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The major environmental factors affecting Coleg Sir Gar and Coleg Ceredigion

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Glossary of Terms

- ATS – Application Tracking System
- CSG&CC – Coleg Sir Gar & Coleg Ceredigion
- GDP – Gross Domestic Product
- NI – National Insurance
- PESTLE – Political, Economic, Social, Technology, Legal, Environmental
- STEEPLE – Social, Technology, Economic, Political, Legal, Ethics,
Environmental

Executive Summary

This report begins with an introduction to Coleg Sir Gar and Coleg Ceredigion (CSG&CC), which is the organisation that will be focused on for this report. A critical examination of the PESTLE tool as a way of analysing the business environment for strategic planning has been explored which details the advantages and disadvantages of its usage. The two factors of the PESTLE tool that has been explored for this report are Economic and Social. From analysing the economic environment, it has been identified that GDP, the increase in NI, tax and energy bills, and employment rates all impact the HR strategy. Social factors such as increased desire in hybrid working, increase in generation Z in the workplace and the increase in mental health also impacts the HR strategy.

It is important to continuously scan the environment to identify any risks to the HR and organisation's strategy and to strategically plan and put mechanisms in place to deal with any changes. From undertaking an external analysis, recommendations that have been highlighted in response to the changes in the environment are the need for employee surveys, a hybrid working policy, and an increased focus in learning and development. This will ensure that employees will remain happy, motivated, engaged, and productive, and remain competitive and to avoid employees from leaving to go to other organisations that are offering hybrid working.

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1.0 Introduction

This report will focus on the major environmental factors affecting Coleg Sir Gar and Coleg Ceredigion (CSG&CC). CSG&CC is a Further and Higher Education college. The college is made up of seven campuses including five in Carmarthenshire and two in Ceredigion. There are approximately 850 employees within the college (Coleg Sir Gar, 2022).

Organisations must analyse the external environment to understand the organisation's environmental influences. Organisations need to use this information to guide strategic decision-making (CIPD,2021a).

This report will focus on critically examining the PESTLE (political, economic, social, technological, legal, and environmental) tool as a way of analysing the environment for strategic planning. An analysis of the current environment and how it is impacting CSG&CC will also be explored. A conclusion and set of recommendations relating to the future corporate and HR strategy will also be provided.

2.0 Literature Review

According to CIPD (2021a) a PESTLE analysis is a useful tool for understanding the bigger picture of the environment in which organisations operate.

A PESTLE analysis is a part of the core knowledge on enabling change and the core behaviour commercial drive in the CIPD professional map (CIPD, 2022).

Figure 1 outlines the advantages and disadvantages according to CIPD (2021a) to using PESTLE to scan the environment. To be effective the process needs to be repeated regularly (Farnham, 2015).

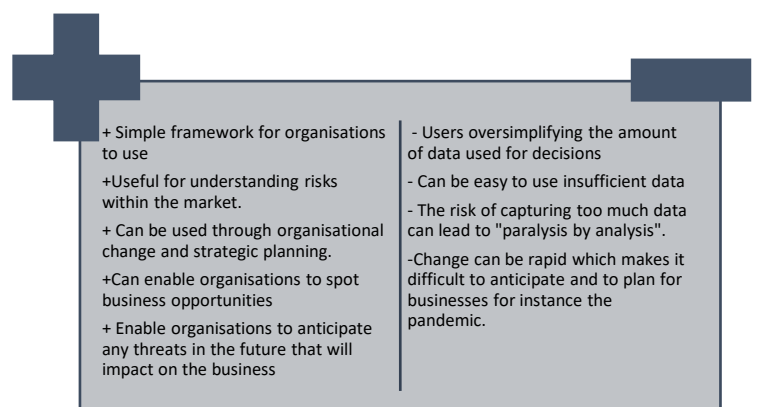


Figure 1 - Advantages and Disadvantages to the PESTLE framework (CIPD, 2021a)

In 2000, this tool was later developed into STEEPLE with the addition of ethics (Marchington, 2016). The network analysis is also an alternative tool that can be used for environmental analysis which looks at competitors, customers, regulatory bodies, suppliers, trade unions, and partner organisations. It is represented by a diagram, each linked by lines that shows their shared relationship. The bigger the circle the bigger the importance (Taylor and Perkins, 2021).

Regardless of the disadvantages of PESTLE, it is still heavily used in organisations because of its simplicity and will be used for this report.

The two factors of the PESTLE tool that will be explored to determine the impact on CSG&CC is Economic and Social.

2.1 Economic

- GDP growth

In December 2020, there was a downturn in the economy where GDP (gross domestic product) dropped to 94.4 in comparison to 101.5 in December 2019 due to the pandemic (ONS, 2022). The decrease in GDP, resulted in the UK entering the worst recession recorded. This resulted in organisations cutting back on HR budgets such as learning and development (L&D) and recruitment to survive (Stewart and Cureton, 2014). This impacts on motivation and productivity as employees are not being developed (Truitt, 2011). Since January 2021, GDP has increased to 99.9 in December 2021 (ONS, 2022). Economic growth has impacted on CSG&CC HR strategy as it has meant that the college can invest heavily again into systems, training, and development. Recently, CSG&CC have invested in the recruitment process where a new application tracking system (ATS) is being implemented to improve the recruitment process and candidate experience. Further investment in management training should also be made a priority to increase motivation, engagement and,

productivity after the impact caused by the pandemic such as the increase in mental health and loss of jobs (Nevis, 2020).

- Increase in NI, Tax, and energy bills

According to Gov.UK (2022), National Insurance (NI) contributions and tax will increase by 1.25% in April 2022. Energy prices are also expected to increase with a typical energy bill rising by approximately £700 a year (Peachey, 2022). As CSG&CC is a public sector organisation, the salary tends to be lower compared to private sector organisations (Reuben, 2021). With NI contributions, tax and, energy bills increasing, this will have an impact on the organisation as CSG&CC need to think of strategies to attract candidates to work at the college. Ways of implementing this is through advertising the benefits of working at a public organisation over a private organisation. CSG&CC have implemented this into their HR strategy, where adverts are now highlighting the benefits of working for the college, for instance, highlighting the great pension scheme, discount schemes, cycle to work scheme, and free gym facilities. Although public organisations tend to offer lower salaries, the pension scheme is a major attraction to candidates (Reuben, 2021). Private sector organisations are unable to compete with the pension scheme leaving this as a competitive advantage. The pandemic has also highlighted that there is greater job security in a public sector organisation compared to private as those in public are more likely to be classified as key workers (Reuben, 2021). Nevertheless, the future of work is becoming more

hybrid, and private organisations are offering more hybrid working in comparison to public (McKinsey, 2021). Employees may choose to work for a private organisation and sacrifice the pension contributions in a public sector organisation to save on travelling costs and to have a better work-life balance with a private organisation. It is important that CSG&CC issue surveys to find out what employees want from the organisation to attract the right candidates and keep current employees happy and motivated and to remain competitive.

- Employment Rates

Currently, CSG&CC is operating in a tight labour market where there are high employment rates (Reid, 2022). Employment rates are currently at 75.5% which is 1.1% lower than before the pandemic (ONS, 2021a). Employees currently have increased bargaining power where there is a small proportion of people with the specific skills and the demand for people outstrips supply (CIPD, 2021c). This has impacted directly on the HR strategy as recruiting for specialist roles such as Lecturer in Engineering has been difficult as candidates have more bargaining power where they are demanding more in terms of flexibility and pay. This corresponds with data produced by CIPD (2021d) where recruitment difficulties have increased from 39% to 47% in 2021. One example of how CSG&CC has learnt from past recruitment difficulties and to strategically plan for the future is by holding a recruitment evening to

attract people for specific roles which the college can keep as a talent pool in line with GDPR.

2.2 Social

- Increased desire for hybrid working

According to ONS (2021b), COVID-19 has brought about a new future of working in terms of flexible working. Before the pandemic in 2019, only 29% of people worked from home in comparison to 37% in 2020. The main advantage of home working is that it has allowed employees to have a better work-life balance. According to McKinsey (2021), the future of work will be more hybrid which is a combination of home working and on-site. This will satisfy those employees that have enjoyed working from home and those that prefer to be on-site. This increases productivity, engagement, and motivation by employees. ONS (2021b) outlines that 85% of people want to use a hybrid approach to working in the future. Online job adverts including hybrid and homeworking are set to increase to be more attractive to candidates. This has a direct impact on CSG&CC as this has not currently been implemented into the HR strategy. Employees have been required to return to on-site working permanently not considering the megatrends of the future of work and the benefits that hybrid working brings. This has resulted in an increase in turnover and sickness in the organisation. With other organisations offering home working, CSG&CC will not be

able to compete and attract the right candidates. According to Brown (2021) organisations will find it difficult to fulfil roles when flexible working is not offered.

An example of an organisation that provides hybrid working is Microsoft where employees are half-time remote. Sickness and turnover rates at the company have been reduced (DelBene, 2021).

- Generation Z – the future of work

According to Deloitte (2022), the future of work will be generation Z as more people of this generation are now entering the workforce. This generation values salary less than every other generation. They are mostly concerned with companies that have a positive impact on sustainability and climate change. They are also concerned with organisations that are making use of technology. Organisations that are sustainable and are therefore creating a positive brand is Tesla which has electric cars to help with the planet's transition to sustainable energy (Tesla, 2022). This has been implemented into CSG&CC HR strategy where employees are making more use of Google Meet instead of travelling to all seven campuses. For employees who need to travel to other campuses, electric college cars are available. CSG&CC is a google college, and all employees are trained using this technology. To appeal to future generations, a hybrid working policy should be considered as they are more attracted to companies that offer home working which saves on travelling.

- Increase in mental health

According to The Health Foundation (2020) mental health has increased over the last two years because of factors such as, isolation, working from home, job losses, and reduced income caused by the pandemic. Depression and anxiety are the most common causes of long-term sickness in 2020 accounting for 50% in organisations (ONS, 2021c), (Statista, 2021). According to the British Safety Council (2018), health and wellbeing need to be a central part of the organisation's strategy and should be made a priority and invested in. The increase in mental health has resulted in an increase in sickness and turnover at CSG&CC. One way that CSG&CC has responded to the increase in mental health amongst employees is by investing in mental health awareness training for line managers to support employees effectively. According to Mind, (2013) organisations should ask employees what changes they would like the organisation to implement to decrease mental health.

3.0 Conclusion

To conclude, the PESTLE framework is an effective way to understand the external environment and how it influences the HR and corporate strategy. As identified by CIPD (2021a), the framework is simple to use and it is heavily used within organisations. From undertaking a PESTLE analysis, economic factors such as GDP, the increase in NI, tax and energy bills, and employment rates impact the HR and corporate strategy. Social factors such as the increased desire for hybrid working,

increase in generation Z in the workplace and the increase in mental health also impacts strategy. It is important to continuously scan the environment to identify any risks to the HR and organisation's strategy and to strategically plan and put mechanisms in place to deal with any changes. Recommendations that have been highlighted in response to the changes in the environment are the need for employee surveys, hybrid working policy, and an increased focus on learning and development.

4.0 Recommendations

Appendix 1 outlines an action plan of recommendations that should be implemented by CSG&CC. These are listed in order of importance. The top two recommendations are mentioned more in-depth below.

4.1 Employee Surveys

Employee surveys are important to gain an understanding of what employees want from the organisation (Mind, 2013). A survey should be distributed to gain insight into whether employees prefer to be on-site or if they would welcome a hybrid approach to working as research has suggested. Surveys will also indicate what other benefits employees would like the organisation to offer, for instance, dental care to compete against private organisations (CIPD, 2021b). Surveys are more than likely to indicate that employees would like a hybrid approach to working as sickness and turnover rates have increased and exit interviews have highlighted that employees are leaving to go

to competitors that offer home working and a better work-life balance. Issuing surveys is a cheap and effective way to gain valuable data with the only cost involved being the time to create the survey and analyse the data (CIPD, 2021b). Surveys should be issued first to confirm that secondary research is correct and employees want a hybrid way of working. Surveys will be created over google forms in Easter 2022. The HR team will create this and distribute it to employees when they return after Easter 2022 with a two-week completion period. Google forms will gather the data and produce graphs to analyse.

4.2 Hybrid working policy

As previously mentioned, employees will likely welcome hybrid working (Mind, 2013). Hybrid working will be attractive to new employees as currently, CSG&CC are losing candidates to competitors who offer this new way of working (Brown, 2021). A hybrid working policy should be implemented in line with ACAS (2022). To implement the policy, I will get input from my HR colleagues and Union members. There are minimal costs involved in creating the policy with the only costs being the time invested in writing the policy with input from all parties involved. These costs are minimal in comparison to the cost of not implementing, for instance, high sickness costs. There are long-term benefits to implementing the policy, for instance, a better work-life balance, employees will be motivated, engaged and, productive (McKinsey, 2021). It is also be more attractive to future generations that are entering the workforce

(Deloitte, 2022). This will be implemented in September 2022 giving enough time to write a policy and for the Unions to agree. To determine if this policy is successful, sickness and turnover rates are expected to decrease and roles should be easier to fill. This will be evaluated in January 2023.

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6.0 Appendix

Appendix 1 – Action Plan

Priority	Recommendation	Training	Provider	Training Type and location	Person responsible to organise	Participants	Cost	Completed by	Strategic Impact
1	Employee surveys to measure if employees welcome a hybrid approach to working. Surveys will also indicate what other benefits employees want from the organisation.	NA	NA	NA	NW	NW to work alongside HR colleagues	Time taken to design google form and analyse the data.	31 May 2022	Issuing employee surveys will result in employees feeling included in any future changes resulting in them being happy and motivated. Implementing the changes suggested by employees will allow for the organisation to remain competitive

									and reduce turnover and sickness rates.
2	Hybrid Working policy	Advice from ACAS on how to create an effective hybrid working policy.	Acas (2022)	NA	I will work alongside my HR colleagues, Executive Team and Unions to create hybrid working policy.	NA	Costs of creating policy by those involved. These costs are minimal. Return on investment will be greater as sickness and turnover rates are expected to decrease.	September 2022	The purpose of the policy is to be more attractive to employees and new candidates and to compete against competitors. Currently the college is missing out on key employees because they are applying to organisations that offer this new way of working. Implementing this policy will mean that turnover and sickness

									rates will decrease as employees will be happy and have a better work-life balance. This new way of working is also attractive to future generations. This will be evaluated in January 2023.
3	Increase focus in learning and development such as ILM.	RW Learning	RW learning (RW Learning, 2022).	Face to face in the lecturer theatre. Allows for role play with other members of staff.	NW to work along side staff development officer to get this approved by Executive Team.	20 Managers in the organisation that would like to put themselves forward. This will be on a first come first serve basis on a yearly occurrence.	£3,000 for 20 managers for 1 session every week for 5 weeks.	Completed by August 2022.	Training on leadership will allow for managers to have better people skills to deal with employees. Investing in this will result in a better workplace culture. Employees

									will be motivated and happy that they are being invested in and that their managers are having training on how to be an effective leader.
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