

Annual survey report 2012



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A blurred, black and white photograph of a crowd of people walking away from the camera, overlaid with a green gradient. The image is used as a background for the lower half of the cover.

RESOURCING AND TALENT PLANNING

TOP 20

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FOREWORD

Welcome to the sixteenth edition of our annual *Resourcing and Talent Planning* survey report. This survey provides HR professionals and their organisations with important benchmarking data on areas such as recruitment costs, resourcing and talent management practice and employee turnover rates. We've also included topical sections in the report which consider the impact of rising tuition fees on employers' ability to recruit the skills they need, relationships with recruitment partners and the impact of the 2012 Olympic Games on resource planning.

In spite of high unemployment, this year's survey finds growing skills shortages. Recruitment difficulties have increased, with 82% of organisations reporting having experienced difficulties in filling at least some vacancies. The public sector in particular has found it more challenging to recruit this year (with particular challenges filling vacancies for senior managers and directors). The public sector has also faced the most difficulties retaining its people. Ongoing pay freezes, the challenge of widespread reforms and budget cuts make it important for employers in the sector to look carefully at resourcing and talent planning to avoid losing key talent needed to deliver services in the innovative ways that will be required in the future.

Encouragingly, half of organisations report that the current economic situation has led to an increased focus on talent management. There is more emphasis on developing talent in-house and more time and effort being spent investing in the quality of candidates hired.

Rebecca Clarke
Adviser
CIPD

Once again, we are pleased to partner with the CIPD to produce this insightful report, which covers issues that are critical to the world of work. As this year's report demonstrates, organisations across the UK are faced with a fundamental challenge to attract and retain top talent.

Every day we work with employers who are simultaneously dealing with both workforce reductions and skill shortages. Confidence from employers and employees is rising, but organisations often have to go to further lengths to justify replacement hires and new appointments. This level of scrutiny means that employers have high expectations that can translate into very rigid criteria and lengthy recruitment processes. Unfortunately this can be counterproductive at a time when competition for talent is rife in many industries.

It is therefore critical for employers to understand the recruitment trends within the UK, the marketplace and their organisation and to delve into the complex dynamics between them. This year's featured case studies from KPMG and Interserve demonstrate how their creative talent development and attraction strategies are helping them to achieve their goals.

By attracting and retaining the best talent, organisations of all sizes can command commercial advantage in a demanding market. We hope that you find this to be an insightful report, providing useful data to guide your resourcing decisions.

Nigel Heap
UK & Ireland Managing Director
Hays, the leading recruiting expert



ABOUT US

Chartered Institute of Personnel and Development

The CIPD is the world's largest Chartered HR and development professional body. We're a globally recognised body with more than 135,000 members across 120 countries – including 84,000 professional members.

Our members include the next generation of HR professionals and many of the world's most influential senior HR leaders from world-class organisations.

We set global standards for best practice in HR and its specialisms. It's our aim to support and develop professional capability: shaping thinking, leading best practice and building HR's profile in business.

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We recognise the importance of local knowledge and, more importantly, what organisations want from a recruiting partner. Our consultants work together sharing market knowledge, candidate relationships and employee insight.

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Our database ensures that all our teams are linked to a single information source. This allows us to search candidates and jobs globally, matching your requirements in seconds.

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SUMMARY OF KEY FINDINGS

The 2012 *Resourcing and Talent Planning* survey report examines organisations' resourcing and talent planning strategies and practices and the key challenges and issues they face. This annual benchmarking survey is based on 522 respondent organisations from the UK.

The number and nature of vacancies

- On average the number of permanent vacancies organisations attempted to fill in 2011 remains much lower than before the 2008 financial crisis.
- The number of vacancies in very large private sector organisations has fallen compared with last year but has increased slightly in small to medium organisations.
- In contrast, large public sector organisations report more vacancies compared with last year, although considerably fewer than in 2008.
- A fifth of organisations believe that the abolition of the Default Retirement Age (DRA) will mean they recruit fewer people, a similar proportion to last year.
- One in four organisations report that they have reduced their use of agency workers since October 2011 when the Agency Workers' Regulations came into force.
- Local and national newspapers were less frequently ranked among organisations' most effective methods of attracting candidates compared with previous years, while more consider apprenticeships among their most effective methods.
- Overall, one-third of organisations report that they have reduced their use of recruitment partners, although only a minority have stopped using them and one in five have formed a closer business partnership with them over the past year.
- The median recruitment cost of filling a vacancy was £8,000 for senior managers/directors and £3,000 for other employees (adjusting for accuracy), showing an increase compared with last year.

Attracting and selecting candidates

- While the effectiveness of methods to attract applicants varies according to organisation sector and size, the most effective methods overall were reported to be through organisations' own corporate websites and recruitment agencies, as was the case last year.
- The private sector, particularly manufacturing and production organisations, were three times more likely than public sector organisations to include recruitment agencies among their most effective methods for attracting candidates.
- Recruitment difficulties
- One in three organisations report that the length of their recruitment process has led to the loss of potential recruits.
- Eighty-two per cent of organisations reported difficulties in filling at least some vacancies over the past few months, with all sectors (but particularly the public sector) reporting more difficulties compared with last year.
- There has been a step increase (particularly in the public sector) in the proportion reporting difficulties in filling vacancies for senior managers/directors.



- Managers and professionals and technical positions were the most difficult vacancies to fill.
- As in previous years, the main reason for recruitment difficulties was a lack of necessary specialist or technical skills.

Employing younger workers

- A quarter of organisations report they are employing more 16–24-year-olds compared with one year ago.
- Nearly one-third of organisations operate a structured graduate recruitment programme. Their use has increased in larger organisations compared with previous years as well as in the manufacturing and production sector generally.
- Two-fifths of organisations are concerned that the increase in university tuition fees will make it harder to get the skills they need (rising to half of those with graduate recruitment schemes).
- Apprenticeships are offered by two-fifths of organisations overall, with a further 14% planning to introduce them in the next 12 months. Twenty-eight per cent offer intern schemes and 15% sponsor students through university.
- Nearly half (46%) of organisations across all sectors report that if their organisation offered more apprenticeship programmes it would help them get the skills they need.

Resourcing in turbulent times

- Half of the organisations surveyed report that the economic climate has had a negative impact on their organisation's resourcing budgets for 2012–13. The public sector is most likely to report reductions.
- Talent management budgets do not appear to have been hit as much as resourcing budgets. Just one in ten report that their overall talent management spend has decreased in the last 12 months, while a quarter reported spend had increased. Half of organisations report the current economic situation has actually led to an increased focus on talent management.

- Changes in resourcing and talent practices in 2012 compared with 2011 reflect a stronger focus on costs and reductions in budgets. More organisations anticipate they will be focusing on developing talent in-house, retaining rather than recruiting talent, redeploying people into new roles and reducing their reliance on recruitment agencies and external consultants for resourcing and development.
- More than one-quarter report they will be reducing the number of new recruits they hire in 2012 and a fifth (19%) implementing a recruitment freeze.
- At the same time, however, more organisations report they will be recruiting for key talent/niche areas in 2012 (60%) compared with 2011 (50%). The findings also suggest that more time and effort will be invested in the quality of candidates hired.
- Nearly three-quarters (71%) report that they have noticed an increase in the number of unsuitable applicants, while three-fifths report that competition for talent is greater now.

The impact of the 2012 Olympic Games

- Overall, more than one-quarter of organisations report that they will be allowing employees time off to volunteer for the 2012 Olympic Games.
- Half of organisations are implementing particular resource planning practices for the 2012 Olympics. Nearly one-third report they will be reminding employees of existing flexible working opportunities and making TVs available in the workplace, while more than one-quarter report they will try to accommodate requests to work from home.

Diversity

- Overall, in little change from previous years, just over half of organisations have a diversity strategy, rising to 89% of public sector organisations.
- This year we saw usage of diversity practices return to 2010 levels. Last year we had noted a reduction in the use of some methods, possibly as a result of the pressures of the economic downturn focusing attention elsewhere.

- There is a marked increase in the proportion who report they are making attempts to employ the long-term unemployed (52%, up from 19% in 2011) and those who are actively trying to attract talent of all ages (59%, up from 45% last year).
- While the proportion of not-for-profit organisations with a formal diversity policy remains similar to last year, those with a formal policy are now implementing a wider range of practices in line with the public sector.

Labour turnover

- The median labour turnover rate (12.7) is similar to last year (12.5) but less than previous years. There are considerable differences within and between sectors.
- More than one-third of organisations report that their turnover had increased in 2011 compared with 2010, while a quarter (26%) reported it had decreased and two-fifths (38%) that it had remained the same.
- There was considerable variation within manufacturing and production and public services, with more than two-fifths reporting turnover had increased and more than a third that it had decreased. Voluntary sector organisations were least likely to report their turnover had increased, while private services were least likely to report turnover had decreased.

Employee retention

- Only one-third of organisations experienced no difficulties in retaining staff during the previous year (2011 survey: 42%; 2010 survey: 45%; 2009 survey: 31%).
- Managers and professionals were most difficult to retain, as in previous years. A greater proportion of public sector organisations report difficulties retaining this category of staff in 2011 compared with 2010 (40% compared with 25%).
- Most organisations have taken one or more steps to address staff retention in 2011, although one in five (19%) report that no specific retention initiatives were undertaken. Our findings suggest that more organisations were focused on retention prior to the economic downturn, although there is some indication that addressing retention is increasingly returning to the agenda, at least in the private sector.
- The most frequently cited actions taken by employers to address retention: improving the people management skills of line managers and increased learning and development opportunities were the methods most commonly rated most effective.



1 RECRUITING EMPLOYEES

This section examines recruitment strategies and activity within UK organisations during 2011, exploring trends and developments. It starts by looking at the number of permanent job vacancies organisations attempted to fill and changes in the use of agency workers. It then examines the most effective approaches for attracting applicants and the use of recruitment partners. The nature of recruitment difficulties over the past year and the length of the recruitment process are explored. Finally, the costs associated with recruitment are discussed.

The number of permanent job vacancies

The number of permanent vacancies organisations tried to fill in 2011 was strongly related to organisation size,¹ although there was also considerable variation within and between sectors (Table 1). Table 1 shows that the overall median number of permanent vacancies has increased slightly compared with the previous year; however, this is due to differences in the size distribution of participating organisations.

Further examination shows that the number of vacancies in very large private sector organisations (more than 5,000 employees) was considerably lower than the previous year and half of that in 2008 before the full impact of the global financial crisis was felt. There is less variation in medium to large private sector organisations compared with last year, but the number of vacancies was still dramatically lower than before the recession. More positive findings show that vacancies in small to medium private sector organisations increased very slightly compared with previous years.

Table 1: Median number of vacancies respondents tried to fill, by size of organisation and sector

No. of permanent staff employed in UK	2012 survey (vacancies in 2011)			2011 survey (vacancies in 2010)			2010 survey (vacancies in 2009)			2009 survey (vacancies in 2008)		
	All	Private services	Public sector	All	Private services	Public sector	All	Private services	Public sector	All	Private services	Public sector
	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median
1–49	2	2	2	3	3	1	3	3	2	10*	10*	8*
50–249	15	15	9	12	12	10	12	10	14			
250–999*	40	40	33	45	50	30	46	45	50	60	52	70
1,000–4,999	120	150	95	110	150	55	100	100	100	300	300	300
More than 5,000	300	400	275	200	500	150	550	850	500	800	800	550
All organisations	25	22	40	20	20	30	20	20	80	30	20	100

Base: 500 (2012 survey); 577 (2011 survey); 442 (2010 survey); 683 (2009 survey)

*The categories for number of permanent staff employed in the UK differed slightly in the 2009 survey (250 or fewer; 251–500, 501–1,000, 1,001–5,000, 5,001–10,000, 10,000+). 2009 categories have been combined where appropriate and otherwise matched with the best corresponding category of 2011/2010.

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In contrast, large public sector organisations (more than 1,000 employees) report more vacancies compared with last year, although, as in the private sector, considerably fewer than in 2008. On average, public sector organisations are larger than those in the private sector and therefore the overall median number of people recruited is higher. When comparing organisations of similar size, however, the private sector tried to fill considerably more vacancies than the public.

The use of agency workers

Overall, one in four organisations report that they have reduced their use of agency workers since October 2011, when the Agency Workers' Regulations came into force. This figure increased to two-fifths of larger organisations with more than 1,000 employees (Table 2).² Public sector and not-for-profits were also more likely than the private sector to have reduced their use of agency workers.

Attracting candidates

Overall, the most effective methods for attracting candidates were through corporate websites and recruitment agencies, although the effectiveness of different methods varied according to sector and organisation size (Table 3). As in previous years, larger organisations were more likely to report that their own corporate website was among their most effective methods, partly because larger

organisations are more likely to have corporate careers websites but also because they are more likely to have better brand awareness and be more accessible (see box below).³

Only 3% of very large organisations (>5,000 employees) reported they didn't have a corporate careers' website compared with nearly two-fifths (39%) of small organisations (1–49 employees). Moreover, larger organisations were more likely to have the technology to make their website more accessible. They were twice as likely as smaller organisations to have websites accessible from mobile phones (41% compared with 21% overall).

The private sector, particularly manufacturing and production organisations, were particularly likely to report recruitment agencies among their most effective methods. Search consultants and employee referral schemes were also notably more popular in the private sector than in the public or voluntary sectors.

In contrast, the public and voluntary sectors were more likely to find the press effective for attracting applicants, including local and national newspaper advertisements and specialist journals/trade press.

Table 2: Has your organisation's use of agency workers changed since October 2011 when the Agency Workers' Regulations came into force? (% of respondents)

	Decreased use	Increased use	No change
All organisations	26	4	70
Size			
1–49	7	8	85
50–249	18	4	78
250–999	26	3	71
1,000–4,999	42	4	54
More than 5,000	44	2	55
Sector			
Private sector	22	3	74
Public services	36	8	56
Not-for-profit	31	2	68

Base: 522

Table 3: Most effective methods for attracting applications, by year, industry sector and organisation size (% of respondents)

				Sector (2012)				Number of UK employees (2012)				
	All 2010	All 2011	All 2012	Manufacturing and production	Private services	Public sector	Not-for-profit	1–49	50–249	250–999	1,000–4,999	More than 5,000
Own corporate website**	63	59	61	46	57	75	77	35	55	64	75	77
Recruitment agencies	60	54	53	74	59	20	43	38	57	60	52	44
Employee referral scheme	35	29	35	31	52	10	11	24	39	36	35	39
Commercial job boards	33	27	32	26	37	17	40	34	29	38	27	31
Specialist journals/trade press	31	27	29	18	24	42	49	28	27	33	34	21
Local newspaper advertisements	36	32	26	23	20	38	37	24	24	29	23	31
Professional networking (such as LinkedIn)	14	16	22	18	31	8	8	42	14	21	22	20
Encourage speculative applications/word of mouth	24	25	20	24	24	11	14	23	24	22	16	11
Search consultants	22	15	20	37	20	9	11	20	16	17	28	26
Jobcentre Plus	23	25	20	22	15	26	29	10	17	26	21	25
Apprenticeships	12	11	17	31	11	21	14	4	14	20	23	21
Links with schools/colleges/universities	18	13	16	22	18	11	5	11	17	16	17	16
Secondments	11	11	10	6	8	15	20	3	10	11	17	10
National newspaper advertisements	16	11	10	6	3	25	20	10	6	12	9	15
Social networking sites (such as Facebook)	3	4	8	6	9	5	6	13	5	6	7	13
Alumni (previous employees)	5	5	7	10	8	4	3	14	7	6	3	8
Links with other local organisations making redundancies*	–	7	7	12	5	9	5	8	6	5	9	10
Local Employment Partnership (LEP)	6	3	3	1	2	5	6	1	3	3	1	5
Other	5	5	6	4	5	12	6	8	5	3	9	10

Base: 516 (2012); 604 (2011); 464 (2010)

* New item added in 2011

** Table 3 shows that this method was considered less effective in the private sector but this effect is due to size differences in the organisations within each sector, that is, our private sector sample consisted of a higher proportion of smaller organisations.

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Nevertheless, regardless of sector, local and national newspapers were less frequently ranked among organisations' most effective methods for attracting candidates compared with previous years.

More organisations consider apprenticeships among their most effective methods compared with previous years, particularly in the manufacturing and production sector. The use of apprentices may have increased following government initiatives to boost their numbers; however, organisations may find these schemes particularly effective for recruiting where skill shortages exist.

More organisations also rate professional networking (such as LinkedIn) among their most effective methods compared with last year, although this remains most popular in the private sector.

Only one-third (34%) of those who had decreased their use of agency staff reported that the change was unrelated to the Agency Workers' Directive. Just over one-fifth (22%) reported the decrease was 'to a great extent' the result of the Directive, while a further 45% reported it was 'to some extent'.

Recruitment partners

While our findings above show that recruitment agencies are commonly considered to be highly effective in attracting candidates, the current economic pressures coupled with fewer vacancies to fill appear to have had an impact on organisations' relationships with recruitment partners. In similar findings to last year, Table 4 shows that a third of organisations have reduced their use of recruitment partners over the past 12 months, although only a minority (6%) have stopped using them and two-fifths report there has been no change. Organisations may be being more selective in their use of recruitment partners at a time of reduced recruitment and reduced resourcing budgets. Nearly one-fifth of private sector organisations and 22% of voluntary sector organisations report they have formed a closer business partnership with recruitment partners.

Several factors influence organisations' choice of recruitment partner. The most common factors are access to highly skilled candidates and cost (Table 5). Existing relationships with recruitment partners play a key role for two-fifths of organisations. Manufacturing and production organisations are most likely to report that reputation is a key factor.

Table 4: Changes in relationships with recruitment partners over the past 12 months (% of respondents)

	All 2011	All 2012	Sector (2012)		
			Private services	Public sector	Not-for-profit
Not changed	36	42	41	51	35
Reduced use of recruitment partners	32	32	35	25	29
Formed a closer business partnership with them	19	15	17	3	22
Consider them an unnecessary expense	12	8	9	7	8
Consider them an unaffordable expense	11	7	6	2	17
Consider them integral to attracting top talent	9	7	7	4	9
Stopped using recruitment partners	6	6	4	11	5
Other	3	2	2	1	3

Base: 513 (2012); 604 (2011)

Table 5: What are the main factors that influence your choice of recruitment partner? (% of respondents)

	All organisations	Manufacturing and production	Private services	Public sector	Not-for-profit sector
Access to highly skilled candidates	54	62	54	42	56
Cost	52	53	51	46	60
Existing relationships with recruitment partners	42	47	43	37	35
Involvement with my organisation's industry	31	35	32	22	35
Reputation	30	44	27	22	30
Personal recommendation	10	12	10	5	13
Global reach	6	12	6	2	3
Other	7	4	6	11	6

Base: 500

Length of recruitment process

One in three (33%) organisations report that they have lost potential recruits due to the length of their recruitment process. This issue appears to be exacerbated by organisation size. Three-fifths (59%) of organisations with more than 5,000 employees report that the length of their recruitment process has led to the loss of potential recruits compared with 46% of organisations with 1,000–4,999 employees and about one-quarter of smaller organisations. There were no significant sector differences once size was taken into account.

Recruitment difficulties

Despite the high unemployment rate, 82% of organisations reported difficulties in filling at least some vacancies over the past few months. This is

an increase on the previous two years (2011: 75%, 2010: 68%) and more in line with previous years, before the full impact of the economic downturn (2009: 81%; 2008: 86%).

All sectors report more difficulties this year compared with last, although the biggest increase is noted in the public sector (Table 6). Table 7 suggests this is partly due to a step increase in filling vacancies for senior managers/directors. This increase is observed in all sectors but is particularly the case in the public sector, where the proportion reporting recruitment difficulties in this area has doubled compared with last year. The ongoing austerity measures and pay freezes in the public sector, coupled with the challenges of widespread reforms, may reduce its attractiveness to potential recruits.

Table 6: Organisations experiencing difficulties recruiting for one or more category of vacancy in the past few months, by organisation size (% of those that have had vacancies to fill)

Difficulty filling one or more vacancies	All organisations	Manufacturing and production	Private services	Public sector	Not-for-profit sector
2012	82	91	82	82	70
2011	75	88	77	66	62

Base: 486 (2012); 561 (2011)

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As last year, manufacturing and production organisations were most likely to have had difficulties filling vacancies.⁴ More than half of organisations in this sector have difficulty filling technical vacancies (Table 7) and this may reflect specific skills shortages in the UK (see box below). Table 7 provides some indication that technical vacancies have become increasingly difficult to fill over the past few years.

The most difficult category of staff to recruit in other sectors was managers and professionals/specialists, as was the case last year.

The reasons respondents cite for their recruitment difficulties are shown in Table 8. Lack of necessary specialist or technical skills remains the most frequently cited cause of difficulties, reported by three out of five respondents overall and three-quarters of the manufacturing and production sector, where there is a particularly high demand for such skills (see box below). The second most common reason given (a new item introduced this year) was lack of relevant sector/industry experience. Lack of formal qualifications is far less of an issue, although it is more commonly reported in the public sector, probably due to a higher demand for specific qualifications (that is, health, teaching, social work, probation qualifications).

Table 7: Categories of vacancy that proved particularly difficult to fill (% of respondents)

	2010	2011	2012	Manufacturing and production 2012	Private services 2012	Public sector 2012	Not-for-profit sector 2012
Other managers and professionals/specialists	37	34	37	35	35	38	42
Technical	28	30	34	57	33	22	22
Senior managers/directors	16	14	22	18	25	19	22
Services (customer, personal, protective and sales)	5	7	9	3	11	4	12
Administrative, secretarial	3	4	5	3	5	6	6
Manual/craft workers	2	4	5	12	2	4	3
Other	4	6	5	9	3	7	3
No difficulties experienced	25	23	17	9	17	17	29
No vacancies to fill	6	6	5	3	5	8	2

Base: 511 (2012); 597 (2011); 468 (2010)

Respondents were asked to provide more information in their own words regarding the specific lack of skills they were experiencing; 175 responded. Most of them referred to challenges recruiting industry- or sector-specific skills. A shortage of particular engineering skills or specialisms was most commonly referred to, followed by IT skills. Other areas of skill shortages listed include various health and science qualifications, 'good quality' teachers, fundraisers, accounting, actuarial and sales skills. A few organisations referred to more generic business skills such as management or leadership skills, strategic awareness, 'corporate' or business skills as well as 'commercial knowledge of our industry'. A minority referred to the absence of general work skills, such as communication skills, or basic IT skills, such as Excel. A few referred to a shortage of 'realistic ambitions', 'creativity, passion, energy [and] drive'.

Table 8: Reasons for recruitment difficulties (% of respondents with recruitment difficulties for one or more category of staff)

	All organisations	Manufacturing and production	Private services	Public sector	Not-for-profit sector
Lack of necessary specialist or technical skills	59	74	57	49	58
Lack of relevant sector/industry experience	39	38	41	33	36
Looking for more pay than you could offer	38	35	37	43	42
Lack of experience	25	30	23	29	20
Reluctance to move in current economic climate	21	26	19	17	24
Lack of interpersonal skills	16	14	18	12	16
No applicants	15	11	14	21	16
Image of sector/occupation/organisation	12	7	9	24	13
Relocation difficulties	10	16	8	10	16
Lack of formal qualifications	5	6	2	14	2
The impact of the immigration cap	4	2	3	6	9
Other	7	2	7	10	9

Base: 410

Nearly two-fifths (38%) reported that candidates were looking for more pay than they could offer; this is less than last year, when nearly half (46%) reported this was the case. Last year, the public sector were least likely to cite pay as a reason for their recruitment difficulties. This year, however, a higher proportion of public sector organisations report pay was an issue (2012: 43%, 2011: 34%) while fewer from the private and voluntary sectors report it was (private 2012: 37%; 2011: 48%; voluntary 2012: 42%; 2011: 52%). Public sector pay freezes coupled with a perceived reduction in benefits as a consequence of pension reforms may be responsible. The public sector was three times more likely than the private sector to report the image of their sector/occupation/organisation was a problem.

A fifth of organisations report their recruitment problems were due to potential candidates' reluctance to move in the current economic climate, in findings similar to last year. Despite high unemployment, 15% of respondents reported they had no applicants.

Recruitment costs

Nearly half of organisations (49%) report that they calculate their recruitment costs, showing little change from last year (52%). A total of 182 organisations (73% of those that calculate recruitment costs) provided cost estimates per hire. There was considerable variance in the amount organisations spent (at least partly due to our findings reported in last year's survey that organisations include different costs in their

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calculations). In general, the median figures are higher than last year and lower than the 2010 survey data for both senior managers/directors and other employees (Table 9).

In order to examine the validity of estimates, respondents were asked to indicate how accurate their cost estimates were. Nearly half (46%) of estimates for costs of recruiting senior managers/directors were accurate to plus or minus 10% and 81% to plus or minus 20%. One-third of estimates for other employees were accurate to plus or minus 10% and 68% to plus or minus 20%. Table 10 shows the median figures for estimates that were believed to be accurate to plus or minus 20%.

These more accurate figures confirm that overall recruitment costs have increased compared with the previous year for both senior and other employees. The sector analysis, however, shows that while this is the case for private services

and the voluntary sector, there has been a slight reduction in the median recruitment cost for all employees (but an increase for senior positions) in the manufacturing and production sector, while in the public sector the median cost has remained static for senior managers and reduced for other employees. This may reflect the budget cuts this sector has experienced as part of efforts to address the fiscal deficit.

The figures also confirm findings from previous years, that organisations spend considerably more on senior appointments than on other employees. This reflects the value attached to good leadership and the additional challenges of attracting quality candidates for senior positions. This is particularly notable in the private sector, where considerably more is spent on the recruitment of senior managers/directors than in the public or not-for-profit sectors.

Table 9: Estimated average cost (advertising costs, agency or search fees) per hire (£)

Occupational group	Median 2010	Median 2011	Median 2012	Minimum	Maximum
Senior managers/directors	8,333 (234)	7,000 (219)	8,000 (163)	8	150,000
Other employees	2,930 (262)	2,000 (246)	2,500 (182)	50	20,000

Number of respondents shown in brackets.

Table 10: Median average costs (advertising costs, agency or search fees) per hire for estimates accurate to plus or minus 20% (£)

	All	Manufacturing and production	Private services	Public sector	Not-for-profit
Senior managers/directors 2012	8,000	10,000	10,000	5,000	6,000
Senior managers/directors 2011	7,500	8,000	9,000	5,000	3,500
Other employees 2012	3,000	3,250	3,000	2,000	2,000
Other employees 2011	2,500	3,400	2,000	3,000	1,500

Base: 105 (2012); 150 (2011)

2 EMPLOYING YOUNGER WORKERS

Youth unemployment reached particular highs in 2011. Figures from the Office for National Statistics show that youth unemployment for young people in the UK aged 16 to 24 in October to December 2011 stood at 1.04 million, the highest number since 1986–87, equating to one in five economically active 16–24-year-olds out of work.ⁱ The long-term impact on the skills development and future employability of young people is of growing concern. Fears have also been raised that the abolition of the Default Retirement Age and the increase in university tuition fees will compound these problems. Here we examine organisations' responses to these issues, schemes they undertake or plan to introduce to develop skills and the effectiveness of apprenticeship programmes.

Changes in the employment of young people

Nearly one-quarter (23%) of organisations report they are employing more 16–24-year-olds compared with one year ago, while 9% are employing fewer young people (69% are employing the same number). This is a slight improvement on the findings from last year's survey, when 17% reported they

were employing more young people and 12% employing fewer. The employment of younger workers has reduced most in the public sector,⁵ in line with last year's findings, although to a lesser extent: in 2012, 18% report a reduction compared with 25% in 2011 (Table 11). This may reflect a general reduction in headcount in this sector.

Table 11: The employment of younger workers (%)

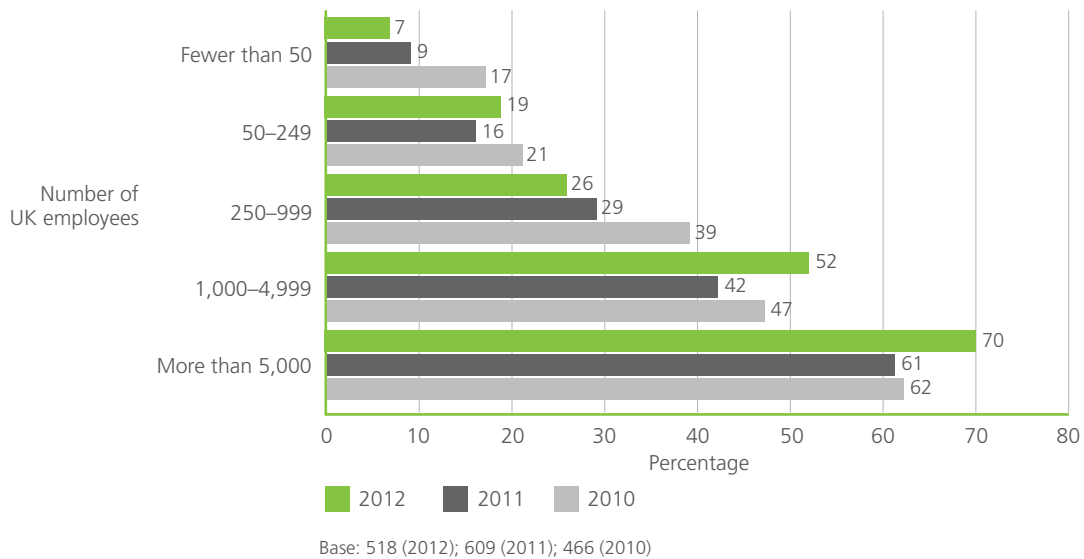
	All	Manufacturing and production	Private services	Public sector	Not-for-profit
Percentage employing fewer 16–24-year-olds than one year ago	9	7	6	18	8
Percentage agreeing the abolition of the Default Retirement Age means they will recruit fewer 16–24-year-olds	8	11	6	13	9
Percentage agreeing the abolition of the Default Retirement Age means they will recruit fewer people	21	23	17	29	25

Base: 512

ⁱ Office for National Statistics: Characteristics of young unemployed people – 2012, http://www.ons.gov.uk/ons/dcp171776_256894.pdf 22 February 2012.

RESOURCING AND TALENT PLANNING

Figure 1: Organisations operating a structured graduate recruitment programme, by size (% of respondents)



Overall, one-fifth of organisations expect the abolition of the Default Retirement Age will mean they recruit fewer people. It does not appear, however, that the abolition of the Default Retirement Age will have a particular impact on the recruitment of young people, with just one in twelve organisations (8%) reporting it will result in fewer 16–24-year-olds being recruited (Table 11). These findings are similar to last year.

Graduate recruitment

Overall, nearly a third (31%) of organisations operate a structured graduate recruitment programme, although the use of these programmes is significantly related to organisation size and sector (Figure 1 and Table 12).⁶ Smaller organisations and those in the voluntary sector were least likely to operate graduate programmes, as in previous years.

Table 12: Organisations operating a structured graduate recruitment programme, by sector (% of respondents)

	2012	2011	2010	2009	2008
All	31	27	34	22	23
Sector					
Manufacturing and production	44	35	35	23	24
Private services	33	29	37	24	27
Public sector	32	26	33	23	24
Voluntary, community and not-for-profit	6	6	18	5	7

Base: 521 (2012); 614 (2011); 472 (2010); 752 (2009)

Table 13: Changes to intake (% of those with a graduate recruitment programme)

	All	Manufacturing and production	Private services	Public sector
Increased our intake in the last 12 months	31	44	32	10
Reduced our intake in the last 12 months	20	15	22	20
Our intake has remained the same	48	41	47	70

Base: 163

Not-for-profit sector excluded due to inadequate sample size

Figure 1 suggests that the use of graduate programmes has increased in larger organisations (more than 1,000 employees) compared with previous years. Their use has also increased in the manufacturing and production sector over the last few years (Table 12). This sector was also most likely to report they had increased their intake in the last 12 months (Table 13) and least likely to report they had reduced their intake.

Last year we reported that half of public sector organisations with a graduate programme had reduced their intake. This year the reductions have tailed off, with most reporting their intake has remained the same, although public sector organisations were least likely to report they have increased their intake.⁷ Changes to intake were not related to the size of the organisation.

The vast majority of respondents from organisations without a recruitment programme for graduates reported that their organisations had never had such a programme or not had one for some time (98%), with no significant differences across sectors or size of organisation.

The impact of tuition fees

Two-fifths of organisations (40%) are concerned that the increase in university tuition fees will make it harder to get the skills they need. Organisations with graduate recruitment schemes are most likely to be concerned (48% compared with 36% of organisations without such schemes).⁸

Initiatives to develop skills

Many organisations operate their own initiatives to develop skills (Table 14). Apprenticeships are offered by two-fifths of organisations overall, with a further 14% planning to introduce them in the next 12 months. They are particularly favoured in the manufacturing and production sector and the public sector.⁹

Most organisations with apprenticeship schemes report they are at least somewhat effective in developing the skills their organisations need, with two-fifths overall (40%) reporting they are very effective (53% in manufacturing and production) and only 7% reporting they are not very effective. There is more room for improvement in the public sector, however, where only one in four (27%) report their schemes are very effective and one in ten (10%) report they are not very effective. Nearly half (46%) of organisations across all sectors report that if their organisation offered more apprenticeship programmes it would help them get the skills they need (48% of those with recruitment difficulties due to skills shortages). This rises to 54% of those with more than 250 employees (35% of those with fewer than 250 employees).¹⁰

RESOURCING AND TALENT PLANNING

Table 14: Is your organisation considering any of the following activities? (%)

	All		Manufacturing and production		Private services		Public sector		Not-for-profit sector	
	Currently implemented	Plan to introduce in the next 12 months	Currently implemented	Plan to introduce in the next 12 months	Currently implemented	Plan to introduce in the next 12 months	Currently implemented	Plan to introduce in the next 12 months	Currently implemented	Plan to introduce in the next 12 months
Offer apprenticeships	41	14	55	19	32	13	58	11	36	17
Offer intern schemes	28	12	35	9	31	12	15	12	23	12
Sponsor students through university	15	6	23	13	12	5	17	5	12	2
Offer post-A-level entry routes	15	10	19	11	12	10	20	10	9	6
None of the above	18	14	11	8	22	18	14	10	20	12

Base: 508

Intern schemes are offered by one-third of private sector organisations, although are less common in the public and voluntary sector (Table 14).¹¹ Overall, 15% sponsor students through university (23% of manufacturing and production) and the same proportion offer post-A-level entry routes. All of these schemes are more likely to be implemented by larger organisations.

Case study: KPMG – a new approach to bringing talent into the business

The last year has seen a big change to the way KPMG brings young talent into the business through an innovative school leavers' programme designed to bring a different pipeline of young people into the business. New recruits follow a six-year programme allowing them to gain an accounting degree (from Birmingham, Durham or Exeter University) and become a fully qualified chartered accountant with the ICAEW or ICAS. The organisation was keen to make sure, however, they weren't simply offering a 'degree with work experience'. The 'job' which is offered – as part of the audit function at KPMG – comes first.

Although historically the firm had taken on a small number of school leavers each year, KPMG first started thinking seriously about the way it brings these young people with high potential into the firm about 18 months ago. The business was very successful in recruiting the high numbers of graduates required by the business (particularly in the audit area). However, inevitably, once the three-year graduate training programme finished, retaining these employees could be challenging. With this in mind, they were keen to look at alternatives. As Alison Heron, UK Head of Student Recruitment, explains, *'If you keep fishing in the same pool, you end up with the same kind of candidates. From a diversity perspective, it makes sense to look elsewhere.'*

Alison also describes how this was a timely issue given the Milburn report on Fair Access to the Professions (July 2009) and the Browne review looking at higher education and student finance (October 2010). With the prospect of rising tuition fees, it was likely that some young people – particularly where there was not a history of attending university in the family – could be put off from applying for a traditional degree.

In 2011, when the programme was launched, it received a great deal of press coverage and this gave candidate applications a substantial boost. In the 2012 round of recruitment there has been more emphasis on using social media to reach potential applicants and identifying target schools (for example, where a higher than average number of pupils receive free school meals). This has allowed KPMG to build on relationships it had already established with schools as part of its corporate social responsibility activity.

The number of positions available as part of the school leavers' programme has increased from 90 in the first cohort to 150 this year. Feedback from the business has been good – with managers in some cases unable to distinguish recruits from their graduate counterparts in terms of their contribution.

Graduates continue to play a key role in KPMG's talent management strategy. However, with a big emphasis on widening participation to the profession, the firm has taken a new approach to bringing fresh talent into the business. Since the successful launch of the school leavers' programme, they have also introduced two apprenticeship programmes in the risk consulting area of the business.

3 RESOURCING AND TALENT MANAGEMENT IN TURBULENT TIMES

The UK economy is now experiencing a double-dip recession. The limited economic growth of 2010 slowed in 2011 and the latest data confirms negative growth for the last quarter of 2011 and the first of 2012. Unemployment reached a 12-year high of 8.4% in 2011 and, while this fell slightly in the first quarter of 2012, the number of people having to settle for part-time work because they can't find full-time jobs has risen by 89,000 to 1.4 million, its highest level since records began in 1992.ⁱⁱ The Bank of England has reduced its growth forecasts for 2012 to 0.8% and issued a warning about the potential economic damage the eurozone sovereign debt crisis could inflict.

This section examines the impact of the economic environment on resourcing budgets, strategies and activities. It looks at views on the employment market and the implications for managing talent.

The impact of the economic climate on resourcing

Overall, 47% of organisations report that the economic climate has had a negative impact on their organisations' resourcing budgets for 2012–13 (Table 15). While this is a slightly lower figure than the previous two years, there is likely to have been an additive effect for at least some organisations. Only a minority report their budgets have increased. Again, it is the public sector that are most likely to report reductions.¹²

Talent management budgets

Talent management budgets do not appear to have been hit as much as resourcing budgets.

Overall, just one in ten report that their overall talent management spend has decreased in the last 12 months, while a quarter reported spend had increased (Table 15).

Overall, half of organisations (49%) report the current economic situation has actually led to an increased focus on talent management. The importance of an effective workforce is highlighted when times are tough and organisations cannot afford to tolerate inadequate performance. Moreover, the recent attention on reducing costs may have required organisations to be more innovative about managing talent. Nevertheless, as last year, the situation remains less favourable

ⁱⁱ <http://www.bbc.co.uk/news/business-17752753>, (18 April 2012)

Table 15: Impact of the current economic climate on organisations' resourcing budgets (%)

	All			Private services			Public sector			Not-for-profit sector		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Reduced	47	49	53	41	41	51	75	82	59	38	51	61
Stayed about the same	41	36	37	46	39	40	17	14	36	48	40	34
Increased	7	8	7	8	11	4	3	1	5	9	4	5
Don't know	5	7	3	5	8	5	4	3	–	5	5	–

Base: 517 (2012); 615 (2011); 475 (2010)

Table 16: Changes to overall talent management spend in the last 12 months (% of respondents)

	All 2012	Private services	Public sector	Not-for-profit
Increased	25	28	13	23
Decreased	10	9	17	6
Remained the same	46	47	42	45
N/A (No talent management spend)	20	16	28	26

Base: 521

in the public sector. They were more likely than other sectors to report their talent management spend had decreased and less likely to report it had increased (Table 16).¹³ Moreover, they were less likely to report an increased focus on talent management (40% compared with 53% in the private sector).¹⁴

Changes in resourcing and talent practices

Changes in resourcing and talent practices in 2012 compared with 2011 continue the trends observed in last year's survey. There is a stronger focus on developing more talent in-house, retaining rather than recruiting talent and redeploying people into new roles (Figure 2 on page 22). At the same time, however, more organisations report they will be recruiting for key talent/niche areas in 2012 (60%) compared with 2011 (50%). The findings also suggest that more time and effort will be invested in the quality of candidates hired, with half of organisations reporting they will be doing this in 2012 compared with a third in 2011.

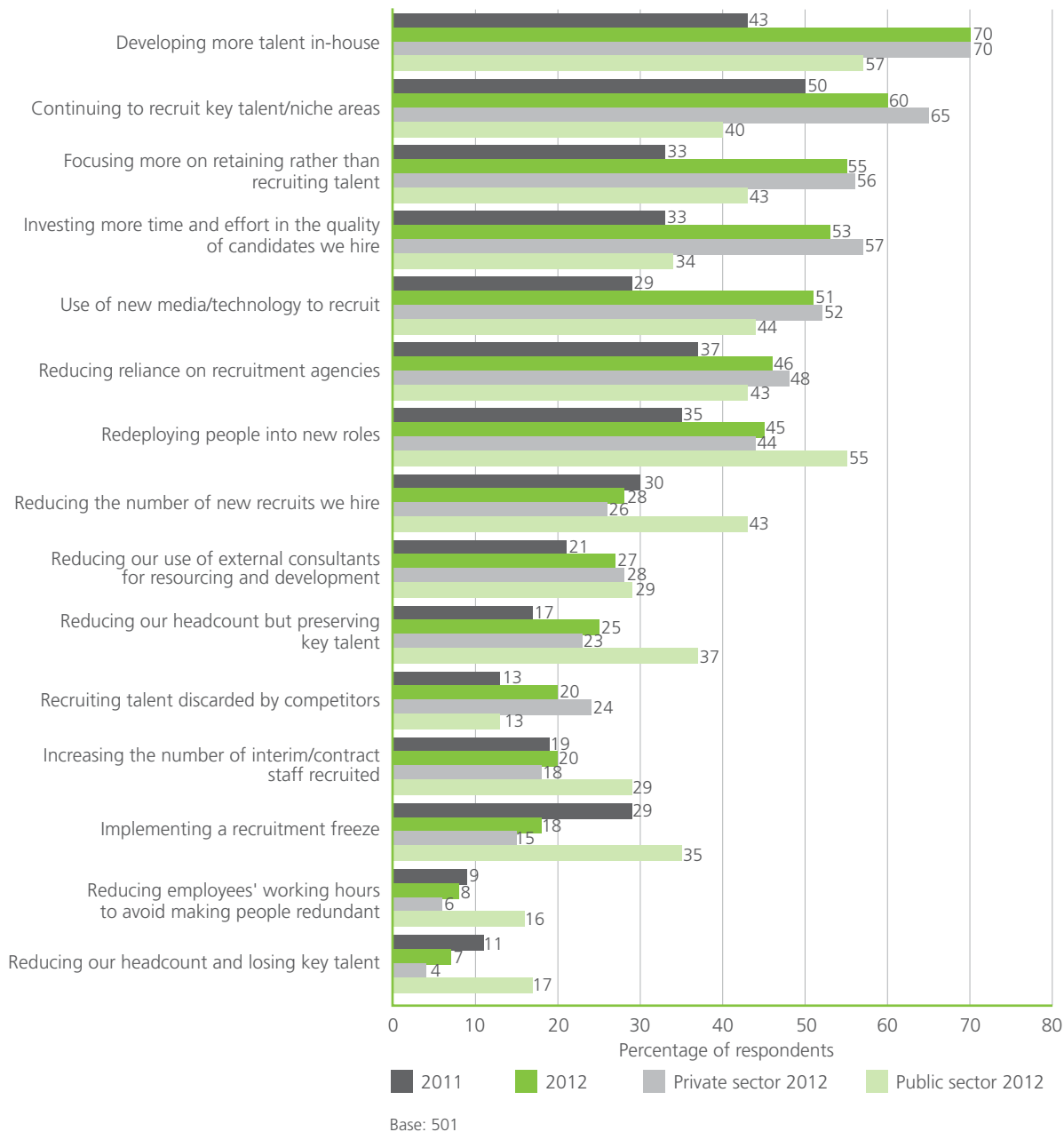
The continued focus on costs is also apparent, with over one-quarter (28%) reporting they will be reducing the number of new recruits they hire and a fifth (18%) implementing a recruitment

freeze, although this is an improvement on 2011 (29%). Nearly half (46%) of organisations plan to reduce reliance on recruitment agencies in 2012 compared with 37% in 2011. There is also expected to be an increase in the proportion reducing their use of external consultants for resourcing and development, from 21% in 2011 to 27% in 2012. Half of organisations report they will be using new media/technology to recruit (compared with 29% in 2011). This may be a cost-cutting strategy but it can also improve the efficiency and effectiveness of the recruitment process.

The focus on costs is particularly apparent in the public sector. They are more than twice as likely as other sectors to be implementing a recruitment freeze in 2012 (35% compared with 15% of the private sector). They are also more likely to reduce the number of new recruits they hire in 2012, redeploy people into new roles, reduce employees' working hours to avoid making people redundant and reduce their headcount. They are less likely to continue to recruit key talent/niche areas, use new media/technology to recruit, develop more talent in-house or invest more time and effort in recruiting quality candidates.

RESOURCING AND TALENT PLANNING

Figure 2: Resourcing and talent practices implemented in 2012 and 2011 (% of respondents)



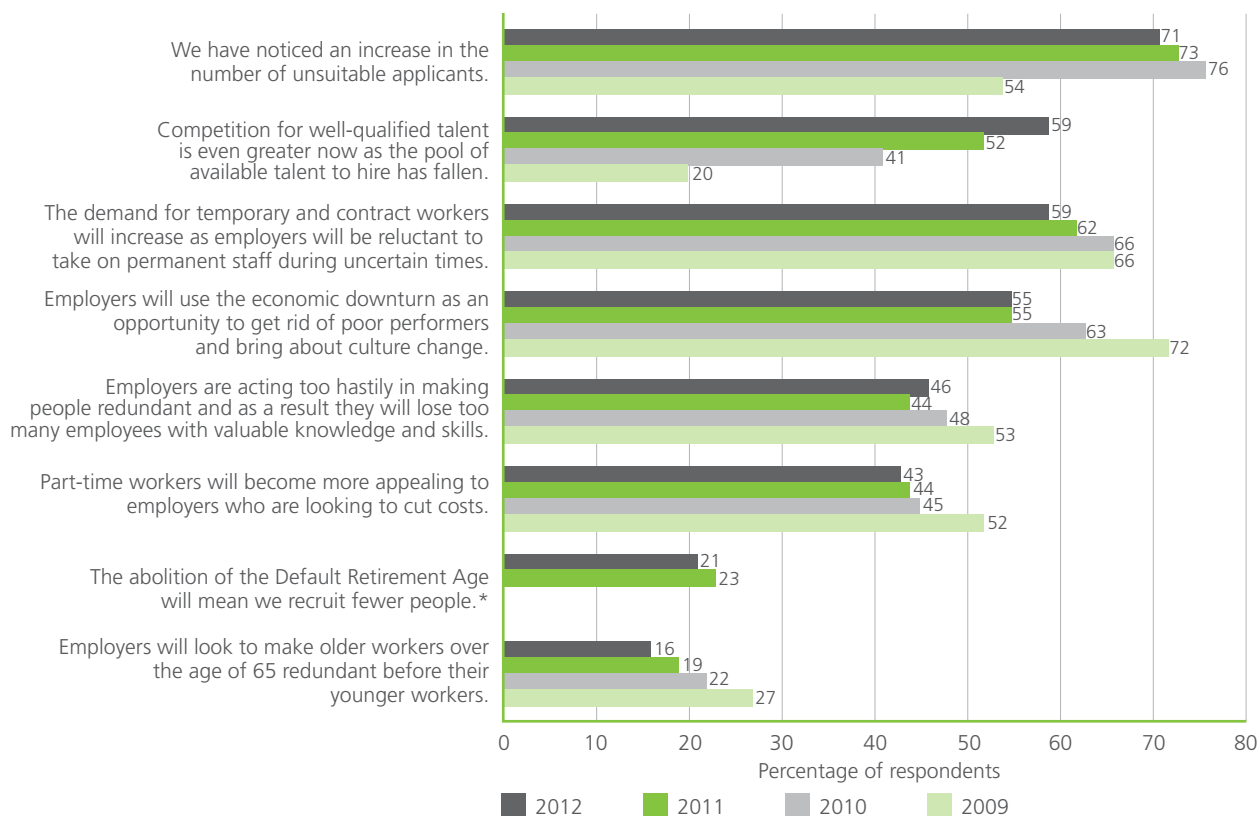
Views on the employment market

The high unemployment rate is not necessarily assisting employers in their search for suitable candidates. Nearly three-quarters (71%) report they have noticed an increase in the number of unsuitable talent, while the supply of suitable talent available to hire is believed to have declined over the last few years. Three-fifths overall report that competition for talent is greater now and the issue

is particularly pertinent in the private sector (71% of manufacturing and production organisations, 63% of private services, compared with 51% of public and 39% of not-for-profits).¹⁵

Three-fifths of respondents across all sectors believe that the demand for temporary and contract workers will increase as employers will be reluctant to take on permanent staff during uncertain times

Figure 3: Views on the employment market (% agreeing or strongly agreeing)



Base: 511 (2012); 607 (2011); 475 (2010); 746 (2009)

* Item added 2011

and two-fifths that part-time workers will become more appealing to employers who are looking to cut costs. This view is substantiated by figures from the ONS that show a big rise in the number of people working part-time.

A fifth of organisations believe that the abolition of the Default Retirement Age (DRA) will mean they recruit fewer people, a similar proportion to last year. The abolition of the DRA and an

increased awareness of age diversity issues and their benefits might also be linked to the slight decline observed over the last few years in the proportion reporting that employers will look to make older workers over the age of 65 redundant before their younger workers.

Case study: Interserve – exploiting new technology in recruitment

As part of Interserve's strategic leadership pipeline, they recently employed five graduates. To improve and streamline the graduate selection process, the team investigated an innovative and future-focused interview technique. This was a new online video interviewing tool enabling them to carry out interviews in geographically diverse locations.

Sue Lee, Head of HR Shared Services at Interserve, describes how they used this tool from start to finish:

'The software enables us not only to carry out the interviews online, but also to develop the interview questions online, post interview invitations to candidates via email and for them to record their answers via webcam. One of the most significant advantages of this software, over and above the cost and time reductions, is that the candidate, HR representative and recruiting manager didn't need to be simultaneously available.' This was particularly helpful for Interserve as the business operates across 25,000 client sites in the UK and Europe.

Sue explains, *'We were really keen to trial this tool with the graduates, as we felt they would feel comfortable and confident using the video interviewing method, and would be able to give us honest feedback on how it felt to be recruited in this manner. Feedback since has shown that not only did they enjoy the process, but it helped us stand out from other companies they were interviewing with.'*

'Of the 60 applications received, 17 were shortlisted for video interview, enabling us to choose ten for our assessment centre. Getting down to a choice of two individuals per role, without incurring the usual costs and complications, was a real benefit to the team and allowed us to focus more on the final assessment and selection. The success of this could be seen when all five candidates accepted positions with Interserve and have been a great asset to the business ever since.'

'From my perspective one of the greatest benefits was the ease with which we could share and compare candidates' responses when it came to making selection decisions. This helped with the objectivity of the process and made highlighting relevant information to our recruiting managers straightforward. I've been pleased with the results the video technology has been able to deliver and will certainly consider using it again in future.'



4 THE IMPACT OF THE 2012 OLYMPIC GAMES ON RESOURCE PLANNING

The London 2012 Olympic and Paralympic Games may be a great opportunity for businesses of all sizes and sectors. However, the Games may also present organisations with particular challenges. This section examines the impact of the Olympic Games on resource planning practices.

Overall, more than a quarter (28%) of organisations report that they will be allowing employees time off to volunteer for the 2012 Olympic Games, rising to 41% in the public sector.¹⁶ Two-fifths (39%) report they won't allow employees time off to volunteer, while a third report the issue was not applicable to them.

Overall, half of organisations are implementing particular resource planning practices for the 2012 Olympics, although the manufacturing and production sector are least likely to be making any changes (Table 17). Nearly one-third report they will be reminding employees of existing flexible working opportunities and making TVs available in the

workplace, while over a quarter report they will try to accommodate requests to work from home.

One in five organisations report they will encourage staff to take leave, although a similar proportion report they will restrict leave to ensure adequate cover for the business. This rises to 35% of public sector organisations, many of which may anticipate additional workload due to the Games.

Smaller proportions report they will actively encourage employees to work at home (for example to minimise transport disruption) or allow employees to view events online on their work computer.

Table 17: Practices organisations are planning to implement as part of resource planning for the 2012 Olympics (% of respondents)

	All	Manufacturing and production	Private services	Public sector	Not-for-profit
We are not making any particular changes for the 2012 Olympics	48	66	45	41	40
Remind employees of existing flexible working opportunities	31	23	23	46	52
Make TVs available in the workplace	31	25	37	19	32
Try to accommodate requests to work from home	28	18	27	33	37
Encourage staff to take leave	21	20	19	24	29
Restrict leave to ensure adequate cover for the business	21	19	17	35	20
Extend flexible working opportunities	17	11	19	15	22
Actively encourage employees to work at home (for example to minimise transport disruption)	13	5	13	18	20
Allow employees to view events online on their work computer	11	10	13	5	11
Other	3	2	4	1	3

Base: 522

5 DIVERSITY

Recruiting people from a wide range of backgrounds, ages and life experiences can add significant value to organisations. Open and inclusive recruitment processes mean that employers have a greater choice of talent to choose from, which will benefit their organisation. This section examines organisations' approaches to diversity, including the use of formal diversity strategies and the methods used to address diversity issues.

Similar to last year, four-fifths of organisations with a formal diversity policy attempt to address diversity issues through monitoring recruitment and/or staffing information to obtain data on gender, ethnicity, disability, age, and so on (Table 19). Two-thirds train interviewers to understand what diversity is about and the impact of stereotypes.

Last year we noted a reduction in the use of several methods compared with previous years, possibly due to a reduced focus on diversity as

the pressures of the economic downturn diverted attention elsewhere. This trend has not continued this year and the use of many of the methods we listed is back up to 2010 levels. Moreover, there is a marked increase in the proportion who report they are making attempts to employ the long-term unemployed (52% up from 19% in 2011). This may reflect the financial incentives that the Government offers organisations for each long-term unemployed person they place in a long-term role, caps on immigration or a

Table 18: Does your organisation have a formal diversity strategy? (%)

	Yes	No	Don't know
All organisations	56	39	6
Sector			
Manufacturing and production	54	35	11
Private services	42	53	5
Public sector	89	4	6
Not-for-profit	65	35	0
Number of UK employees			
Fewer than 50	51	41	8
50–249	44	50	6
250–999	47	47	5
1,000–4,999	74	24	2
More than 5,000	80	14	6

Base: 521

growing understanding of the potential benefits of employing such people (reflecting the local community, lower turnover rate from people who don't want to be unemployed again) and the need to tap all potential markets for required skills.

Similarly, there has been an increase in the proportion of organisations who are actively trying to attract talent of all ages (59% up from 45% last year). The messages of anti-age discrimination policies may be gaining momentum as changing demographics and skill shortages increased the need for organisations to welcome talent of all ages and varieties.

Traditionally we've found that the public sector tends to lead the way in terms of diversity. Not only are they more likely to have a formal diversity policy but previous findings have consistently found that they

are more likely to use a range of methods to address diversity, when compared with organisations from other sectors that also have a formal policy. This year, while formal diversity policies remain most common in the public sector, there has been an increase in the adoption of various methods to address diversity issues in not-for-profit organisations that have a diversity policy. Not-for-profit organisations (with a formal diversity policy) have now joined the public sector in being significantly more likely than their private sector counterparts to address diversity issues through monitoring recruitment and/or staffing information; training interviewers to understand diversity; providing recruitment documents in other formats; advertising vacancies in different sources to attract under-represented groups; and through making attempts to employ the long-term unemployed (Table 19).¹⁷

Table 19: Methods used to address diversity issues in organisations (% with formal diversity strategy)

	2012	2011	2010	2009	2008	Private sector 2012	Public sector 2012	Not-for-profit 2012
Monitoring recruitment and/or staffing information to obtain data on gender, ethnicity, disability, age, and so on	83	78	79	84	83	74	94	90
Training interviewers to understand what diversity is about and the impact of stereotypes	67	57	68	68	60	58	78	81
Actively trying to attract talent of all ages*	59	45	–	–	–	62	52	60
Making attempts to employ the long-term unemployed*	52	19	–	–	–	43	64	60
Operating policies that go beyond basic legislative requirements on age, gender, race, disability, sexual orientation, religion and belief	47	39	49	52	48	42	55	50
Advertising vacancies in different sources to attract under-represented groups	41	31	37	51	48	31	49	60
Providing recruitment documents in other formats (online, large-print, audio, and so on)	39	39	41	37	31	22	63	55
Checking that any tests used are valid, reliable and culture-free and were tested on diverse norm groups	37	36	42	47	34	33	46	38
Using specific images/words in your recruitment advertising to appeal to a wider audience	33	29	38	42	42	28	41	38
Setting recruitment targets to correct a workforce imbalance	12	9	15	14	12	18	14	17

Base: 281 (2012); 312 (2011); 253 (2010); 419 (2009)

*new item added in 2011

6 MANAGING LABOUR TURNOVER

An uncertain economic environment and high unemployment usually leads to increased caution among employees and less voluntary movement in the labour market. This can be both beneficial for organisations (in terms of reduced recruitment costs, retention of skills, experience and knowledge, and so on) and disadvantageous (less ‘fresh blood’ and new ideas). Here we examine turnover rates and reasons and how organisations are approaching the issue of employee retention.

Among organisations that are able to supply turnover data, the median labour turnover rate was 12.7, similar to last year (12.5) but less than in previous years (Table 20).ⁱⁱⁱ The median figure, however, hides differences across organisations. More than one-third (36%) of organisations reported their turnover had increased in 2011 compared with 2010, while a quarter (26%) reported it had decreased and two-fifths (38%) that it had remained the same.

There were also considerable differences within sectors, particularly manufacturing and production and public services, where over two-fifths reported turnover had increased and over a third that it had decreased. Not-for-profit organisations were least likely to report their turnover had increased (14% compared with 46% of the public sector, 42% of manufacturing and production and 39% of private services). Private services organisations were least likely to report turnover had decreased (16% compared with over a third in the other sectors).¹⁸

As in previous years, the majority of turnover (45%) is attributed to employees leaving voluntarily (Figure 4, Table 21). Fourteen per cent

of organisations that provided reasons for leaving had made more than ten redundancies in 2011 compared with 12% in 2010, 33% in 2009, 26% in 2008 and 22% in 2007. Half (51%) of organisations that had made redundancies offered career transition services, an improvement on last year (2011: 34%). Larger organisations were most likely to offer these services.¹⁹

While there has been little change in overall median turnover rates compared with last year, there has been an increase in the private services sector, which appears to be due to more people leaving as fixed- or short-term contracts end. The voluntary turnover rate in this sector remains similar to last year (Table 22).

In contrast, the voluntary turnover rate in the public sector appears to have decreased, as might be expected given the ongoing austerity measures, greater levels of redundancies and employees' pessimism regarding the prospect of finding alternative employment. These figures should, however, be treated with caution due to the low sample size they are based on.

ⁱⁱⁱ See page 36 for how labour turnover was calculated.

Table 20: Median rate of labour turnover for preceding calendar year (% of respondents)

2012	2011	2010	2009	2008	2007	2006
12.7	12.5	13.5	15.7	17.3	18.1	18.3

Base: 143 (2012)

Figure 4: Percentage of leavers' by reason for leaving

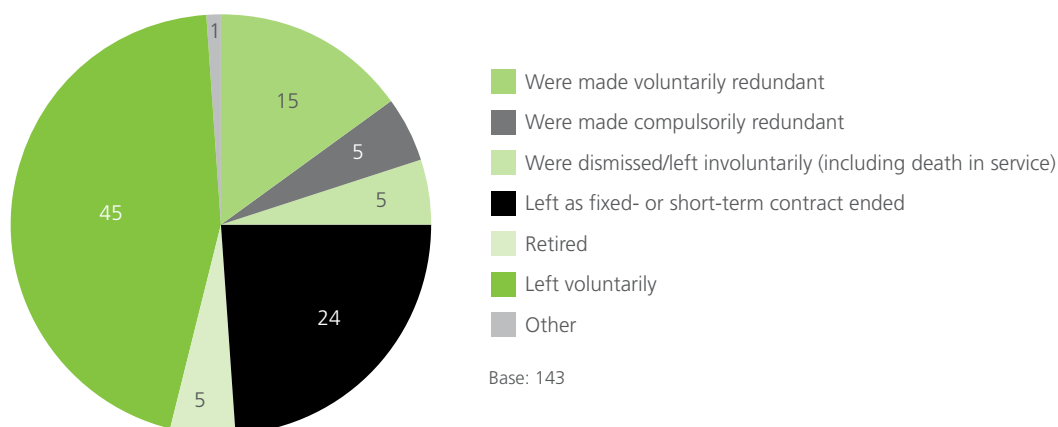


Table 21: Median labour turnover rates for preceding calendar year, by reason for leaving (% of respondents)

	2012	2011	2010	2009
Voluntary redundancies	0	0	0	0
Compulsory redundancies	0	0	1.0	0.5
Dismissed/left involuntarily (including death in service)	0.6	0.7	0.9	1.4
Fixed-/short-term contracts	1.7	0	0	0.7
Retired	0.5	0	0.4	0.7
Left voluntarily	7.8	6.6	8.4	9.0

Base: 138 (2012); 154 (2011)

Table 22: Median labour turnover rates, by industry sector (%)

Sector	All leavers				Voluntary leavers			
	2012	2011	2010	2009	2012	2011	2010	2009
Manufacturing and production	9.5 (25)	9.3 (38)	12.4 (44)	15.3 (80)	4.5 (23)	3.7 (35)	2.7 (42)	7.7 (75)
Private services	16.1 (75)	13.8 (96)	14.6 (77)	16.8 (150)	8.9 (71)	8.7 (82)	7.4 (71)	10.4 (129)
Public sector	10.1 (16)	8.5 (28)	8.6 (19)	12.6 (52)	1.9 (16)	3.4 (10)	5.8 (15)	7.6 (45)
Voluntary, community, not-for-profit	13.0 (16)	13.1 (11)	15.9 (15)	16.4 (38)	7.6 (26)	7.0 (24)	10.2 (18)	11.0 (35)

Number of respondents shown in brackets

*'Voluntary leavers' refers to those who elected to leave the organisation voluntarily. It does not include voluntary redundancies, retirees or those who left as fixed- or short-term contracts ended.

RESOURCING AND TALENT PLANNING

Cost of labour turnover

While nearly half of organisations calculate their recruitment costs, only one in six (17%) calculate the cost of their labour turnover (2011: 13%; 2010: 14%). The majority of organisations report they do not calculate these costs (76%), while 7% didn't know if they were calculated or not.

Retaining employees

The costs associated with labour turnover can be high, not just in terms of replacing leavers but also the loss of skills and knowledge and consequent reduction in productivity. Just over a third of organisations wanted to reduce turnover in 2011, while just a quarter actually did so. In contrast, 25% reported they wanted to increase turnover during 2011, while 36% reported that this happened.

Two-fifths of organisations report they want to reduce turnover in 2012. A smaller proportion (20%) want to increase turnover during 2012, perhaps due to an increased focus on costs in the current climate or to make room for new employees to bring a fresh approach to the business. Even among these organisations, however, there will still be key employees they wish to retain.

More organisations are experiencing some form of retention problems compared with the last two years. Only one-third (34%) of organisations report that they experienced no difficulties in retaining staff during the previous year (2011 survey: 42%; 2010 survey: 45%; 2009 survey: 31%). The private sector was most likely to report difficulties (just 30%

had no difficulties compared with 38% in the public sector and 51% in the voluntary sector).

Retention challenges appear to have particularly increased for the public sector (2012 survey: 38% had no difficulties compared with 49% in the 2011 survey) despite the ongoing austerity measures and the decrease in the voluntary turnover rate noted above. Table 23 shows that substantially more organisations in this sector report difficulties retaining managers and professionals compared with the previous year (2012 survey: 40%; 2011 survey: 25%). Ongoing pay freezes, the challenges of widespread reforms and budget cuts coupled with high demand for these skills elsewhere may be driving good managers from this sector. As in previous years, this was the occupational category that was most commonly reported to be difficult to retain across organisations generally (33%).

Retention difficulties varied across sectors, partly due to differing demand for occupations. The manufacturing and production sector were most likely to report difficulties retaining technical staff (44%) and the private services sector that they had most difficulty retaining services staff (17%).

Most organisations have taken one or more steps to address staff retention in 2011, although one in five (20%) reported that no specific retention initiatives were undertaken. Table 24 suggests that more organisations were focused on retention prior to the economic downturn (with a jump in the number of organisations not undertaking specific initiatives in

Table 23: Retention difficulties by occupational category (%)

	2012 All	Manufacturing and production	Private services	Public sector	Not-for- profit	2011	2010
Managers and professionals/ specialists	33	30	35	40	22	28	27
Technical	28	44	27	24	17	21	20
Services (customer, personal, protective and sales)	13	8	17	4	14	13	12
Senior managers/directors	10	12	8	14	5	7	9
Administrative, secretarial	8	6	7	13	8	9	7
Manual/craft workers	5	13	3	5	3	6	4

Base: 491 (2012); 601 (2011); 451 (2010)

this area in 2009 to 27%). There is now an indication that addressing retention is returning to the agenda.

The most common methods used to address retention in 2011, as in previous years, were to increase learning and development opportunities (47%), improve line managers' people skills (46%) and improve the induction process (43%). Improving line managers' people skills and learning and development opportunities were also most commonly rated among the top three most effective retention methods.

The use of all the methods listed in Table 24 has increased slightly in the last two years. The continued focus on costs, however, is still apparent. In 2007, before the recession hit, pay was the most popular method used to address retention, used by more than half of organisations. In 2011, just over a quarter (28%) reported they had improved

pay to address retention. Improving benefits also remains less common compared with 2007. These changes may not, however, only be about cost savings. Improving pay and benefits are considered to be in the top three methods of retaining employees by only 22% and 15% of organisations respectively. Clearly these are just two of many factors that facilitate retention, and initiatives need to be tailored to organisational and employee requirements.

Public sector organisations were more than twice as likely not to have taken any steps to address retention compared with the private or not-for-profit sectors (37% compared with 16% of private sector and 12% of not-for-profits). In particular they were less likely to have increased pay (6% compared with 35% of the private sector and 22% of the not-for-profit sector) or benefits (13% compared with 29% of the private and 31% of the not-for-profit sector).

Table 24: Steps taken specifically to address staff retention (%)

	2012 survey (used in 2011)	Most effective (top 3 of those used in 2011)	2011 survey (used in 2010)	2010 survey (used in 2009)	2009 survey (used in 2008)	2008 survey (used in 2007)
Increased learning and development opportunities	47	37	38	35	47	46
Improved line managers' people skills	46	31	39	42	39	37
Improved induction process	43	19	38	31	45	45
Improved employee involvement	39	23	34	32	35	29
Improved selection techniques	37	22	30	31	42	46
Improved pay	28	22	27	22	42	53
Offered coaching/mentoring/buddy systems	28	13	24	20	24	22
Improved benefits	27	15	21	19	32	36
Created clearer career paths	22	17	18	21	18	17
Made changes to improve work-life balance	21	15	17	19	31	30
Revised the way staff are rewarded so their efforts are better recognised	20	11	18	14	19	19
Better promotion to employees of the employer brand	18	7	18	15	21	16
Improved physical working conditions	16	5	15	13	19	12
Redesigned jobs to make them more satisfying	16	9	11	13	18	14
Increasing our use of counter-offers*	5	2	4	–	–	–
No specific initiatives undertaken	19	–	23	27	13	9

Base: 459 (2012 survey); 559 (2011 survey); 431 (2010 survey); 695 (2009 survey); 710 (2008 survey)

* New item added in 2011

LOOKING FORWARD

2011 was a tough year for UK organisations. The limited economic growth seen in 2010 slowed, while public sector cuts to address the fiscal deficit continued and unemployment reached a 12-year high. Real disposable income fell by 1.2% (the biggest decline since 1977), while inflation remained above target. With the UK now officially in a double-dip recession and the ongoing crisis in the eurozone, the challenges continue, with recovery likely to be slow and uncertain. The Bank of England has reduced its growth forecasts for 2012 to 0.8%.

Organisations remain cautious and focused on costs

The findings of the CIPD's 2012 *Resourcing and Talent Planning* survey reflect the challenges of the economic environment. Organisations, particularly in the public sector, remain cautious and focused on costs. The economic climate has had a negative impact on resourcing budgets for 2012–13, particularly in the public sector, and recruitment activity remains low. Nearly one in three organisations will be reducing the number of new recruits they hire in 2012, while a third of public sector and 15% of the private sector anticipate a recruitment freeze.

Rather than buying new people in, there is a stronger focus on developing talent in-house, retaining rather than recruiting talent and redeploying people into new roles. Changes in recruitment methods also reflect the increased focus on costs, with less reliance on recruitment agencies and external consultants and greater use of new technology.

Increase in skills shortages

Despite high unemployment and fewer vacancies on offer, there has been an increase in recruitment and retention difficulties across all sectors. There is a clear mismatch between the skills and experience organisations want and those available in the labour market. Competition for talent is increasing and many are concerned that the increase in university tuition fees will make it harder to get the skills they need.

Greater focus on developing and retaining talent

Many organisations appear to be responding to skill shortages by developing their own. The use of apprenticeships has increased, aided by government initiatives, and graduate recruitment programmes have also increased in larger organisations.

Half of organisations report the current economic situation has actually led to an increased focus on talent management. While many organisations have had their resourcing budgets cut for 2012–13,



only a minority report their talent management spend has decreased. Organisations clearly need to invest in talent in order to maximise their performance in the difficult economic climate. The skills shortage increases this imperative.

There is some indication that organisations (at least in the private sector) are stepping up their focus on retention after some neglect in the aftermath of the financial crisis. Nevertheless, there is still room for improvement, with one in five reporting that no specific retention initiatives were undertaken in 2011.

Widening the net for attracting talent

Last year we also noted a reduction compared with previous years in the use of several methods to attract diverse candidates, possibly due to a reduced focus on diversity as the pressures of the economic downturn diverted attention elsewhere. This trend has not continued this year, suggesting that organisations are starting to look beyond efficiency measures to widening their net to attract the talent they will need to ensure their future success. Winning the war on talent will require organisations to welcome talent of all backgrounds.

Case study: RCT Homes

At RCT Homes the focus is very deliberately on enabling employees to live the values of the organisation and to ensure they are committed to its objectives. Organisational Development Director Sarah-Ellen Stacey explains: 'Engagement is not a subject in itself – it links into everything you do as an employer... It's about "layering" your approach, and not just doing things "off the back of an initiative"'.

As Wales' first housing community mutual, the organisation is only four and a half years old. With a vision to provide the best services, designed and delivered with the communities they work with, RCT Homes needs people who are prepared to overcome challenges and be part of a fundamental change in working practices.

One example of the approach they have taken to create a culture where people are prepared to 'go the extra mile', is their Esteem recognition scheme. This recognises individuals and teams who have lived one of the organisation's values and made an extra effort to deliver excellent service. The number of awards made as part of the scheme has risen from 26 in the period March 2010 to April 2011, to 45 awards made in the same period the following year. The scheme's use is growing as more employees choose to nominate their colleagues and wins are genuinely celebrated with presentations by the chief executive at 'leading better together meetings' and in the staff magazine.

Another example of the organisation's approach can be seen in the way they have worked to motivate and engage their customer services team. Sarah explains the nature of this team's work is time-bound and potentially less varied than in other parts of the business. Staff survey results showed engagement levels were low, despite a key value for the organisation being 'enjoyment'. Since then 'career steps' to demonstrate opportunities for development have been introduced and additional leadership support put in place. More time is given to 1 to 1 sessions, coaching, team 'huddles', training and fun competitions. Taking these steps seems to have had a striking effect on sickness levels in the team. From March 2010 to April 2011, absence stood at an average of 15 days per person (with many of these due to anxiety and stress). In the same period 2011 to 2012 this had reduced to an average of 4.8 days sickness per person.

RCT Homes also invests a great deal of effort in charitable projects and in working with their local community. This commitment has seen the organisation shortlisted in the CIPD People Management Awards in the corporate responsibility category.

BACKGROUND TO THE SURVEY

This survey was conducted in March and April 2012. It was sent to a sample of UK-based HR professionals in the public, private and voluntary sectors. In total, 522 people responded to the survey.

This is the sixteenth annual CIPD *Resourcing and Talent Planning* survey (formerly known as the CIPD's *Recruitment and Retention* survey). The survey examines organisations' resourcing and talent planning strategies and practices and the key challenges and issues they face. The survey consists of 42 questions completed through an online self-completion questionnaire.

The majority of questions remain the same as previous years to provide useful benchmarking data on topics including recruitment practices, difficulties and costs, selection methods, diversity strategies, the impact of the economic climate on resourcing and talent planning practices, labour turnover and retention strategies. Topical issues introduced last year, including the employment of younger workers, the impact of changes to tuition fees and the abolition of the Default Retirement Age, continue to be assessed. In addition, new questions have been included this year to examine current issues, including the impact of the Agency Workers' Regulations, the effectiveness of apprenticeship programmes and the impact of the Olympic Games on resource planning.

The CIPD also carried out telephone interviews to produce mini case studies on a selection of topics. Two of these are presented in the coloured boxes within the report.

Sample profile

Respondents predominantly worked for private sector organisations. Half worked in private sector services and nearly a fifth in manufacturing and production. The public and voluntary, community and not-for-profit sectors were also represented in similar proportions to last year (Table A1).

RESOURCING AND TALENT PLANNING

Table A1: Breakdown of respondent organisations, by industrial sector

	Number of respondents	%
Manufacturing and production	94	18
Agriculture and forestry	1	0
Chemicals, oils and pharmaceuticals	15	3
Construction	8	2
Electricity, gas and water	7	1
Engineering, electronics and metals	26	5
Food, drink and tobacco	7	1
General manufacturing	5	1
Mining and quarrying	1	0
Paper and printing	1	0
Textiles	0	0
Other manufacturing/production	24	5
Private services	267	51
Professional services (accountancy, advertising, consultancy, legal, etc)	66	13
Finance, insurance and real estate	37	7
Hotels, catering and leisure	22	4
IT services	23	4
Call centres	6	1
Media (broadcasting and publishing, etc)	4	1
Retail and wholesale	24	5
Transport, distribution and storage	14	3
Communications	5	1
Other private services	66	13
Public sector	92	18
Central government	12	2
Education	19	4
Health	26	5
Local government	17	3
Other public services	21	4
Not-for-profit organisations	65	12
Care services	5	1
Charity services	21	4
Housing association	19	4
Other voluntary	20	4

Base: 522

Respondents worked in organisations of all sizes, with small-to-medium sized organisations particularly well represented (Table A2). The breakdown by organisation size is similar to last year, although a slightly higher proportion of respondents worked in larger organisations (1,000–4,999 permanent employees in the UK).

Respondents reported in organisations based across the UK. A third responded for the whole of the UK, while others responded for a particular region/country (see Table A3), with London and the south-east particularly well represented, as would be expected.

Table A2: Breakdown of sample by organisation size – permanent employees in the UK (%)

	2012	2011
Fewer than 10	5	5
10–49	8	12
50–249	31	33
250–999	25	25
1,000–4,999	18	12
More than 5,000	12	13

Base: 518 (2012); 610 (2011)

Table A3: Main region covered by the reply

	%
East Anglia	4
East Midlands	3
West Midlands	4
North-east of England	3
North-west of England	5
South-west of England	8
Yorkshire and Humberside	2
South-east of England (excluding London)	14
London	13
Scotland	5
Wales	3
Northern Ireland	1
Ireland	0
Whole of UK	36

Base: 516

Labour turnover

A total of 143 survey respondents were able to supply all the information necessary to calculate labour turnover on a whole-organisation basis.

This report uses the standard ‘crude wastage’ method to calculate the rate of turnover. This method is calculated as follows:

Labour turnover =

$$\frac{\text{Number of leavers in a set period}}{\text{Average number employed in the same period}} \times 100$$

(‘Leavers’ include those leaving the organisation on a permanent basis by way of voluntary or involuntary severance, redundancies or retirements, but does not include internal transfers.)

Readers should be aware that this method has some shortcomings. For example, it takes no account of the characteristics of the workforce or the length of service of the leaver.

Note on abbreviations, statistics and figures used

Voluntary, community and not-for-profit organisations are referred to throughout the report as ‘not-for-profits’.

‘The private sector’ is used to describe organisations from manufacturing and production and private sector services. These two groups are combined where there are no significant differences between them.

Some respondents did not answer all questions, so where percentages are reported in tables or figures, the respondent ‘base’ for that question is given.

'Average' in the report is used to refer to the statistical mean where the data is normally distributed. However, the median is used in cases where the distribution is significantly skewed. When the median is used it is noted.

With the exception of labour turnover rates, all figures in tables have been rounded to the nearest percentage point. Due to rounding, percentages may not always total 100.

Chi-Square (χ^2) tests are used to examine whether differences between groups such as industrial sectors are significant or likely to be due to chance. Spearman's Rho correlation (Rho) is used to examine relationships between variables. We report on statistics at the generally accepted level of significance, $p < 0.05$.

¹ Rho = 0.73, $p < 0.001$, $n = 577$

² Chi Square = 44.6, $df = 8$, $p < 0.001$, $n = 518$

³ Chi Square = 37.3, $df = 4$, $p < 0.001$, $n = 518$

⁴ Chi Square = 11.6, $df = 3$, $p < 0.01$, $n = 511$

⁵ Chi Square = 13.5, $df = 6$, $p < 0.05$, $n = 512$

⁶ Size: Rho = 0.40, $p < 0.001$, $n = 518$; Sector: Chi Square = 26.1, $df = 3$, $p < 0.001$, $n = 521$

⁷ Chi Square = 10.4, $df = 4$, $p < 0.05$, $n = 159$ (not-for-profit sector excluded due to inadequate sample size)

⁸ Chi Square = 7.6, $df = 2$, $p < 0.05$, $n = 507$

⁹ Chi Square = 37.5, $df = 6$, $p < 0.001$, $n = 508$

¹⁰ Chi Square = 21.6, $df = 4$, $p < 0.001$, $n = 482$

¹¹ Chi Square = 12.7, $df = 6$, $p < 0.05$, $n = 508$

¹² Chi Square = 37.8, $df = 6$, $p < 0.001$, $n = 517$

¹³ Chi Square = 21.0, $df = 6$, $p < 0.01$, $n = 521$

¹⁴ Chi Square = 12.1, $df = 4$, $p < 0.05$, $n = 521$ (2 cells have expected count less than 5. The minimum expected count is 2.74. This reduces robustness of chi square test.)

¹⁵ Chi Square = 22.1, $df = 6$, $p < 0.01$, $n = 507$

¹⁶ Chi Square = 23.1, $df = 6$, $p < 0.001$, $n = 513$

¹⁷ Monitoring recruitment and/or staffing information: Chi Square = 16.6, $df = 2$, $p < 0.001$, $n = 281$; training interviewers to understand diversity: 18 Chi Square = 14.7, $df = 2$, $p < 0.01$, $n = 281$; providing recruitment documents in other formats: Chi Square = 41.8, $df = 2$, $p < 0.001$, $n = 281$; advertising vacancies in different sources to attract under-represented groups: Chi Square = 15.2 $df = 2$, $p < 0.01$, $n = 281$; making attempts to employ the long-term unemployed: Chi Square = 10.7, $df = 2$, $p < 0.01$, $n = 281$

²⁰ Chi Square = 17.6, $df = 6$, $p < 0.01$, $n = 164$

²¹ Chi Square = 44.7, $df = 4$, $p < 0.001$, $n = 408$

²² Chi Square = 20.8, $df = 2$, $p < 0.001$, $n = 459$



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- All those who completed the questionnaire and shared their experiences of resourcing and talent planning.

We hope that you find the research useful when considering your own recruitment and retention practices. Please contact us if you have any questions or ideas based on our findings (research@cipd.co.uk).



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ABSENCE MANAGEMENT

The annual *Absence Management* survey provides useful benchmarking data on absence levels, the cost and causes of absence, and how organisations are managing absence. The latest report is brought to you in partnership with Simplyhealth.



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