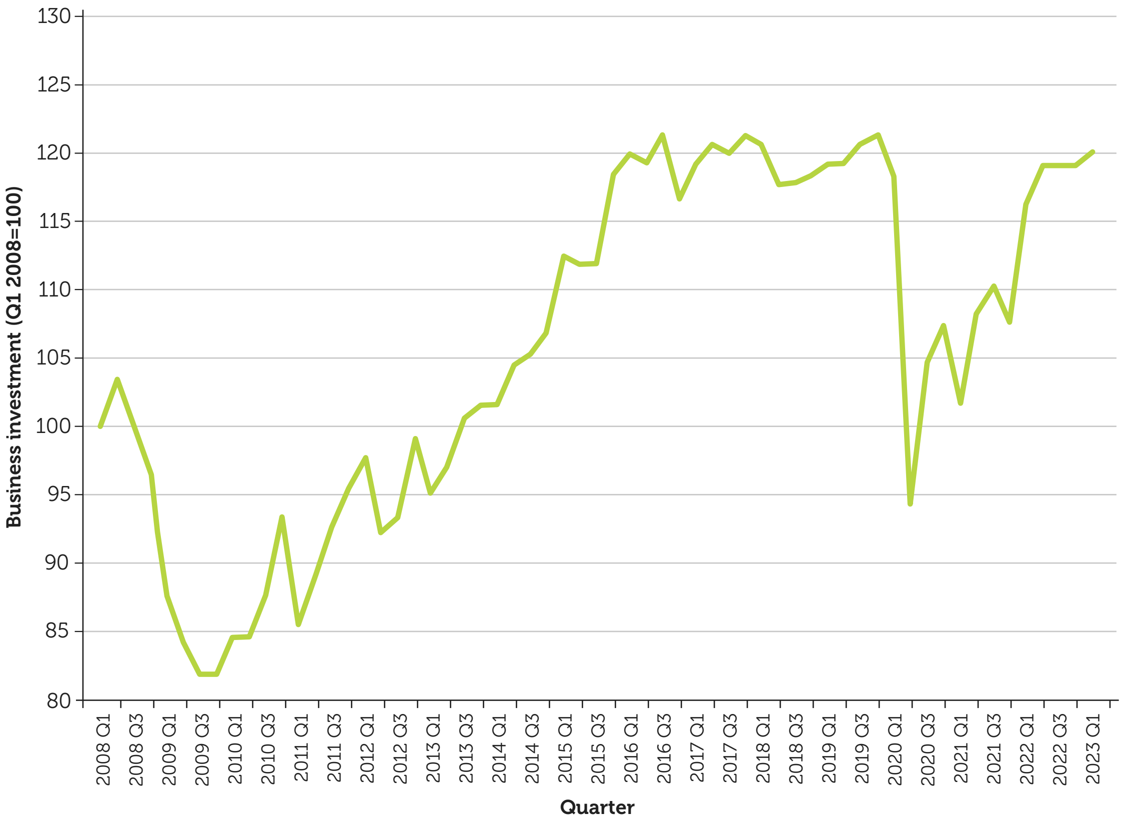
	Pre-crisis 1995–2007	Post-crisis 2010–2021	Extent of slowdown
Canada	1.4	1.0	–0.4
France	1.6	0.6	–1.0
Germany	1.5	1.0	–0.5
Italy	0.5	0.4	–0.1
Japan	1.7	0.8	–0.9
UK	1.9	0.3	–1.6
USA	2.2	0.9	–1.3
G7	1.9	0.9	–1.0

(GDP per hour worked, % growth year-on-year, constant prices, US dollars, calculated using 2015 PPP)
Source: OECD.

The investment slowdown

Productivity improvements usually require investment. However, the volume of business investment stopped increasing in 2016 (Figure 2).

Figure 2: Business investment, 2008–23

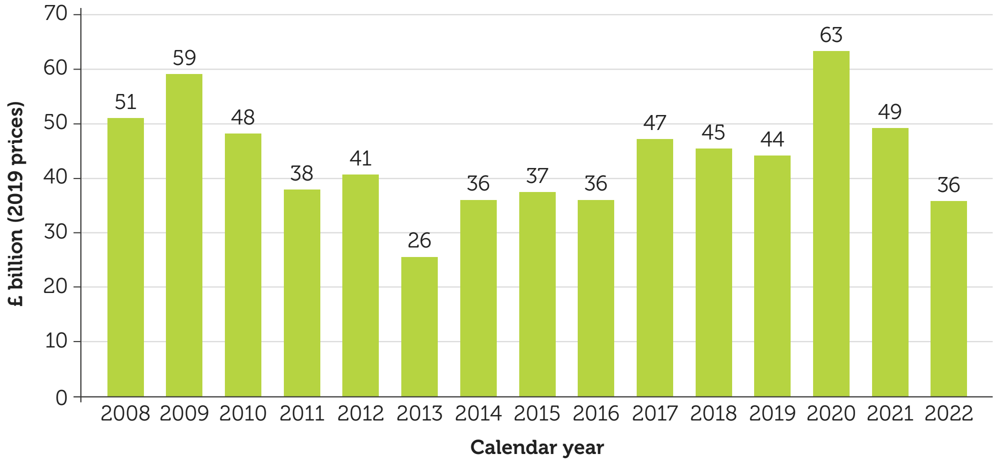


(UK, Q1 2008=100, chained volume measure, seasonally adjusted)
Source: Office for National Statistics.

1
2
3
4
5
6
7
8

Nor did investment by the public sector increase by enough to compensate (Figure 3).

Figure 3: Public sector net investment in real terms, 2008–22

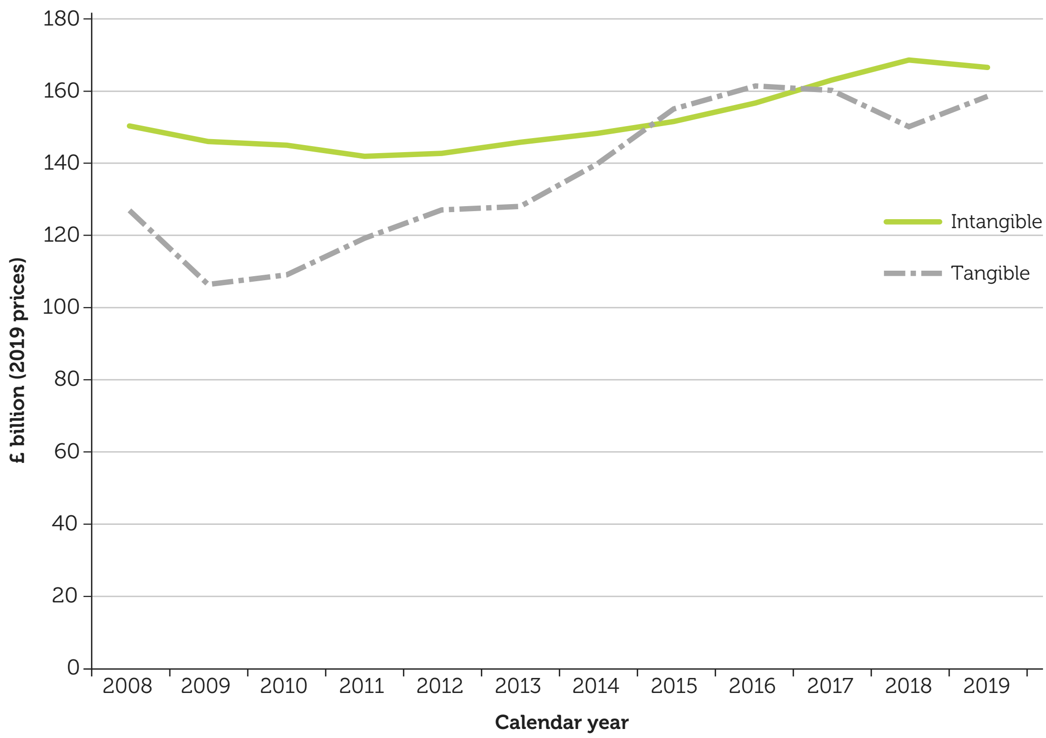


(UK, excluding public sector banks, £ billion, 2019 prices calculated using GDP deflator)
Source: Office for National Statistics.

Cuts made to investment in the early years of the Coalition Government (in government 2010–15) were not fully reversed for a decade.

This investment was primarily in *tangible* assets such as plant, machinery and equipment. However, UK businesses also spend a similar amount on investment in *intangible* assets such as brand, reputation and the competence of the workforce (Figure 4).

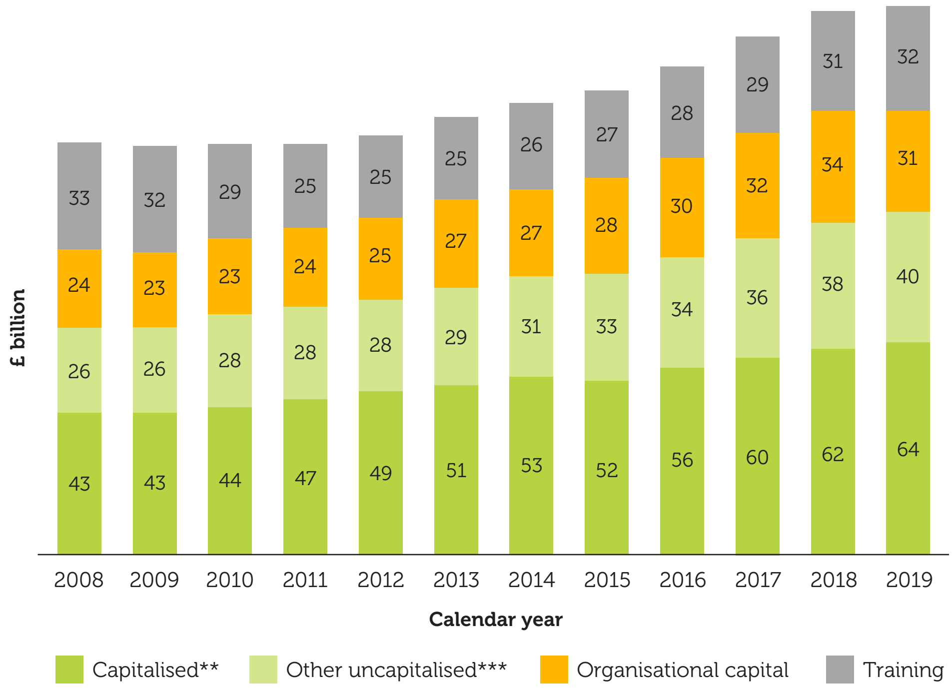
Figure 4: Tangible and intangible business investment in real terms, 2008–19



(UK, whole economy minus public administration and defence, education, health and social care, real estate, £ billion, 2019 prices calculated using GDP deflator)
Source: Office for National Statistics.

The growth rate of investment in intangibles was even weaker than the growth rate of investment in tangibles. This is because, whereas businesses were spending much more by 2019 on R&D, software, branding and design, they were still spending less on training in 2019 than they had in 2008 (Figure 5).

Figure 5: Components of intangible investment, 2008–19



(UK, whole economy minus public administration and defence, education, health and social care, real estate, £ billion, current prices)
** Artistic originals, mineral exploration, R&D, software.
*** Design, financial product innovation, branding.
Source: Office for National Statistics.

Brexit and COVID-19

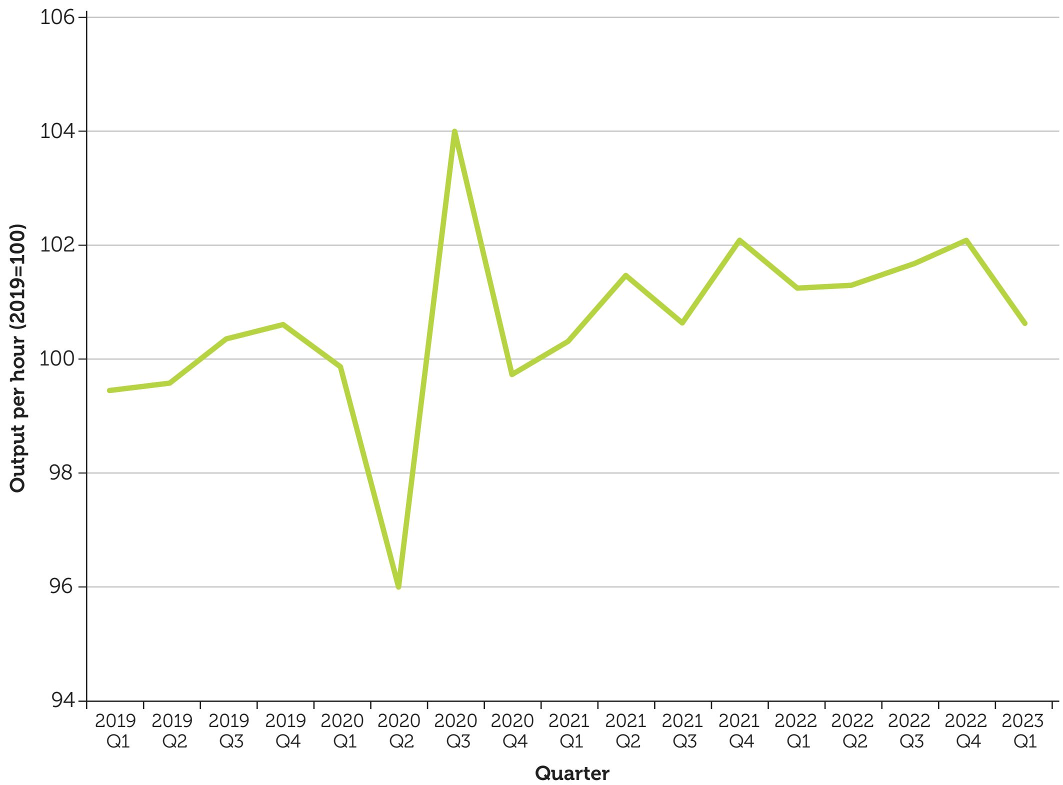
The recent weakness of UK productivity growth may be the result of the EU membership referendum and its aftermath; indeed, a 2019 study estimated the referendum-related loss of productivity at 2–5%. However, this is not the complete explanation, as productivity growth began to slow down in the second half of 2015, before the referendum was even called.

The principal effect would seem to have been through extra (Brexit-related) uncertainty discouraging business investment. According to expert witness testimony to the UK Productivity Commission, "Brexit was noted as a reason the UK may remain a less desirable place for businesses to invest relative to comparable economies." A leading academic recently estimated the productivity loss due to this lower investment at 1.3% of GDP.

In addition, if Brexit leads to a permanent reduction in the UK's trade intensity, this is likely to produce a further small reduction in productivity and output.

The COVID-19 pandemic saw big swings in the quarterly productivity data as the UK economy was affected by the imposition (and easing) of lockdowns and other restrictions (Figure 6). It is difficult, however, to see any difference between pre-pandemic and post-pandemic productivity growth.

Figure 6: Productivity before, during and after the pandemic, 2019–23



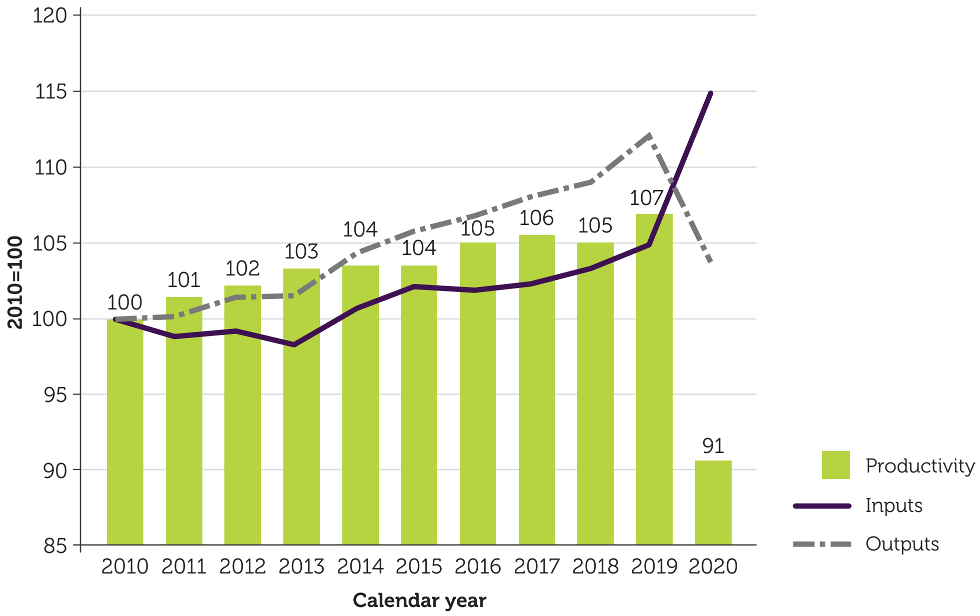
(UK, whole economy, output per hour, 2019=100)
Source: Office for National Statistics.

In 2023, business investment was still lower than before the pandemic. In addition, the pandemic may have diverted the attention of managers away from finding ways to improve the performance of their business towards finding ways to keep the business going during lockdowns and social distancing restrictions.

The pandemic led to a big increase in remote and hybrid working, which, according to job postings data, is here to stay. Views about its impact on productivity are mixed, with employees more positive than managers. However, over a third (38%) of employers now say that more home/hybrid working has increased productivity/efficiency.

The pandemic also had a profound impact on productivity in public services. The extra resources required in 2020 to keep public services going saw a decade's worth of modest productivity improvements (more than) wiped out in a single year (Figure 7).[1]

Figure 7: Public service productivity, 2010–20



(UK, public services, 2010=100)
Source: Office for National Statistics.

More recent experimental data suggests that public service productivity made a partial recovery in 2021 as restrictions were eased, schools reopened and so on. However, the data also suggests that public service productivity is still lower than it was in 2019.

Management and productivity

Differences in the quality of management help explain differences in productivity between firms and between countries.

Firms differed greatly in the extent to which they had structured management practices in place (Figure 8).

Figure 8: Distribution of management scores, 2016

(GB, manufacturing businesses with 10 or more employees)
Source: Office for National Statistics.

Many firms had largely unstructured management practices (scores close to zero). These were mainly smaller firms (those with fewer than 50 employees). In contrast, large firms – those with more than 250 employees – had much more structured management practices in place and scores much closer to one.

These differences seem to matter for firm-level productivity. In 2016, in Britain, the top half of manufacturing businesses in terms of structured management practices had an average productivity 38% greater than those in the bottom half (Figure 9).

Figure 9: Average labour productivity by management score decile, 2016

(GB, manufacturing businesses with 10 or more employees, gross value added (GVA) per worker)
Source: Office for National Statistics.

Part of this difference could be due to other factors such as size or the amount of capital equipment available. However, analysis by the ONS that took account of such factors found that management practices were still an important part of the explanation for variations in productivity. The analysis also found that people management practices – including performance reviews, managing underperformance, training and promotion – were the practices most correlated with productivity.

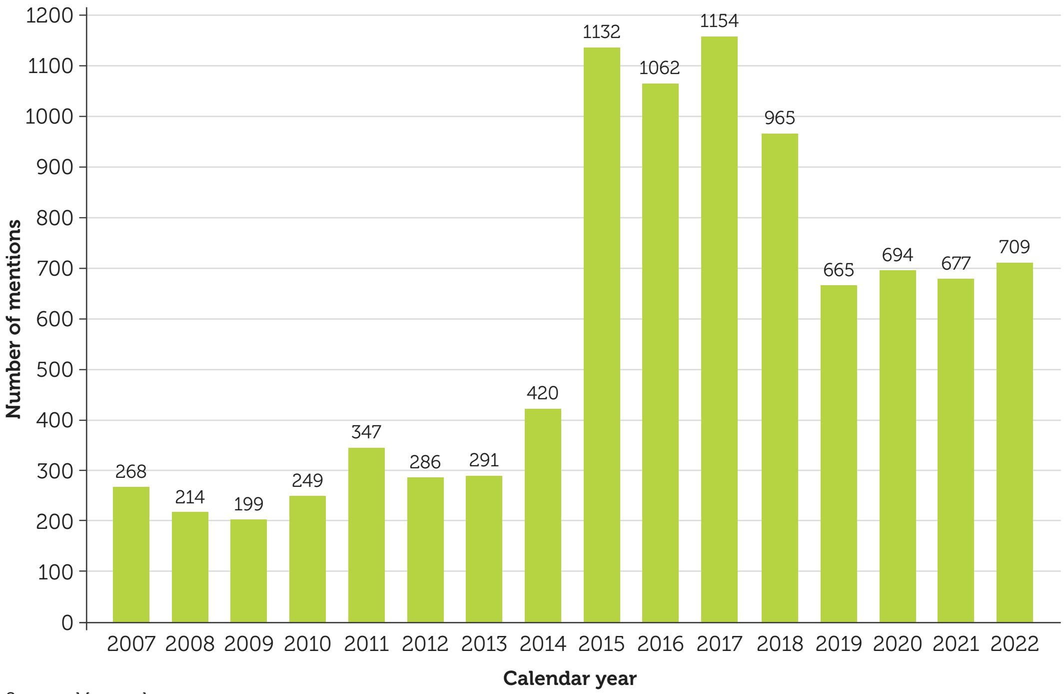
In addition, better-managed businesses were more resilient to shocks: during the pandemic, they found it easier to adopt practices such as homeworking and online sales.

Attempts by government to increase UK productivity

All post-war governments have tried to raise the UK's rate of productivity growth, even if these policies were sometimes described in other ways. We have had productivity plans, productivity targets, productivity councils, productivity campaigns – even productivity-themed postage stamps!

Nevertheless, political interest in productivity (or the lack of it) increased greatly in the parliaments elected in 2015 and 2017 (Figure 10).

Figure 10: References to 'productivity' in parliament, 2007–22



Source: Hansard.

In part, this was parliamentarians reacting to events: there was a growing recognition that slow productivity growth was a prime (suspected) cause of stagnating real wages. But it also reflected an increased emphasis on productivity by government. As productivity growth diminished, the government seemed to move into hyperactivity, with no fewer than six overarching productivity strategies since 2015 (Table 2).

Table 2: Overarching productivity strategies since 2015

Year	Lead minister	Title
2015	Osborne (HMT)	Fixing the foundations
2017	Clark (BEIS)	Industrial strategy: Building a Britain fit for the future
2021	Sunak (HMT)	Build back better: Our plan for growth
2022	Sunak (HMT)	Mais lecture 2022
2022	Kwarteng (HMT)	The growth plan 2022
2023	Hunt (HMT)	Bloomberg (4Es) speech

Of course, plans change. The 2015 plan, for example, did not survive the result of the EU membership referendum. However, more frequent causes of this hyperactivity are changes in ministerial personnel and an intermittent turf war between the Treasury (HMT) and the business department.

Despite this flurry of strategies and frameworks, key themes keep recurring: more R&D, more innovation, improved workforce skills, better infrastructure. But strategies do vary in the attention they give to improving productivity at the workplace. The Industrial Strategy included an attempt to improve management capability, especially in small firms, and tackle barriers to the widespread adoption of basic technology and management practices – the Business Basics programme. But since Treasury hegemony was restored in 2021, little attention seems to have been paid to the nuts and bolts of executing business improvement policies.

3 Managing productivity

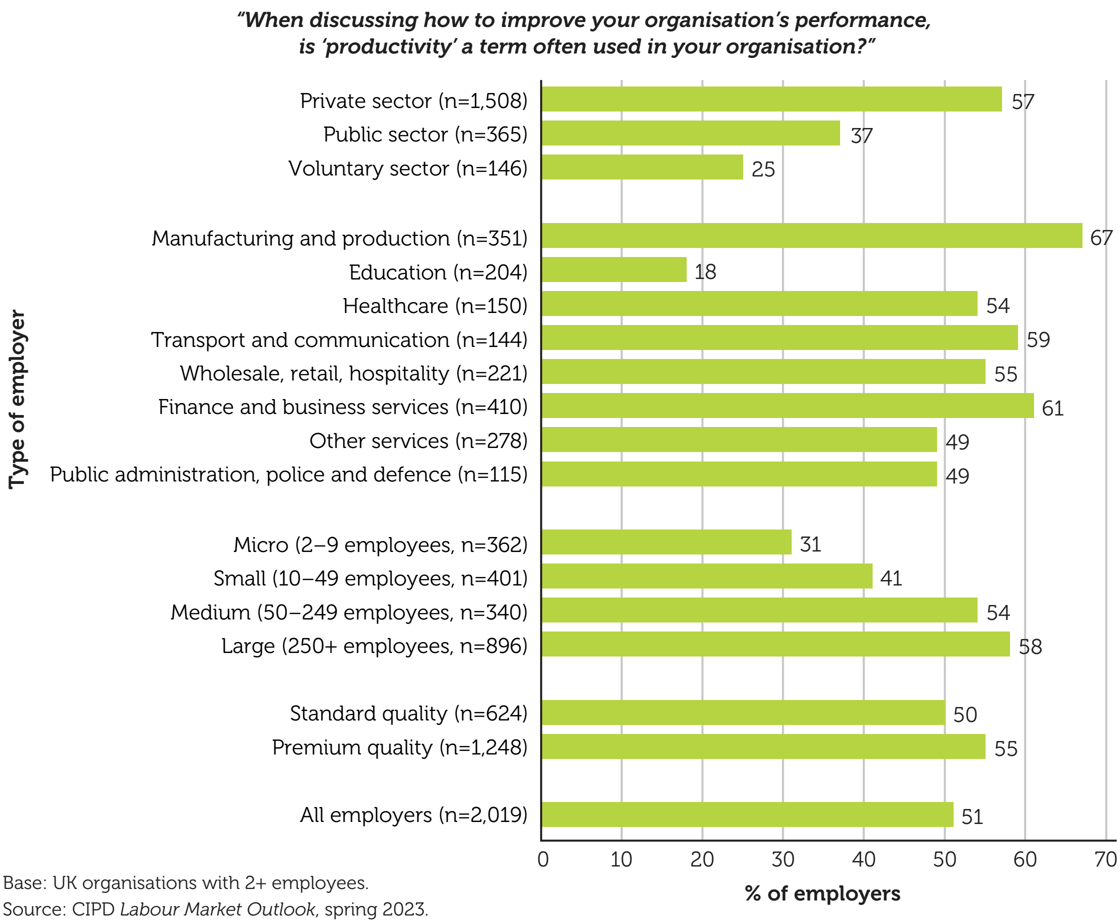
The CIPD *Labour Market Outlook* (LMO) is a quarterly survey of employers in the private, public and voluntary sectors. Respondents are usually the senior person in their organisation with responsibility for HR/people management.[2] Further information about the survey can be found in the report of initial results.[3]

Questions were added to the spring 2023 survey covering productivity and people management practices. Most of these questions were also asked in the winter 2018 LMO, although results were not reported at the time.

Productivity as a conversation

In spring 2023, just over half (51%) of employers said productivity was a term often used in conversations to improve performance (Figure 11).

Figure 11: Use of the term 'productivity', 2023



Base: UK organisations with 2+ employees.
Source: CIPD *Labour Market Outlook*, spring 2023.

The term was most widespread among employers in manufacturing and production, in private sector organisations and in medium and large organisations (those employing 50 or more people). In contrast, productivity was a term less commonly used in small and micro-sized organisations and, especially, in education.

The overall proportion was very similar to winter 2018 (50%).

We cannot assume, however, that these conversations all attach the same meaning to 'productivity'.[4]

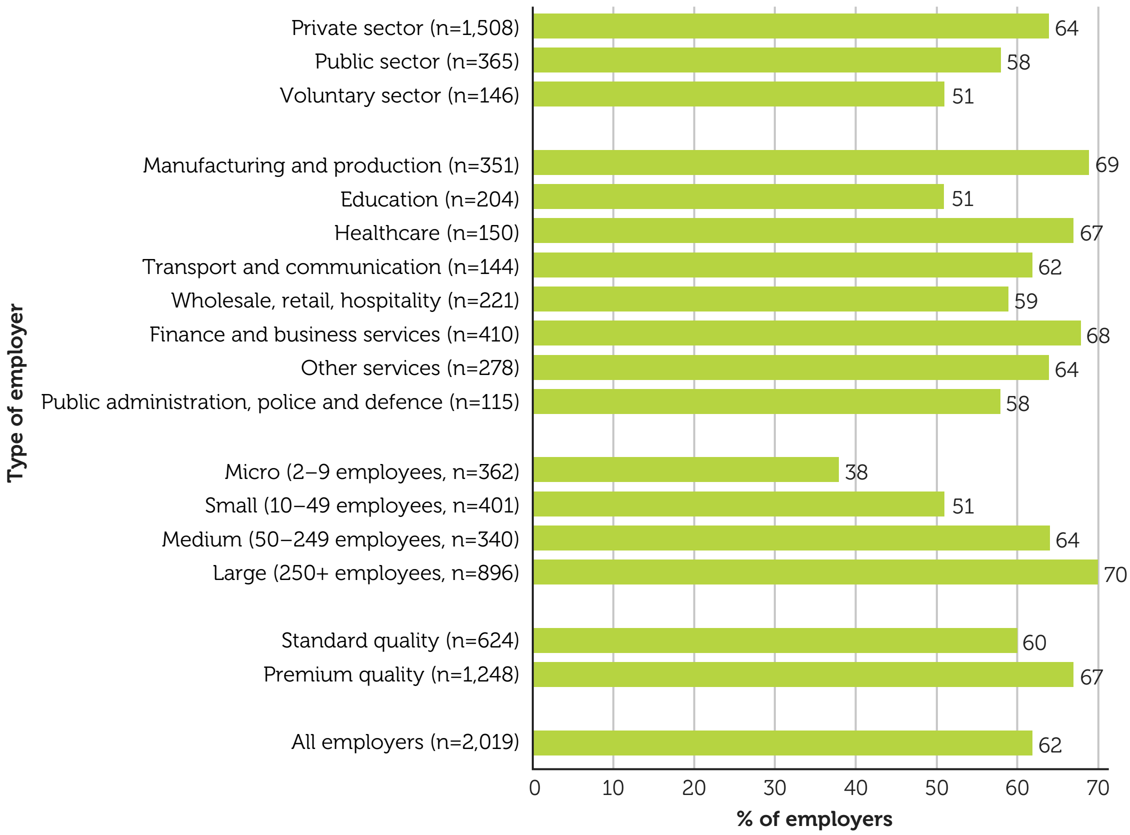
Measuring productivity

"If you can't measure it, you can't manage it" is a cliché whose limitations have long been recognised. Nevertheless, more than three-fifths (62%) of employers measured productivity in spring 2023, a slight increase on winter 2018 (60%).

Efforts to embed productivity in business conversations made it more likely that organisations also measured productivity: 82% of employers who used the term 'productivity' also measured it, versus 41% for employers who didn't use the term.

Nevertheless, a sizeable minority of employers who didn't much use the concept still had measures of it! This happened most often in the public and voluntary sectors (Figure 12). In education, for example, despite less than a fifth of employers saying they used the term in conversations, more than half said they had measures of productivity.

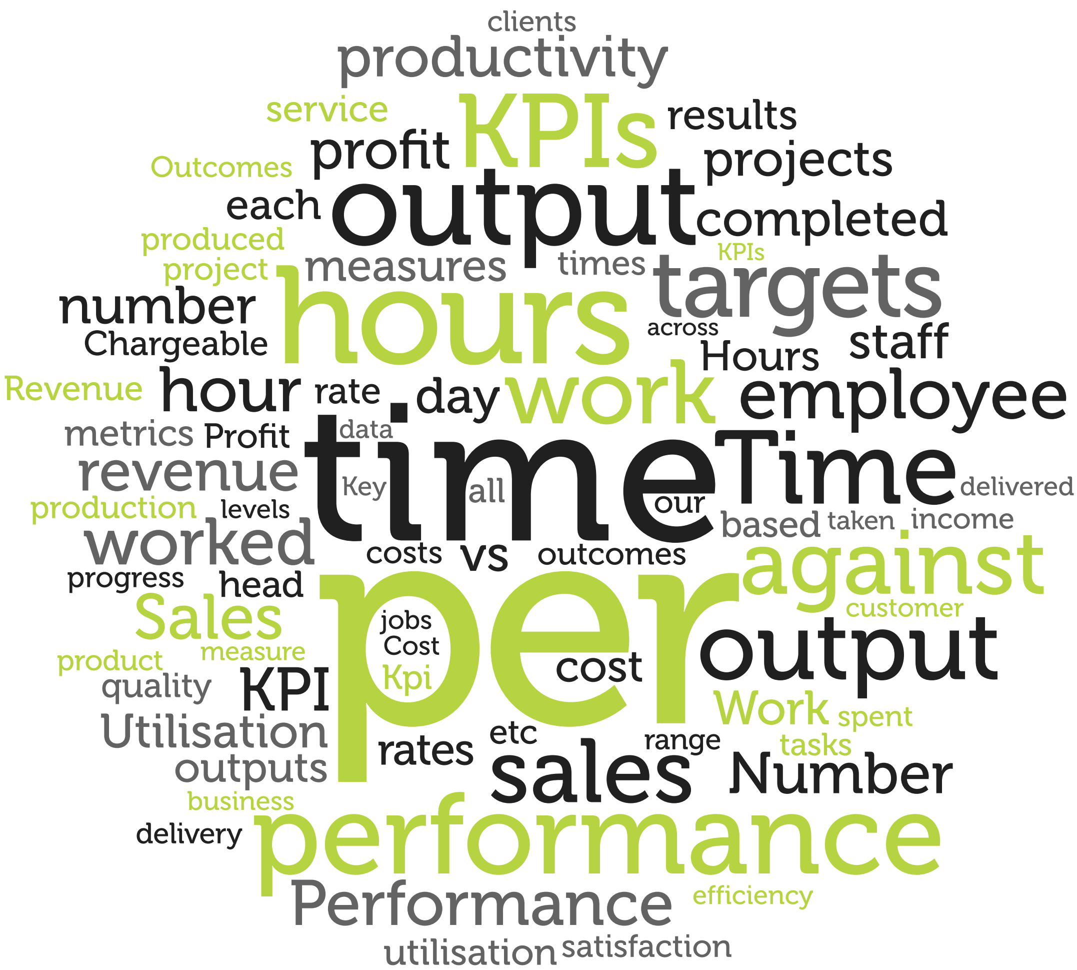
Figure 12: Measurement of productivity, 2023



(UK, % of organisations with 2+ employees saying their organisation had any measures of productivity)
Source: CIPD *Labour Market Outlook*, spring 2023.

As for the content of these measures, we asked for more detail: "You've said that your organisation has measures of productivity. What does your organisation measure?" It's fair to say responses were a mixed bag. Some responses were brief and didn't greatly advance understanding, such as 'efficiency' or 'productivity'. The most commonly featured words, such as 'output', 'per' and 'time', did suggest a widespread recognition that productivity should be measured by a ratio and/or that it needed to be normalised (Figure 13). Numerous references to 'key performance indicators' – without further detail – suggested performance management systems at work behind the scenes.

Figure 13: Productivity measures: 100 most commonly used words, 2023



Base: n=1,216.
Source: CIPD *Labour Market Outlook*, spring 2023.

A number of organisations put more thought into measurement (or more effort into describing it). Measures of chargeable time and fees per employee were featured where firms sold the services of their employees. Measures of student attainment and Ofsted assessment featured in the education sector, whereas healthcare respondents were more likely to mention measures of efficiency in using staff or meeting service standards. In many cases, measurement of productivity looked a lot like measurement of performance more generally.

1
2
3
4
5
6
7
8

4 Managing people

The spring 2023 LMO also recorded the prevalence of specific people management practices.

High-performance working

One approach to people management, thought to offer benefits to both employers and employees if implemented effectively, is high-performance working (HPW). There is no single, agreed definition but the following has been proposed: "HPW is a term that is used to describe a distinctive approach to management in the workplace that aims to maximise organisational performance by investing in the skills and capabilities of employees."

LMO respondents were asked if their organisation implemented 14 different people management practices commonly associated with HPW (Table 3). The list of practices was identical to that used in the 2017 Employer Skills Survey.

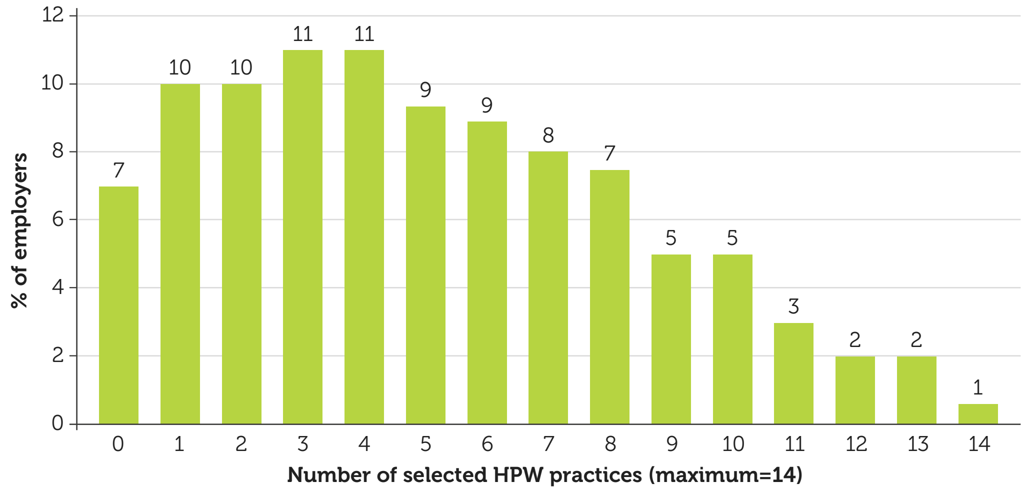
Table 3: Coverage of selected high-performance working (HPW) practices, 2023

Label	Full description	%
Equal opportunities	Have an equal opportunities policy	66
Training budget	Have a budget for training expenditure	58
Business plan	Have a business plan that specifies the objectives for the coming year	57
Training needs	Conduct training needs assessments	44
Group performance-related pay (PRP)	Pay bonuses that are based on the overall performance of the organisation or workplace	40
Training plan	Have a training plan that specifies in advance the level and type of training employees will need in the coming year	33
High potential	Have processes in place to allow you to identify 'high potential' or talented individuals	33
Individual PRP	Pay individual performance-related pay	33
Teamwork	Create teams of people, who don't usually work together, to work on a specific project	33
Consultation	Have formal procedures in place for employee consultation, such as a staff association, employee forum or trade union consultation	32
ISO 9000	Currently hold any of the ISO 9000 standards	28
Unions	Consult with trade unions for reasons other than negotiations about pay and conditions	20
Investors in People	Hold current Investors in People accreditation	16
Share options	Offer share options for employees below senior management	11

Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place (n=1,921).
Source: CIPD *Labour Market Outlook*, spring 2023.

Just 7% of employers said they had none of these practices in place. These were predominantly very small organisations (with fewer than 10 employees) in the private sector. In contrast, just 1% of organisations said they had all 14 practices in place (Figure 14).

Figure 14: Distribution of selected HPW practices, 2023

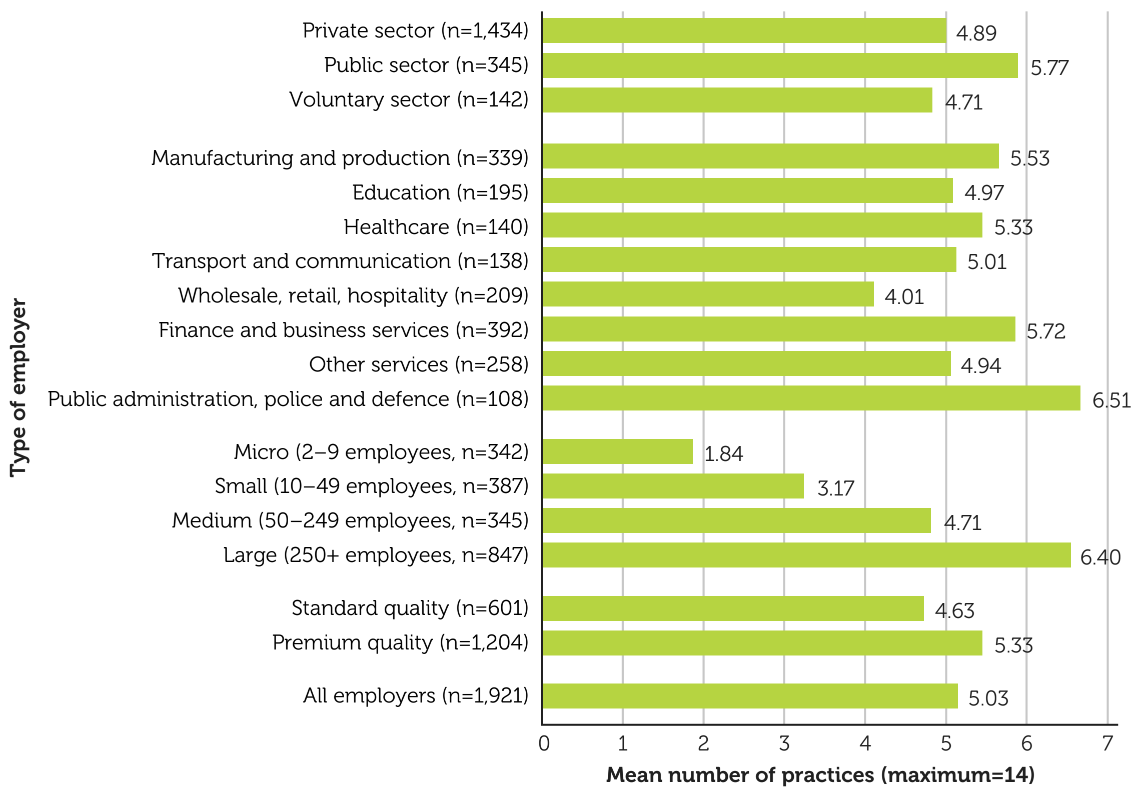


Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place (n=1,921).
Source: CIPD *Labour Market Outlook*, spring 2023.

An establishment was considered to be a high-performance working (HPW) establishment if there were nine or more of these 14 practices in place. Using this as our benchmark, 18% would count as HPW organisations.

The average (mean) number of practices in place was just over five (Figure 15). The number of practices adopted was greatest in the public sector, in public administration, police and defence, and in larger organisations.

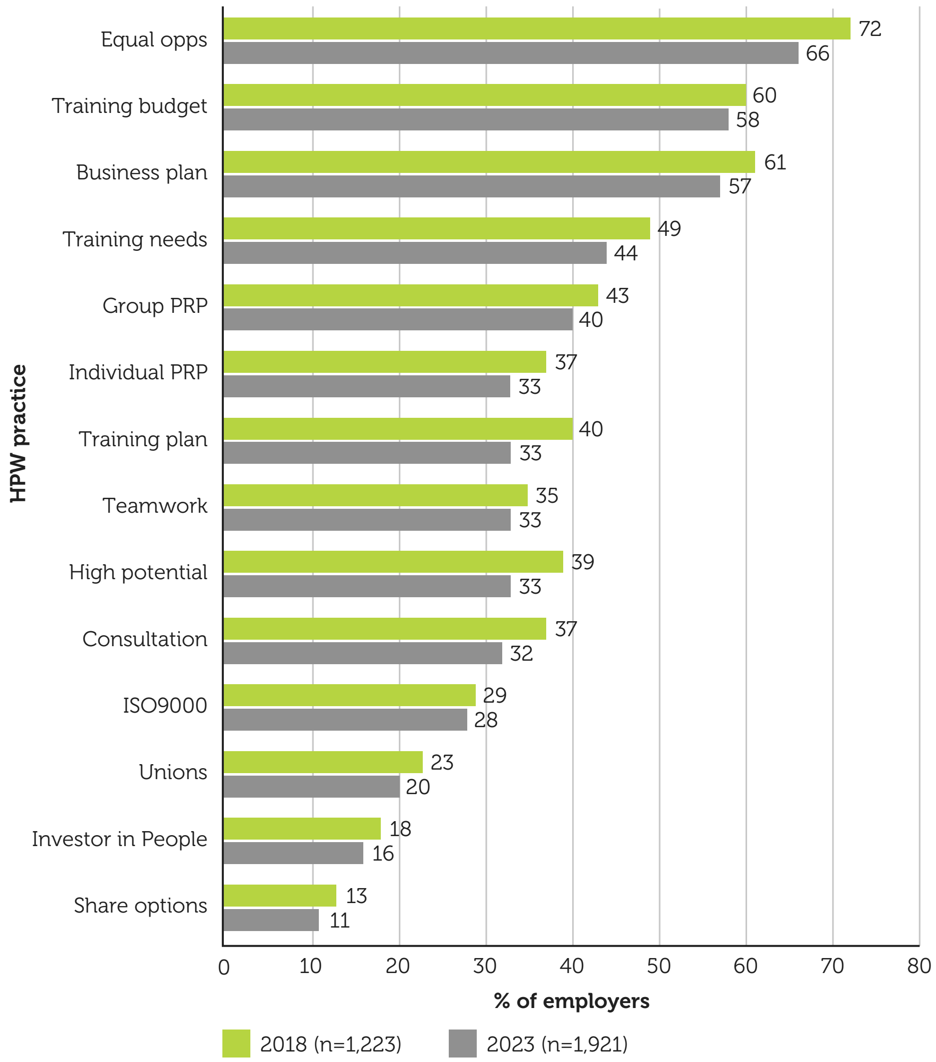
Figure 15: Use of selected HPW practices by employers, 2023



Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place.
Source: CIPD *Labour Market Outlook*, spring 2023.

The average number of practices, as well as the prevalence of all individual practices, was lower in 2023 than in winter 2018 (Figure 16).

Figure 16: Incidence of selected HPW practices in 2018 and 2023

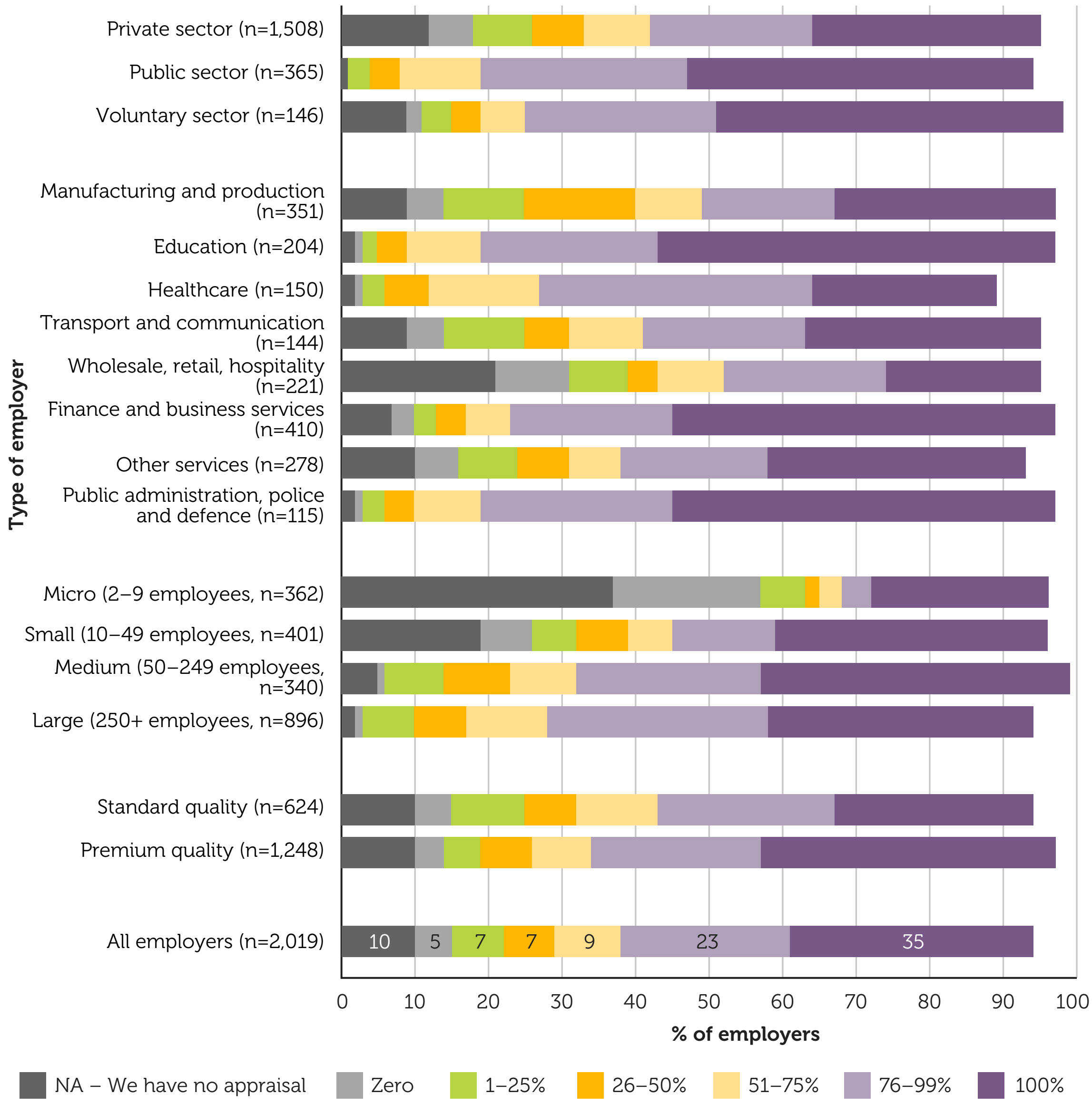


Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place.
Source: CIPD *Labour Market Outlook*, winter 2018 and spring 2023.

This list of practices excluded appraisal and performance management schemes, even though these practices are common in HPW systems. In 2023, more than 80% of organisations said that at least some of their employees received a formal appraisal or review (Figure 17). The remainder – about 15% – either did not have an appraisal system or said it applied to nobody at the workplace.

Figure 17: Coverage of employee appraisal schemes, 2023

"To the best of your knowledge, approximately what proportion of your workforce receives a formal appraisal or a perfomance review?"



Note: Totals do not sum to 100% because the proportions replying 'don't know' are not reported.
Source: CIPD *Labour Market Outlook*, spring 2023.

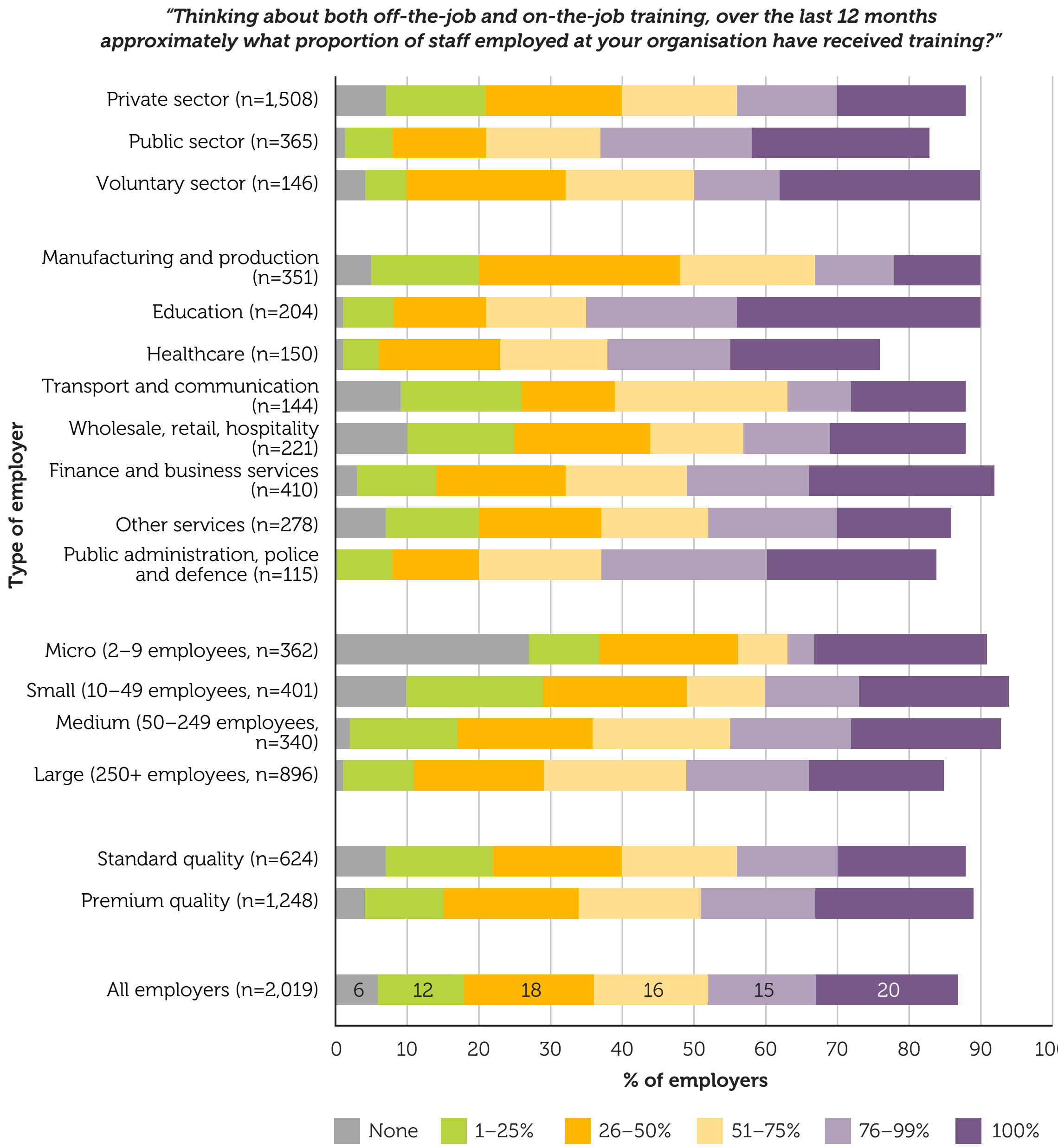
In most organisations, if there was an appraisal system at all, it applied to most of the workforce (more than 75% of it – the purple parts). But whereas appraisal systems of some kind were virtually universal in large organisations (those with 250 or more employees), more than half of those responsible for the smallest organisations (those with fewer than 10 employees) didn't have a system at all or said that it didn't apply to anyone.

Another HPW staple is workforce training. While just 6% of employers said none of their workforce had received training within the previous year, more than a third (35%) of employers said that more than 75% of their workforce had received training (Figure 18). Again, it was more common for most of the

1
2
3
4
5
6
7
8

workforce to have received training in larger organisations, though the size difference was not as pronounced as for coverage of appraisal systems.

Figure 18: Coverage of workforce training, 2023



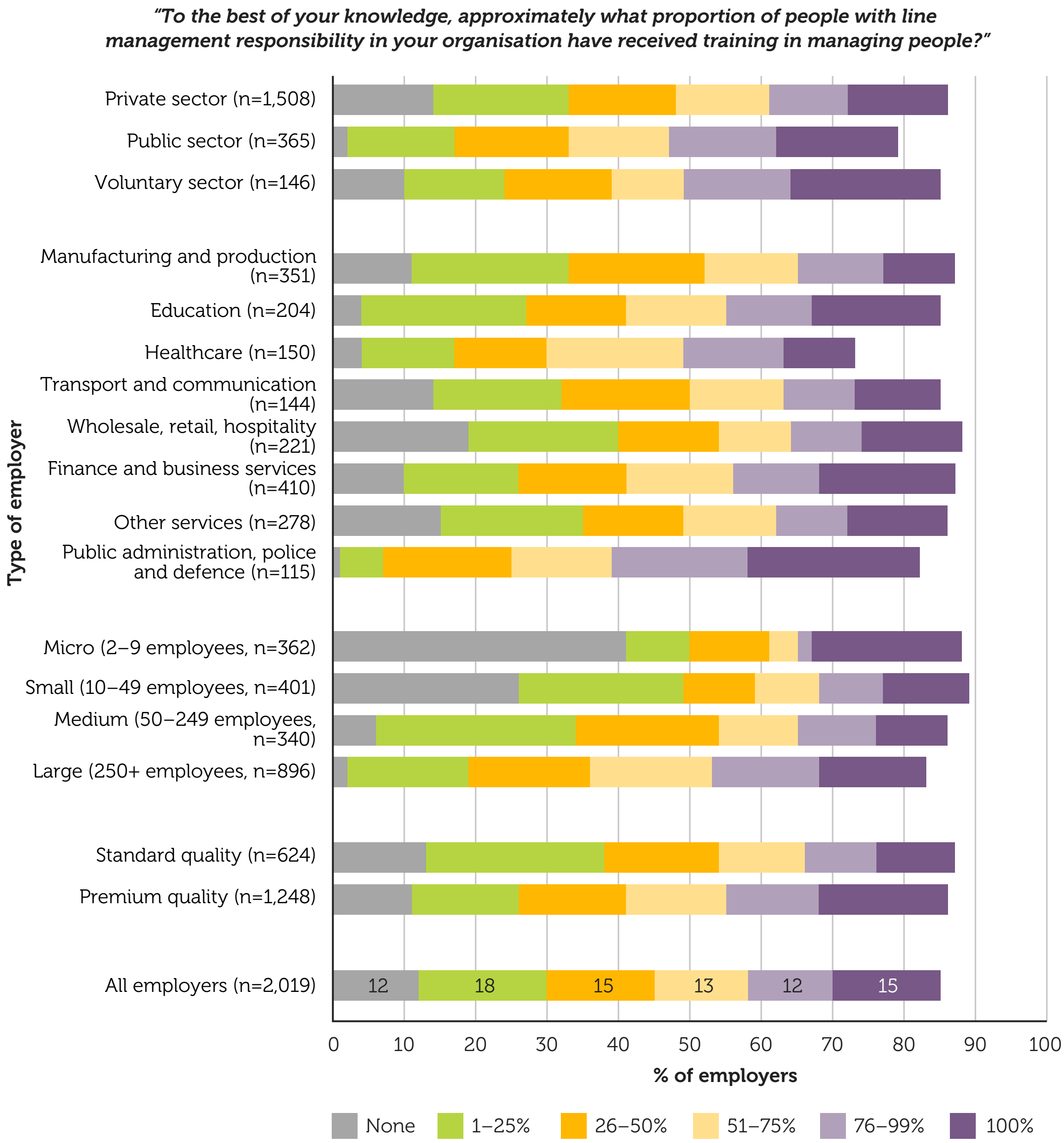
Note: Totals may not sum to 100% because the proportions replying 'don't know' are not reported.
Source: CIPD *Labour Market Outlook*, spring 2023.

More than an eighth (13%) of respondents said they did not know what proportion of the workforce had received training in the previous year. Among public sector organisations, the proportion was nearly a fifth. Rather unusually, in the public and voluntary sectors, large employers were also more likely not to know than small- and medium-sized employers. This could be a sign of fragmented recordkeeping in large organisations and/or that the responsibilities of survey respondents did not always extend to training.

Compared with 2018, the spread of training had gone down. For example, in 2018, 42% of employers said that more than 75% of the workforce had received training. In 2023, the equivalent proportion was 35%.

To be effective, HPW needs well-trained managers. Managers were also more likely to think hybrid working was successful when they had been trained in its use. Just over a quarter (27%) of organisations said that most (more than three-quarters) of their managers had received training in managing people. In contrast, 12% of employers said that no managers had been trained (Figure 19).

Figure 19: Coverage of management training, 2023



Note: Totals do not sum to 100% because the proportions replying 'don't know' are not reported.
Source: CIPD *Labour Market Outlook*, spring 2023.

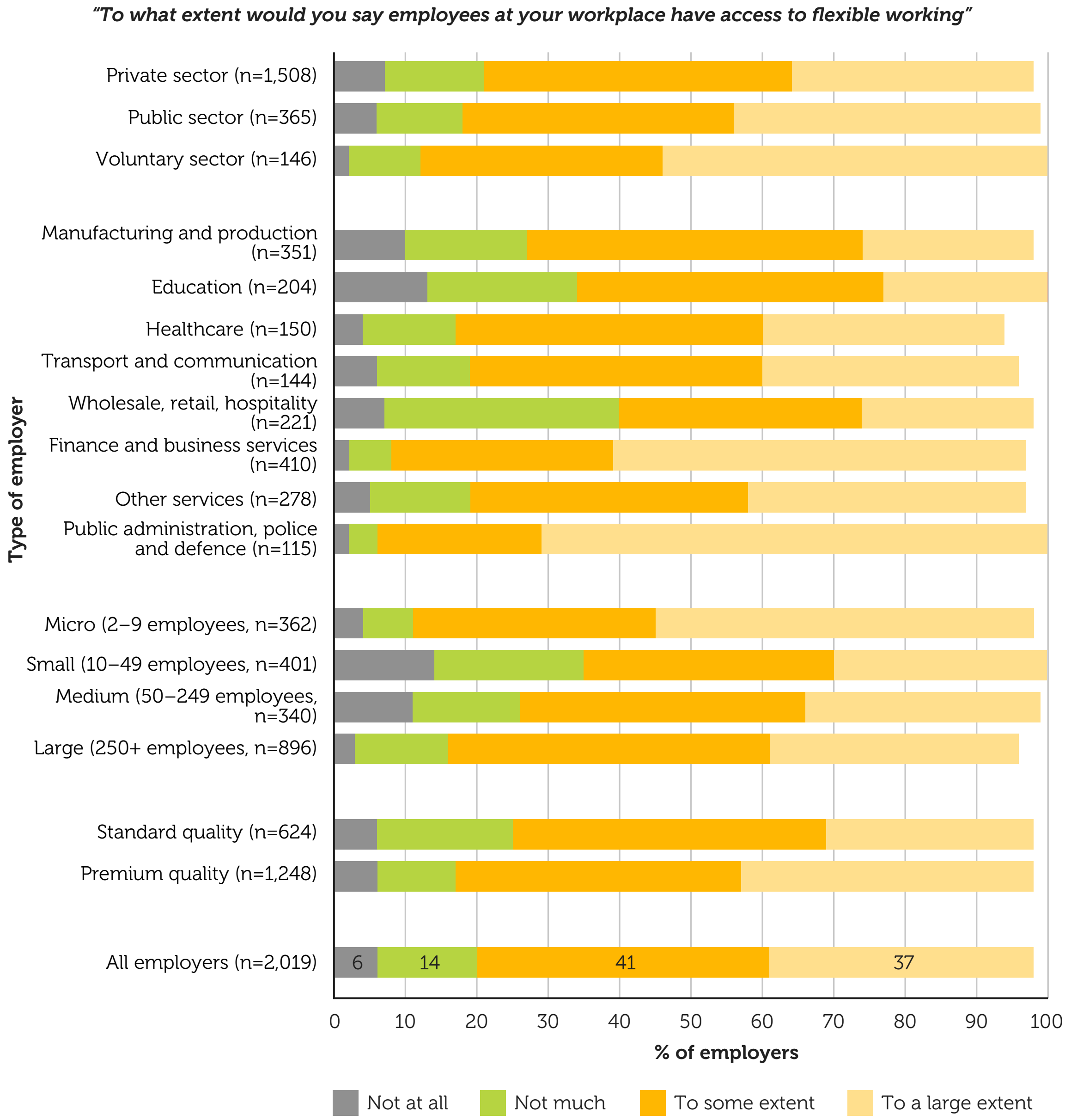
1
2
3
4
5
6
7
8

Employers in the public and voluntary sectors, especially in public administration, police and defence, were most likely to have trained most, or all, of their managers how to manage. More than a quarter of employers in healthcare, however, said they didn't know whether their managers had been trained.

Flexible working

The right to request flexible working will soon become a 'day one' employment right. The LMO suggests that many employers are already accommodating this (Figure 20). Employers in the smallest organisations (those with fewer than 10 employees) were most likely to say employees had a lot of access to flexible working.

Figure 20: Access to flexible working, 2023



Note: Totals do not sum to 100% because the proportions replying 'don't know' are not reported.
Source: CIPD *Labour Market Outlook*, spring 2023.

Unlike the training prevalence questions, nearly all respondents were prepared to make a judgement about how accessible flexible working was in their organisation.

Health and wellbeing

HPW practices can damage employee wellbeing. The LMO asked employers whether they had each of five specific health and wellbeing practices in place to counter or prevent adverse effects (Table 4). It was, however, entirely up to respondents to judge whether arrangements meant that the practice – as set out in the full description in Table 4 – was in place. It could also be argued that all these practices are required legally where the situation demands it, which may have encouraged some respondents to say the practice was present. And no information was collected on the effectiveness of these arrangements.

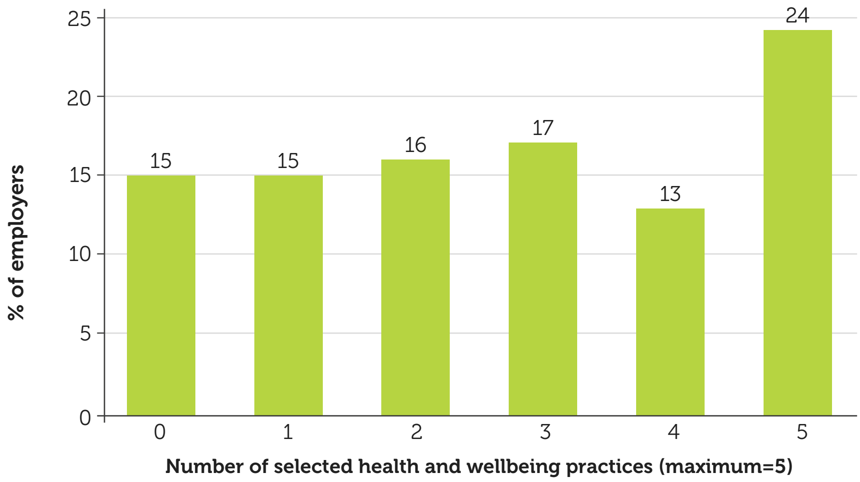
Table 4: Coverage of selected health and wellbeing practices, 2023

Label	Full description	%
Supported return to work	Phased return to work or flexible working to support people coming back to work after they have been off work with a health problem	65
Access to OHS	Access to occupational health services (OHS) for staff (eg physiotherapy) or access to counselling or talking therapies for mental health issues	56
Mental health training	Training for managers and/or staff on managing and supporting mental health at work	50
Risk assessments: stress	Risk assessments to help identify and manage work-related stress	49
Absence management training	Manager training in managing absence and/or conducting return-to-work interviews	48

Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place (n=1,876).
Source: CIPD *Labour Market Outlook*, spring 2023.

Only 15% of employers said they had none of these five practices in place. These were mainly small organisations in the private sector. Nearly a quarter (24%) of organisations said they had all five practices in place (Figure 21).

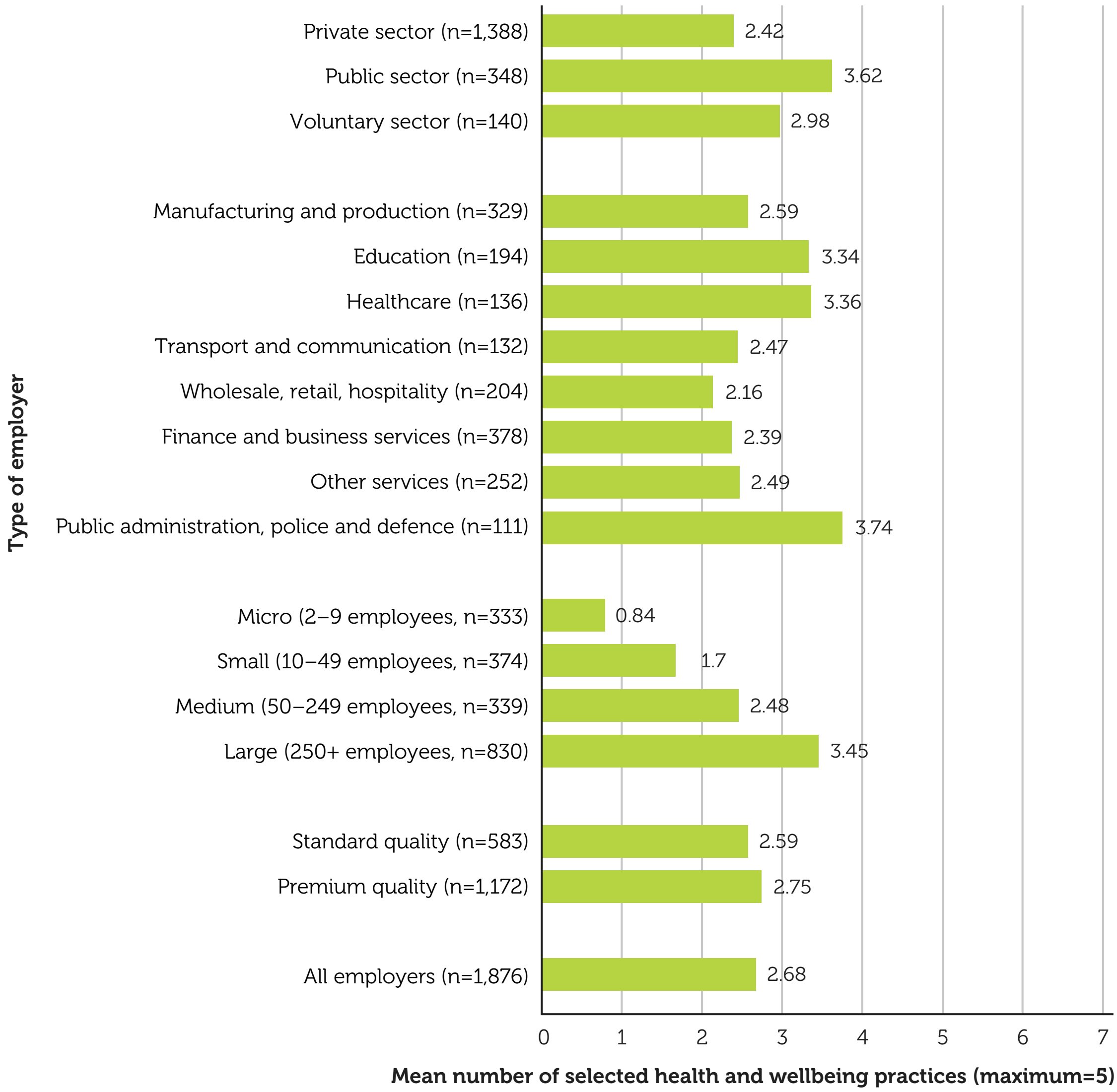
Figure 21: Distribution of selected health and wellbeing practices, 2023



Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place (n=1,876).
Source: CIPD *Labour Market Outlook*, spring 2023.

Like HPW management practices, they were used most often by the public sector and by large employers (Figure 22).

Figure 22: Use of selected health and wellbeing practices by employers, 2023

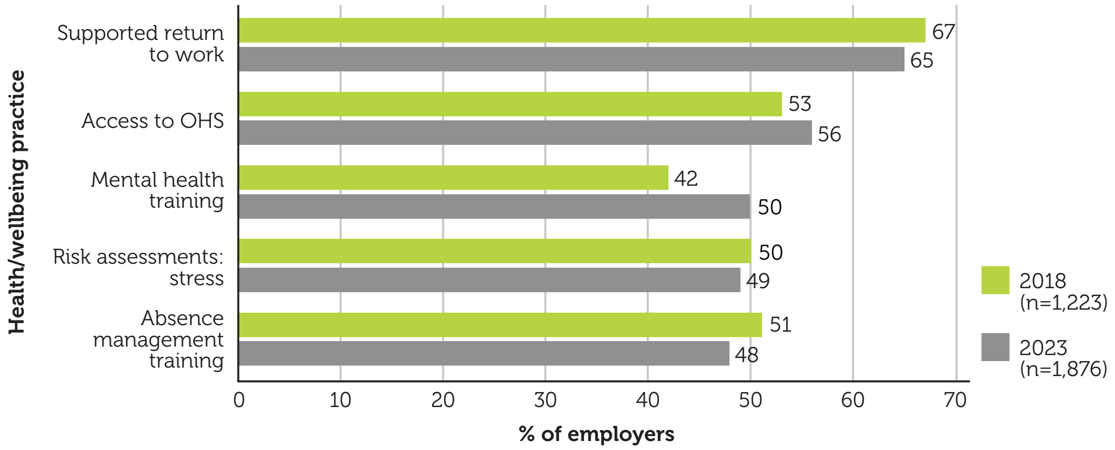


Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place.
Source: CIPD *Labour Market Outlook*, spring 2023.

Indeed, the greater the number of HPW practices in place, the greater the number of health and wellbeing practices.[5] Arguably, existing models of HPW systems could be made richer by incorporating a health and wellbeing strand.

Unlike HPW practices, there has been a modest increase in the use of some of these practices since 2018 (Figure 23).

Figure 23: Coverage of selected health and wellbeing practices, 2018 and 2023



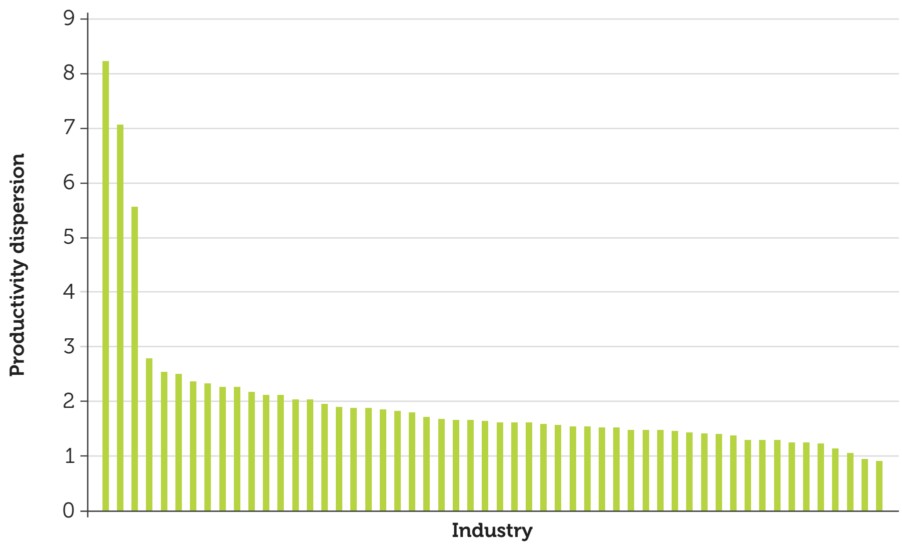
Base: UK organisations with 2+ employees, excluding those that didn't know how many practices were in place.
Source: CIPD *Labour Market Outlook*, winter 2018 and spring 2023.

Most noticeably, training in mental health issues increased from 42% to 50%.

5 Productivity: Managing performance and people

Productivity varies substantially between individual firms. In most industries, the gap between productivity in the 10% most productive firms and productivity in the 10% least productive firms is one to three times the average level of productivity in that industry (Figure 24).

Figure 24: Gap between productivity leaders and productivity laggards in an industry, 2019



(GB, GVA per worker, inter-decile range divided by the mean, private non-financial business economy only)

Note: Industries are ranked by the size of the inter-decile range of GVA per worker (the difference in productivity between the firm at the 90th percentile and the firm at the 10th percentile), divided by mean GVA per worker for that industry.[6]

Data presented is at the division level of the 2007 Standard Industrial Classification. Some divisions have been grouped for disclosure reasons.

Source: Office for National Statistics.

The size of these gaps may be partly a result of the way the data is compiled; in particular, the goods produced and/or the services provided by every firm within an industry are rarely quite the same. However, some firms are better than others at turning inputs into outputs (and generating value from them). Explanations include differences in inputs (such as more or better capital equipment, better-qualified people); differences in product market strategy (such as focusing more on quality rather than cutting costs); and differences in how well the firm is managed.

Relative productivity
All LMO respondents were asked a single question that included a simple definition of productivity:

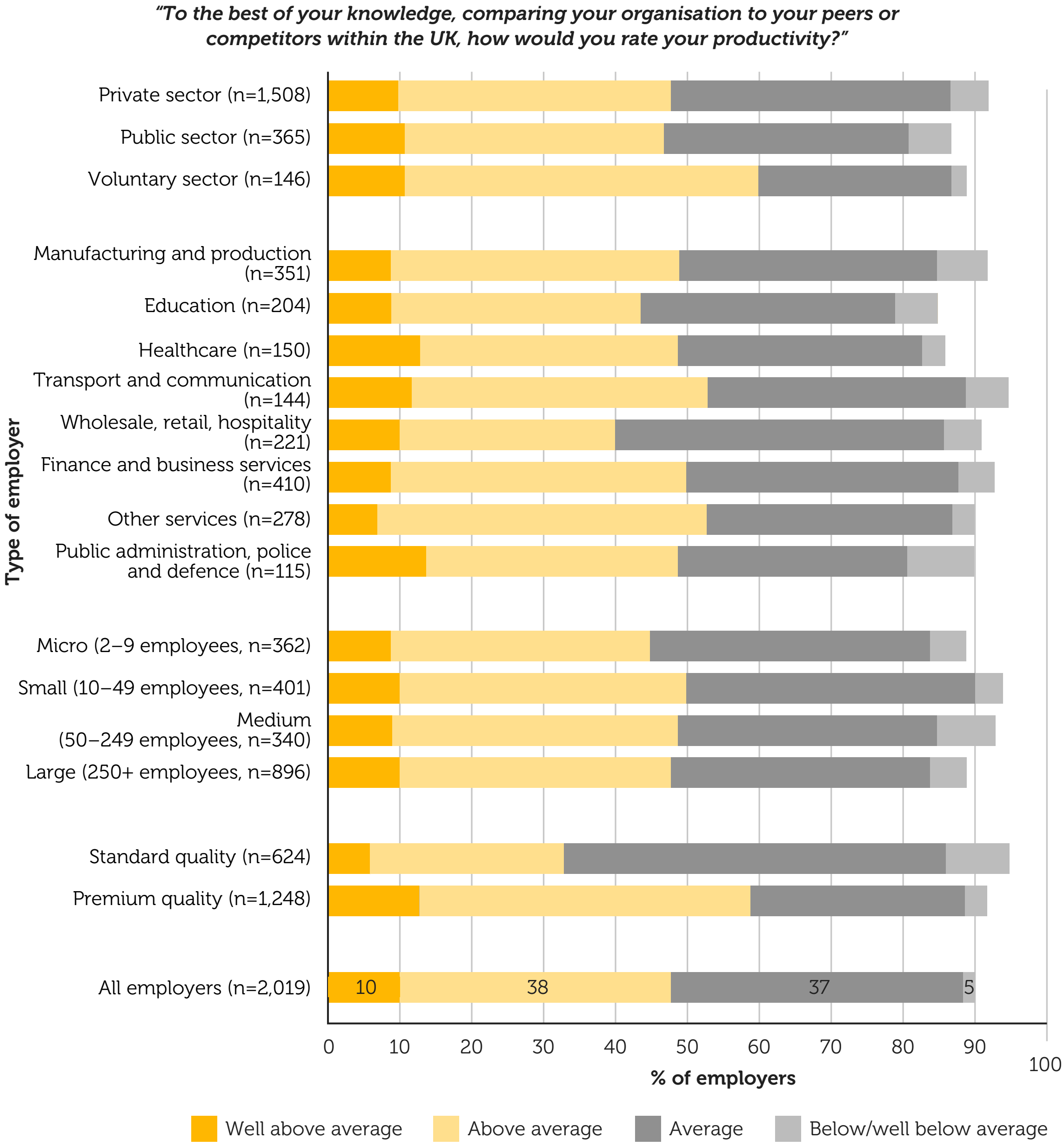
> *"To the best of your knowledge, comparing your organisation with your peers or competitors within the UK, how would you rate your productivity? (Productivity being the average value of the goods and services produced in each working hour)"*

Nearly half (48%) of organisations rated their productivity 'above average' or 'well above average'. In contrast, just 5% of employers were prepared to concede that their productivity was 'below average' or 'well below average'. (We combine 'below average' and 'well below average' responses because the number of 'well below average' responses was miniscule.)

It is difficult to tell if these ratings are justified because we have no data on the 'real' level of productivity, as might be calculated, for example, from company accounts. Certainly, they imply a degree of optimism on the part of respondents – how can so many organisations be above average (or better) when so few are below average (or worse)? However, optimism of this kind is quite common when people are asked to rate themselves (or others) relative to a hypothetical comparator.

Public and private sector employers were less likely to describe their productivity as above average (or better) than employers in the voluntary sector (Figure 25).

Figure 25: Self-reported relative productivity, 2023



Note: Totals do not sum to 100% because the proportions replying 'don't know' are not reported.
Source: CIPD *Labour Market Outlook*, spring 2023.

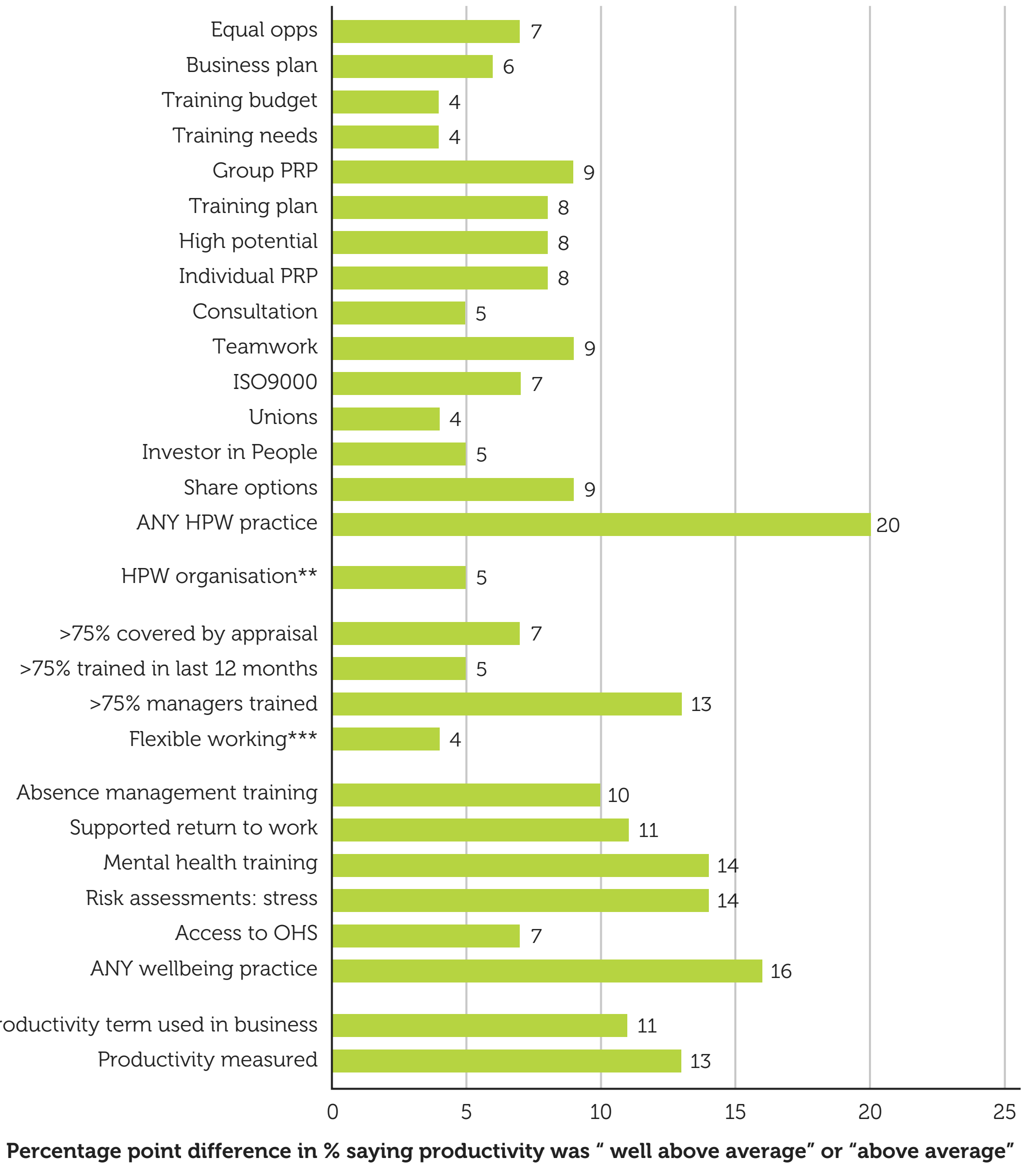
In contrast, employers who said their organisation had a premium quality approach to products or services were substantially more likely to rate their productivity highly than those who described their strategy as focused on standard or basic quality.

About a tenth of employers said they simply didn't know how well their productivity compared with others. The proportion was higher in the public and voluntary sectors, especially among those who didn't measure productivity. But even among employers that measured their own productivity, 6% didn't know how it compared with others.

Productivity and people management practices

The presence of HPW practices is associated with higher (relative) productivity (Figure 26). To explain the diagram, 52% of organisations with an equal opportunities policy in place rated their productivity 'above average' or better, whereas 45% of organisations without an equal opportunities policy in place rated their productivity this highly, giving a difference of 7 percentage points.

Figure 26: Relative productivity and management of people and productivity, 2023



** Employer Skills Survey definition: number of HPW practices >=9.
*** Employees have access to flexible working to a large extent.

Source: CIPD *Labour Market Outlook*, spring 2023.

Organisations without any HPW practices in place – a small group admittedly – had an especially pessimistic view of their productivity (31% versus 51%). On the other hand, organisations that made extensive use of HPW practices had a more positive view of their productivity than organisations that didn't (54% versus 49%).

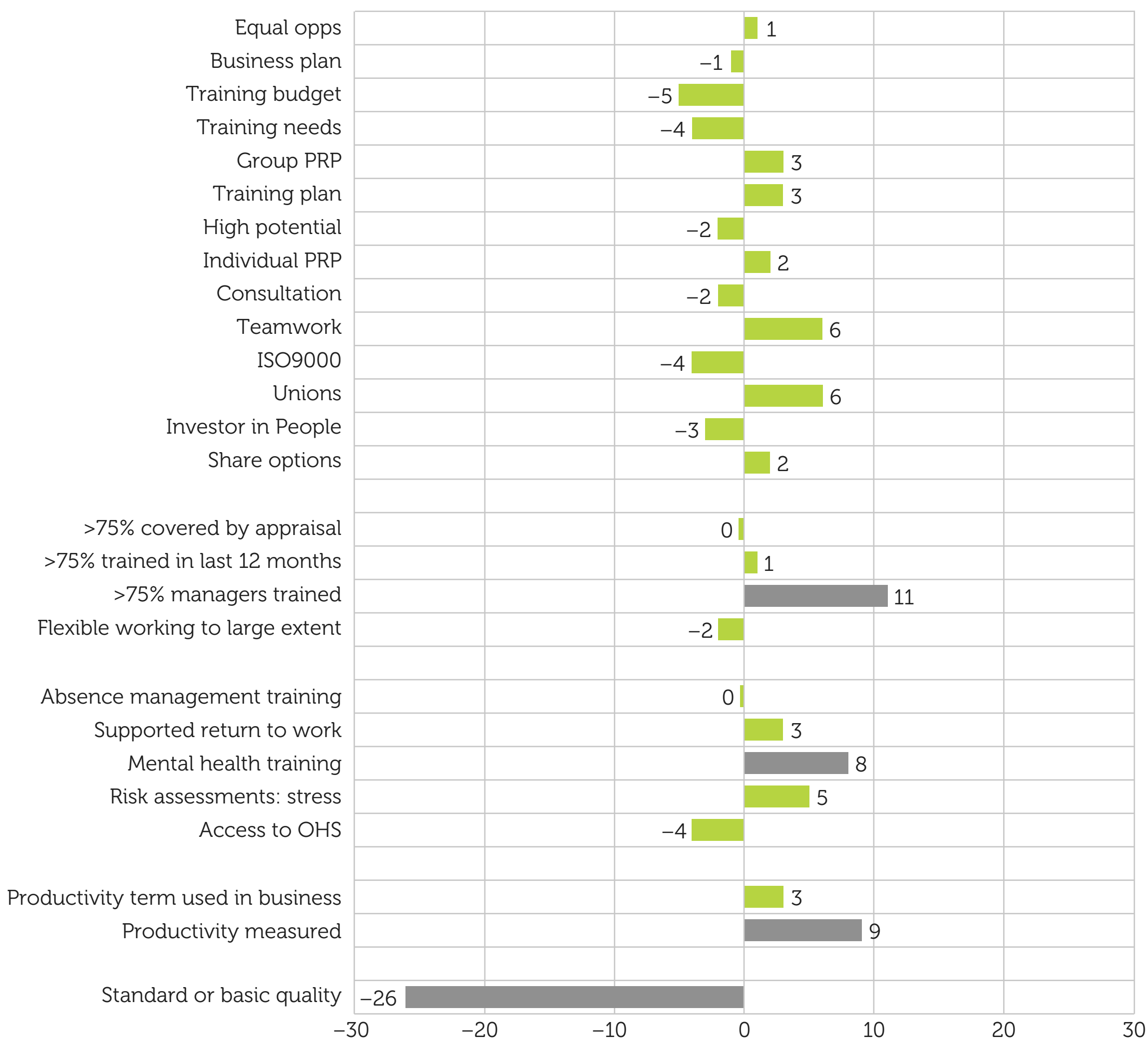
Other aspects of HPW systems – appraisal, training and flexible working – were all associated with a more positive productivity rating, as were all five of the health and wellbeing practices covered in the survey.

Broader aspects of managing productivity – talking about it, measuring it – also had a positive effect on the productivity rating.

These results, however, may be misleading. The findings in Figure 26 could be an artefact of large firm/small firm or industry differences and have nothing to do with the presence or not of any of these people management practices.

The appendix presents the results of modelling that attempts to correct for these other factors. There were few significant associations between having people management practices in place and having a higher (or lower) productivity rating (Figure 27).

Figure 27: Relative productivity and management of people, productivity and quality, 2023



Percentage point change in predicted probability of rating productivity "well above average" or "above average"

Note: The darker bars illustrate where the marginal effect is statistically significant (5% level). Bars derived from a logit regression where the dependent variable is relative productivity (model 4 in the appendix).

Base: n=1,452.

Source: CIPD *Labour Market Outlook*, spring 2023.

For most practices, the size of the effect was small. There were only a few practices where the effect was large enough to discount it being due to chance (the dark-coloured bars in Figure 27):

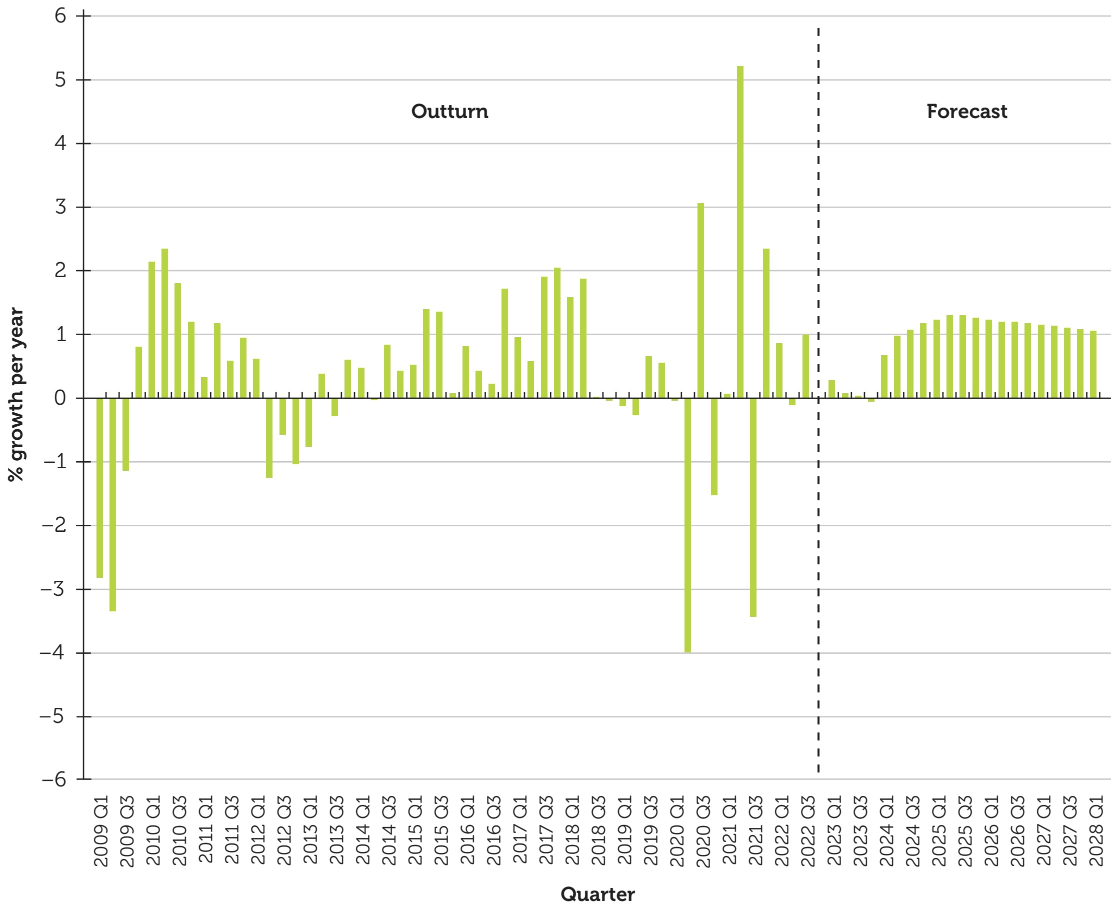
- Most strikingly, employers that adopted a standard or basic approach to quality were 26 percentage points less likely to rate their productivity highly.
- In contrast, employers that measured productivity were 9 percentage points *more* likely to rate their productivity highly than employers who didn't measure their productivity.
- Employers who invested in training their managers or employees on managing and supporting mental health at work were 8 percentage points *more* likely to rate their productivity highly.
- Those who ensured that more than three-quarters of managers received training were an additional 10 percentage points more likely to rate their productivity highly.

How an organisation was managed had an effect on its relative productivity. However, the size of the effect was modest. Furthermore, the evidence suggests this effect was mainly down to *the general way the business was managed* – its approach to quality, its approach to managing performance – rather than the presence (or not) of specific people management practices.

6 Conclusions and recommendations

The latest official economic forecast, produced by the Office for Budget Responsibility (OBR) and released alongside the 2023 Spring Budget, expected a recovery of productivity growth in 2024 (Figure 28).

Figure 28: Productivity growth forecasts, 2009–28 (%)



Source: Office for Budget Responsibility.

Productivity growth settles around what the OBR consider to be its long-term sustainable growth rate, approximately 1.3% a year. This is well below the pre-crisis average of almost 2% a year.

The reasons why productivity growth has fallen during the past decade are still a matter for debate – the 'productivity puzzle' continues to puzzle, even if its pieces are becoming easier to identify. But given this uncertainty, how can we be confident that the UK economy will generate even this (lower) rate of productivity growth? An optimistic view would be that, following the pandemic, there is now greater scope than previously for digital transformation to yield productivity benefits. On the other hand, high levels of aggregate demand (at least in the labour market) have not yet led to any acceleration in productivity growth.

Industrial strategy

The evidence presented in this study confirms the significance of management. It also suggests this significance may arise more from fundamental factors connected to business strategy or management capability than it is to the adoption or not of any specific people management practice.

Underlying strategic factors may be difficult to change. In particular, opportunities for the firm to move from the 'low road' to the 'high road' (or vice versa) may be limited once the firm has set off down one particular path. The temptation may be to make tactical changes that reinforce the strategic direction – such as 'low road' people management practices – rather than question the strategic direction itself.

Twenty years ago, the UK Government commissioned a review by Michael Porter and colleagues at Harvard Business School that looked into this very topic. Many of their conclusions are still relevant – in particular, that the choice of business strategy is shaped by the overall business environment. More recently, the Institute for Government commented: "Economy-wide factors will remain critical to solving productivity problems." Indeed, it also warned that "lavish, tax-focused attempts to induce new investment might prove costly if the business environment remains so uncongenial".

Despite the glut of recent years, the UK Government elected in 2024 will need a new overarching productivity strategy, if only to reflect the challenging fiscal context. It will also need to improve productivity in the 'everyday economy'.

Recommendation: Prioritise the development of a broad-based industrial strategy that seeks to influence the wider business environment across the whole economy, rather than focus on a small subsection of high-growth or R&D-intensive firms.

Trained managers

The results imply a link between investment in management capability (training of managers, training in mental health issues) and productivity.

Most management training is provided and funded by employers. However, its provision is uneven (Figure 19).

The introduction of the Apprenticeship Levy in 2017 may have, as a side effect, discouraged management training.

Recommendation: Make the Apprenticeship Levy a more flexible training levy to remove the employer incentive to develop generic management skills via an apprenticeship. This would leave more public funding to invest in apprenticeships for young people, who most need and benefit from them, and in apprenticeships that address key technical skills shortages. Public funding to boost management capability should focus on SMEs, which most need and benefit from support to build their people management and development capability.

1
2
3
4
5
6
7
8

Business improvement

The barriers to reappraisal of business strategy could be deep-rooted and require intensive interventions if they are to be addressed.

The government's preferred vehicle, Help to Grow: Management, has failed to reach its recruitment targets.

This is probably because it was pitched at an unrealistically high (and expensive) level. Our experience with these schemes suggests that even what seem to be transactional improvements – such as writing job descriptions – may trigger further transformational change, including to strategic direction. For example, introducing a basic staff appraisal system may uncover a need to collect better data on the activities of the business and its employees. Similarly, the process of writing job descriptions could uncover a need to specify the quality of an employee's contribution more clearly – prompting a more fundamental reappraisal of what quality means in that business. The involvement of experienced HR professionals improves the chances of people management practices being implemented and operated effectively and suiting the context in which they are introduced.

Recommendation: Review publicly funded management qualifications and business support programmes designed to build management capability to understand what types of support work best. Develop an accessible, high-quality, locally delivered business support service for raising management capability.

Public sector productivity

The chancellor has launched an initiative to improve public sector productivity, drawing attention to its post-pandemic deterioration (down 5.7%).

Workforce issues lie at the heart of the problem. The latest CIPD Good Work Index report shows how public sector workers' willingness to supply discretionary effort has declined appreciably since 2019. A recent report on NHS productivity highlights how failures to attract and retain suitably qualified people means that the average experience of the NHS workforce is deteriorating.

These difficulties may be compounded by uneven people management. The public sector, especially public administration, defence and police, was more likely than the private sector to train a high percentage of its managers (Figure 19). However, the latest data from employees suggests that managers in the public sector – especially those in health and education – were less likely than private sector managers to feel they had the time to manage employees as well as cope with heavy competing workloads (Table 5).

Table 5: Support for people managers, 2023 (%)

Label	% managers given adequate information and training[a]	AND given adequate time to manage[b]	AND overall workload satisfactory[c]
Private sector (n=1,546)	52	40	29
Public sector (n=375)	53	33	23
Education (public sector only) (n=92)	46[d]	24[d]	15[d]
Health (public sector only) (n=83)	53[d]	28[d]	20[d]
Public administration, defence, police (public sector only) (n=123)	56	38	26

Base: UK line managers, excluding self-employed, owners/proprietors and partners in a business.

[a] Agree/strongly agree that 'I receive the training and information I need to manage my staff well'.
[b] Agree/strongly agree that 'I have the time I need to manage my staff well'.
[c] Workload was 'about right' or too little.
[d] Small base (n<100).

Source: CIPD/YouGov *UK Working Lives* survey 2023.

Simply hiring more managers may not be the answer if the constraints and pressures upon them don't change. Similarly, plans to increase staffing numbers, such as those set out in the NHS long-term workforce plan, will come to nought unless they also address retention issues. Space should be created to experiment with new approaches addressing the barriers to workforce productivity, in the way that the Business Basics programme trialled approaches with SMEs.

Recommendation: Set up and fund a limited number of 'workforce productivity pilots' to develop innovative approaches to public sector people management that improve its efficiency.

7 Appendix: Productivity modelling results

Four models – the results of which are summarised below – were estimated to provide a *statistical* explanation for the variation between organisations in their self-rated productivity.

An ordered logit model was estimated first to take account of the non-linear, ordinal nature of the productivity data (Models 1–3).

Two factors connected with the management of the organisation were found to have a *positive* association with its productivity rating:

- whether the organisation measured productivity – whatever was measured and however it was measured
- the percentage of managers who received management training.

Another factor, though, had a strong *negative* association with the productivity rating:

- where the organisation pursued a standard or basic approach to quality, rather than a premium quality approach.

In general, there was no noteworthy association between the presence (or not) of individual HPW management practices and relative productivity.

The presence of some of the selected health and wellbeing practices (in particular, training in mental health issues) was associated with an impact on the productivity rating.

Model 2 replaced indicators of the presence of individual HPW management practices with a measure of the total number of selected HPW management practices in place. There was, however, no relationship between the number of practices and relative productivity. However, there was a significant relationship between the number of wellbeing practices and relative productivity.

Previous studies suggested it made sense to restrict modelling of productivity to private sector organisations. Model 3 was therefore identical to Model 2, but estimated only for private sector organisations. In this case, though, this made little difference to model performance.

Model 4 used a simplified binary measure, namely whether productivity was above average or not.

These models passed the test of explaining *some* of the variation in productivity ratings.[7] However, they did not explain *much* of this variation.[8]

Model results

Model:	Ordered logit(a)						Logit(b)	
	1		2		3		4	
Sector:	All		All		Private		All	
Productivity term used by organisation	0.189		0.22	*	0.245	*	0.149	
Productivity measured	0.372	***	0.339	***	0.465	***	0.434	***
Standard or basic quality	–1.115	***	–1.149	***	–1.116	***	–1.151	***
Geographic coverage:								
Single UK region (base)								
Multiple UK regions	–0.073							
UK & international	0.035							

Equal opportunities	−0.098				0.057	
Business plan	−0.04				−0.067	
Training budget	−0.159				−0.238	*
Training needs	−0.152				−0.176	
Group PRP	0.164				0.153	
Training plan	0.153				0.157	
High potential	0.057				−0.104	
Individual PRP	0.109				0.102	
Consultation	−0.119				−0.082	
Teamwork	0.277	**			0.264	*
ISO 9000	−0.035				−0.168	
Unions	0.211				0.272	
Investors in People	0.011				−0.129	
Share options	0.077				0.089	
HPW count			0.011	−0.001		
% of workforce covered by appraisal:						
Zero (base)						
1–25%	−0.296					
26–50%	0.128					
51–75%	0.049					
76–99%	0.039					
100%	0.008					
No appraisal system	0.536					
% of workforce trained in last 12 months:						
Zero (base)						
1–25%	−0.099					
26–50%	−0.12					
51–75%	−0.053					
76–99%	−0.179					
100%	0.03					
% of managers trained:						
Zero (base)						
1–25%	0.424	**				
26–50%	0.543	**				
51–75%	0.413	*				
76–99%	0.705	***				
100%	0.888	***				

Employee access to flexible working:								
Large extent (base)								
Some extent	−0.062							
Not much extent	0.097							
No extent	0.153							
76%+ of workforce covered by appraisal			−0.095		−0.059		−0.018	
76%+ of workforce had received training			0.037		0.056		0.048	
76%+ of managers trained			0.419	***	0.375	**	0.5	***
Flexible working to large extent			0.053		0.059		−0.099	
Access to OHS	−0.135						−0.186	
Risk assessments: stress	0.228	*					0.248	*
Mental health training	0.362	***					0.368	**
Supported return to work	0.113						0.13	
Absence management training	−0.033						−0.018	
Wellbeing count			0.106	**	0.111	**		
Industry controls	Yes		Yes		Yes		Yes	
Size controls	Yes		Yes		Yes		Yes	
Region controls	Yes		No		No		Yes	
Public sector	0.253		0.157				0.131	
Voluntary sector	0.545	**	0.489	**			0.44	
n	1,452		1,452		1,117		1,452	
Wald test	239.49	***	192.09	***	135.03	***	181.39	***
Pseudo R Squared	0.077		0.062		0.0588		0.1025	
Akaike Information Criterion	3,170.8		3,128.3		2,389.8		1,894.3	
Bayesian Information Criterion	3,540.5		3,255.1		2,495.1		2,163.6	

(a) Dependent variable = 4 (productivity well above average), 3 (above average), 2 (average), 1 (below/well below average)

(b) Dependent variable = 1 (productivity well above average, above average), 0 (average, below/well below average)

* p>0.10

** p>0.05

*** p>0.01

1 2 3 4 5 6 7 8

8 Endnotes

1 Although it has been suggested that the ONS figures may overestimate the fall in public service outputs (and hence productivity) in 2020.

2 The terms employer and organisation are used interchangeably in this report.

3 All the findings in this report are *employment-weighted*. When we refer to a finding as referring to 'x% of employers', this is shorthand for 'employers accounting for x% of employment in organisations with two or more employees'.

4 The summer 2014 LMO included a question designed to test respondents' understanding of the term 'productivity' – a question not repeated since. In 2014, a substantial minority of respondents chose a response that indicated significant shortcomings in their understanding – namely, failing to recognise that productivity involves comparisons of both outputs *and* inputs.

5 The (Pearson) correlation coefficient between the number of HPW practices in an organisation and the number of wellbeing practices in place was 0.63.

6 Three industries – SIC72 (Research and development), SIC91 (Libraries, archives, museums and other cultural activities) and SIC94 (Activities of membership organisations) – have much higher productivity dispersion than the others. This is because, in these industries, the 10th percentile of average GVA per worker was *negative*.

7 As can be seen from the high values of the Wald χ^2 test statistic.

8 As can be seen from the low values of the Pseudo R^2 statistic.

The Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.org

Incorporated by Royal Charter
Registered as a charity in England and Wales (1079797)
and Scotland (SC045154).