

Threat to employers and workforce productivity

February 4 2011

(PhysOrg.com) -- A survey by King's College London and law firm Speechly Bircham reveals that employers are facing a sustained increase in workplace unrest as austerity measures, longer working hours, stress and a genuine skills gap take their toll on the UK workforce.

The State of HR Survey report highlights the full extent of the problems faced by employers, as they struggle to find ways to address gender pay inequality and are unprepared for upcoming changes to the default [retirement age](#). New immigration caps are further hampering their efforts to plug the skills gap: 42 per cent of respondents employing non-EU workers reported that the immigration cap is having a negative impact on their business, with 33 per cent of businesses citing an increasing skills shortage (compared to 22 per cent in the previous year).

Key findings of the survey, based on responses from 550 senior HR professionals with a combined [workforce](#) size of more than two million, include:

- Lean workforces damage performance and could lead to a rise in tribunals and industrial action. More than 50 per cent of organisations surveyed reported an increase in staff working hours, while pay rises and bonuses continue to be withheld. Longer working hours were found to be significantly correlated with increased absence, sickness, stress-related problems, and increased employee grievances. HR managers also anticipate that future increases in working hours are linked with higher staff turnover and workplace unrest.

- The Immigration cap deals a blow to employers as skills shortages increase. Nearly half of the businesses surveyed employ non-EU nationals and, of those, more than 42 per cent reported a negative impact on their businesses as a result of the new cap on immigration. To make matters worse, one in three respondents reported a shortage of key staff, compared to just one in five in the previous year's survey. Where there are skills shortages, it is more likely that staff turnover is increasing and that a greater number of working days are lost due to sickness and absence, further exacerbating the problem.
- Deteriorating employee relations, high [stress](#) levels and workforce disputes appear endemic, particularly in relation to bullying, harassment and relationships with line managers. 46 per cent of respondents said that stress-related problems have gone up, while 30 per cent had seen grievances increase over the past year. Organisations that noted higher levels of stress showed a direct correlation with higher levels of sickness absence.
- Employee relations problems, employee stress problems and grievances are all set to rise again in 2011. 40 per cent of respondents anticipate worse employee relations, 42 per cent expect higher stress levels and 29 per cent see rises in employee grievances.
- Gender pay gaps may be being ignored and employers appear unprepared for the Equality Act. 84 per cent of respondents to the survey stated that there was no material gender pay inequality in their organisations – however, only a third said that they had measures in place to monitor equality of pay. These responses show a surprising disconnect: the majority of firms claim to have equality of pay despite not having any structures in place to assess or measure this.
- The majority of businesses are unprepared for the scrapping of the default retirement age. 78 per cent of respondents reported that their

organisations have a retirement age of 65; a further 5 per cent operate an alternative compulsory retirement age. Despite compulsory retirement ages being unlawful from April 2011, only a third of organisations thought this was a major issue facing their HR function.

- Downsizing of workforces remains largely unchanged and flexible working continues to increase. 70 per cent of respondents reported having to make compulsory redundancies in 2010, showing hardly any improvement on the 72 per cent who downsized their workforce in 2009. Flexible working continues to be a popular workforce strategy in difficult conditions, with 36 per cent of respondents identifying an increase in the use of these arrangements.
- Leadership and management remain disconnected from staff, creating significant discontent. Tough management continues and poor relations with staff are the single biggest source of grievance for firms, with 40 per cent of organisations reporting formal grievances arising from employee relations with senior/line managers.
- Employee engagement remains the primary HR strategy for 2011. 65 per cent of organisations see maintaining employee engagement as their key HR issue. The most popular approach to try and enhance engagement is through more effective leadership and management. Other initiatives show a more powerful impact, particularly job design, employee participation and procedural fairness.

Stuart Woollard, Managing Director of King's HRM Learning Board and co-author of the survey report, comments: 'This year's results should worry all business leaders and HR directors as the results question the sustainability of current strategies to keep workforces performing at the required level. Organisations must carefully consider the likelihood of erosion in employee productivity, work quality and performance as a consequence of lean workforces and additional working hours. With an

apparent leadership/management disconnect with staff, firms may also not realise the nature and extent of the problems ahead.

‘Organisations that are able to understand and alleviate employee anxieties and provide effective ways to counter the impact of high pressure work environments will ensure that they retain more engaged and productive workers, making a route through the economic uncertainties far clearer.

‘There is evidence in our survey that those firms who are able to implement effective HR strategies that drive higher levels of engagement may find that these initiatives will differentiate them in terms of organisational performance.’

Commenting on the findings, Richard Martin, Partner and Head of Employment at Speechly Bircham, said: ‘This year’s survey findings send out a clear warning to employers. The combination of increased workplace conflict, longer hours and rising stress levels is a potent cocktail that could lead to a significant rise in tribunals and industrial action if not properly addressed.

‘Despite our last survey showing that UK employers regarded employee engagement as their number one priority, reported levels of employee engagement have fallen. Skills shortages are worsening and the rigid cap on immigration means that employers are left with few tools with which to plug the skills gap.

‘Only a small percentage of businesses have any measures in place to deal with pay inequality despite the Equality Act looming.

‘Perhaps most worrying is what can be read between the lines of the survey about employee wellbeing and engagement. At a time when employers should be focusing on re-engaging with staff and repairing the damage caused by the recession, staff are instead being made to work ever harder, without reward. An economic recovery built on working

reduced workforces harder and harder is clearly not sustainable and could lead to major problems for employers – particularly in the public sector.’

The report is available: www.speechlys.com/state_of_hr_report_2011

Provided by King's College London

Citation: Threat to employers and workforce productivity (2011, February 4) retrieved 6 May 2024 from <https://phys.org/news/2011-02-threat-employers-workforce-productivity.html>

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