

Counting the Cost:

How Businesses Risk a Post Pandemic Talent Drain

Research by Personio and Opinium



Executive Summary

Over the past year, many businesses have been in crisis mode. And, for some, the focus on firefighting has caused other areas, such as their people strategy, to fall to the wayside. But negligence comes at a cost.

Businesses that haven't prioritised their people during the pandemic could be sleepwalking towards a talent exodus, damaged employer brand and a productivity drought. And the detrimental impact this will inevitably have on business performance won't become apparent until it's too late.

To explore the cost of poor people strategy during the pandemic, we surveyed 500 HR decision makers and 2,000 employees in the UK and Ireland and conducted economic analysis based on our findings and other publicly available information. We considered productivity losses, staff attrition and the impact of these on business performance – demonstrating the value of a strategic HR function in boosting a business's bottom line – and, in turn, the economy.



**£16.958
billion**

Overall potential cost of a potential talent exodus in the next 12 months



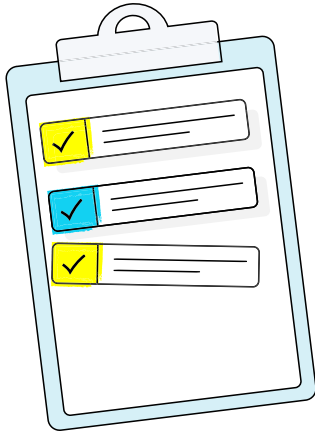
**£8.176
billion**

Total cost of the pandemic productivity drought in UK and Ireland

39%

of HR decision makers don't cite people strategy as a top priority at their business

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Talent exodus on the horizon

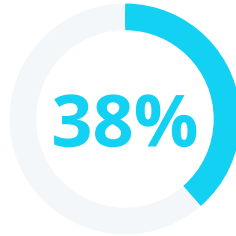


01 Talent exodus on the horizon

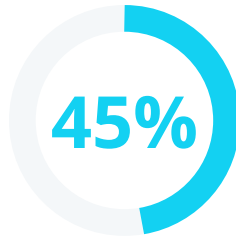
As businesses in the UK and Ireland set their sights on recovery and a return to business-as-usual, a talent exodus is on the horizon.

Over a third of employees (38%) are looking to change roles in the next 6 or 12 months (both 12%) or once the economy has strengthened (14%).

Employers are well aware this is on the way, with nearly half (45%) of HR decision makers saying they are worried that staff will leave once the job market improves. Yet, despite this, only a quarter (26%) of HR decision makers say that talent retention is a priority for their organisation over the next 12 months.



*of **employees** are looking to change roles in the next 6 or 12 months or once the economy has strengthened*



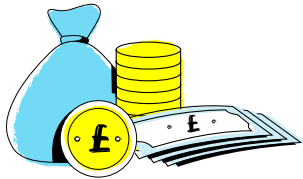
*of **HR decision makers** are worried that employees will leave once the job market improves*



*of **HR decision makers** say that talent retention is an organisational priority*



01 Talent exodus on the horizon

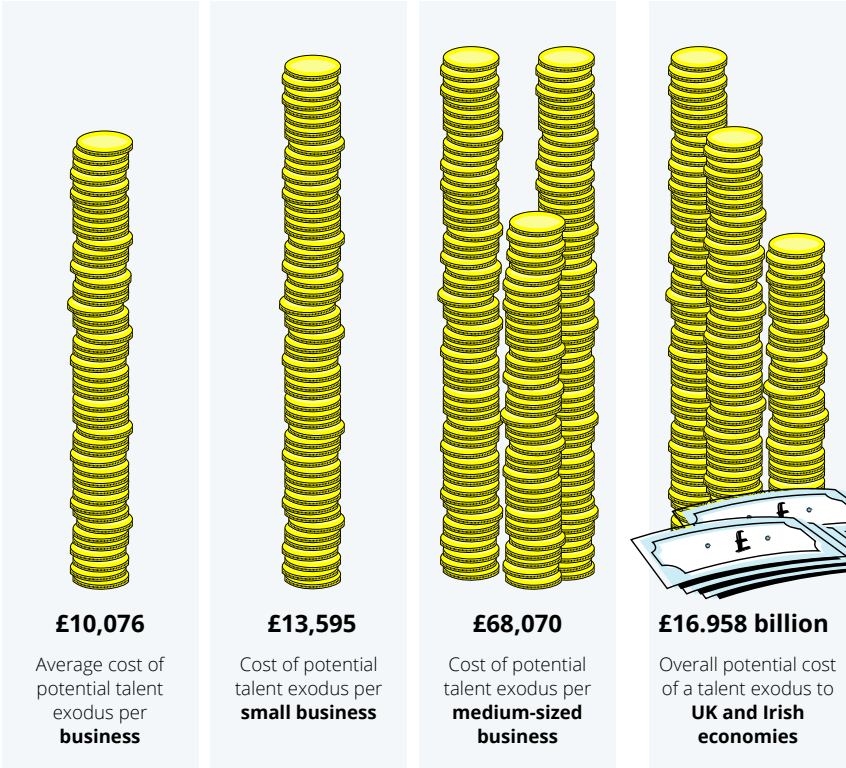


Economic analysis

The pandemic has already taken a toll on staff retention and businesses' finances. Almost half (43%) of HR decision makers said that the pandemic prompted an increase in staff turnover.

But, with yet more people set to leave businesses of their own volition over the next 12 months, a potential talent exodus could have an even bigger impact on businesses' finances – and the economy.

Overall, the cost of additional staff turnover in the UK and Ireland over the next 12 months could cost the economy an estimated £16.958 billion – equating to £10,076 per business – and cost up to £5.8 billion for SMEs alone.



02

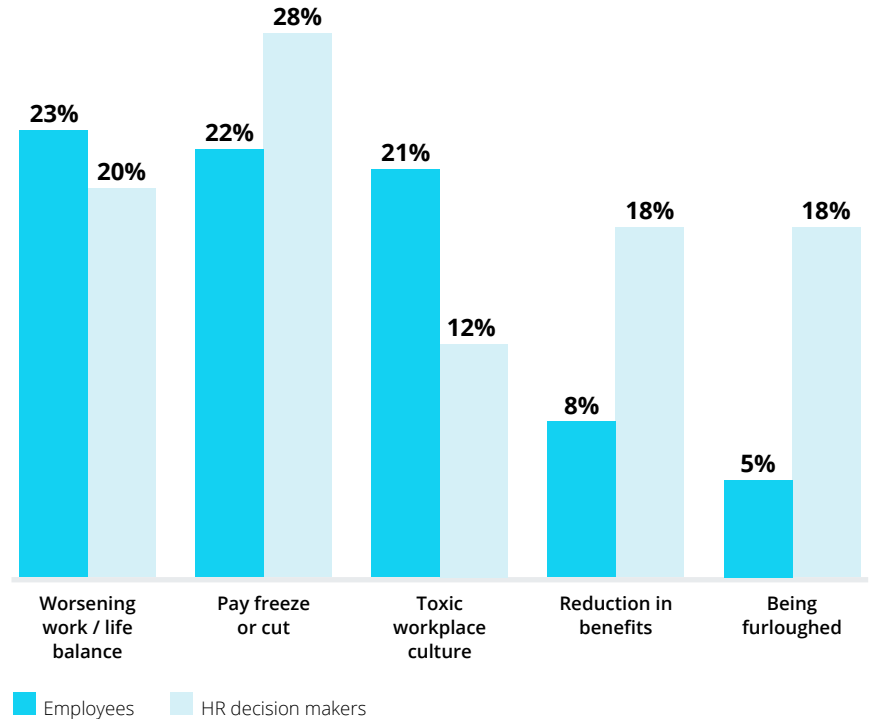
Resignation Reasons



02 Resignation Reasons

What's triggering this exodus? There's a worrying disconnect between employers' perception of what will encourage their staff to leave and employees' reality. This suggests a lack of understanding around staff's problems and priorities today.

Crucially, whilst HR decision makers are right to speculate that a pay freeze or cut and a worsening work / life balance could cause workers to look elsewhere, they underestimate the pushing power of a toxic workplace culture. Instead, HR decision makers believe factors such as furlough, being asked to go back to the office full-time or a reduction in benefits will have the biggest influence.



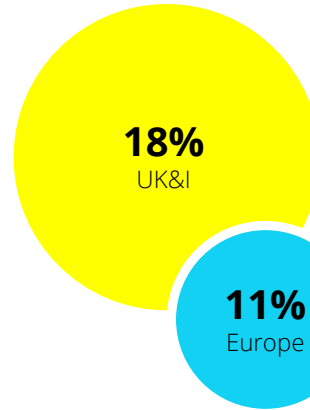
02 Resignation Reasons

Toxic workplace culture
is a major push factor

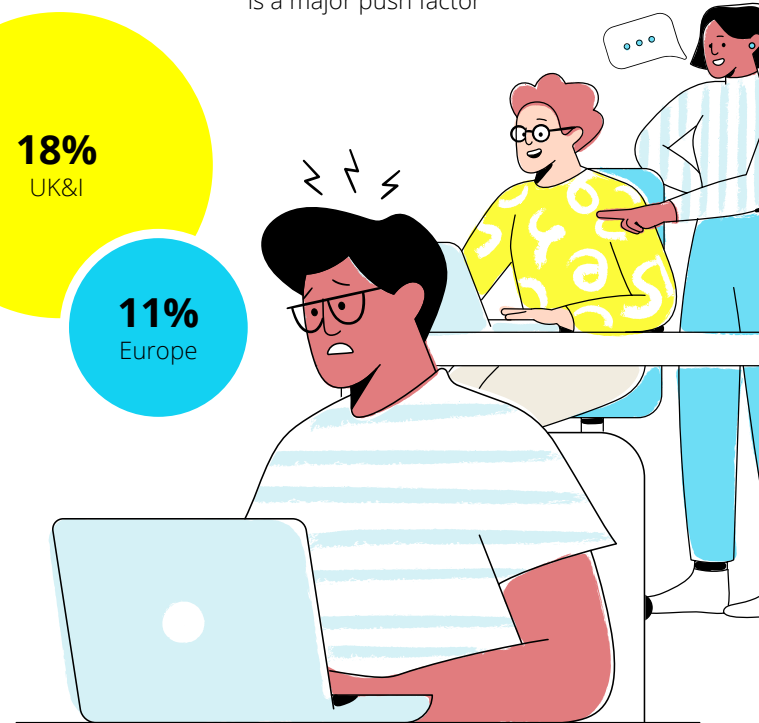
Nuances across Europe

In the UK and Ireland, especially, toxic workplace culture is a major push factor, with 18% of employees saying this is a reason why they are planning to look for a new job in the next 12 months – compared to just 11% of employees across Europe.*

Other factors that are encouraging more UK and Irish employees to leave their jobs include a lack of appreciation for the work they do (29% UK&I vs 23% Europe) and poor management (25% UK&I vs 18% Europe).



What does this mean? Employers may be out of touch with the reality of their company culture. And, unaware that employees feel burnt out or underappreciated, their employer brand is on the line.



*European figures refer to average results from survey fieldwork undertaken in Spain / Germany, Austria, Switzerland / Netherlands / UK and Ireland.

02 Resignation Reasons

A broader disconnect

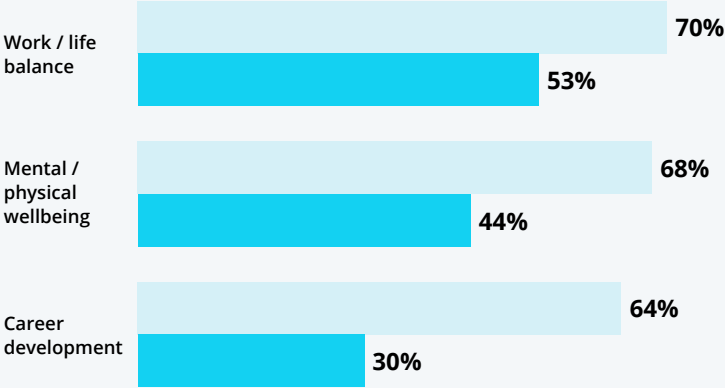
A lack of awareness amongst employers of how their company's handling of the pandemic has been perceived could be contributing to a lack of loyalty amongst employees.

HR professionals are over twice as likely as employees to rate their business's support for career development as 'good', and around

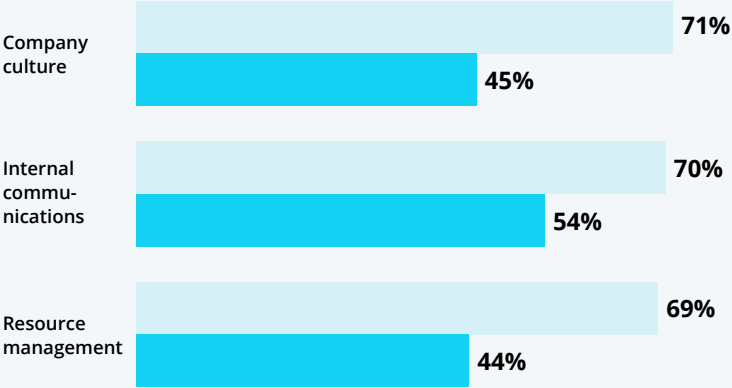
a quarter more likely to see its support for work / life balance and mental / physical wellbeing in a positive light.

They are also significantly more likely to overestimate how successfully their organisation has managed company culture, resourcing and internal communications.

Employer support rated 'good'



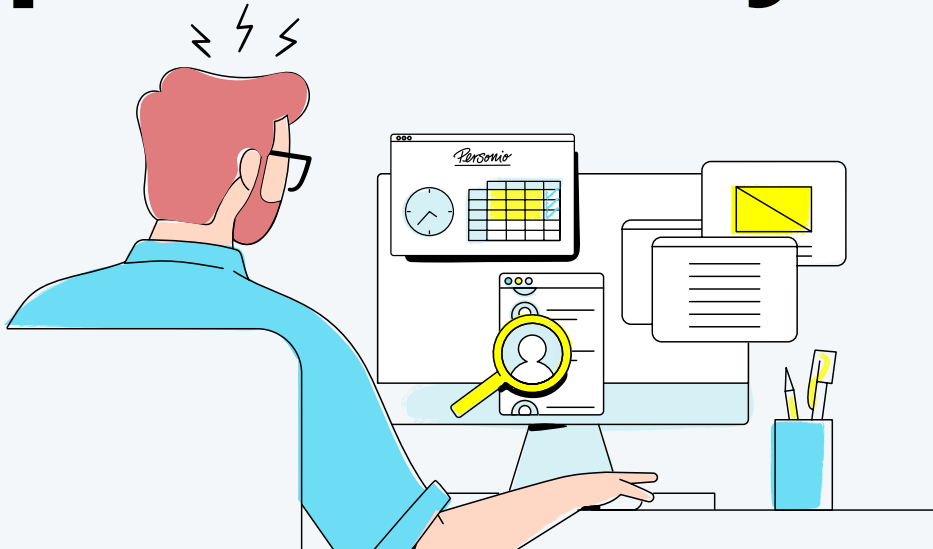
Has been well managed over the past 12 months



HR decision makers Employees

03

A looming productivity drought



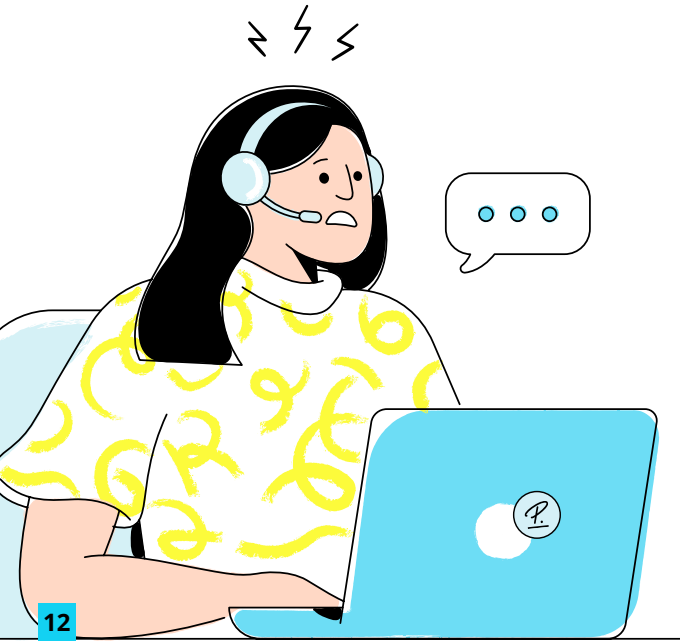
03 A looming productivity drought

Employers aren't just overestimating how well their organisation has handled the pandemic. They're overestimating their team's productivity too.

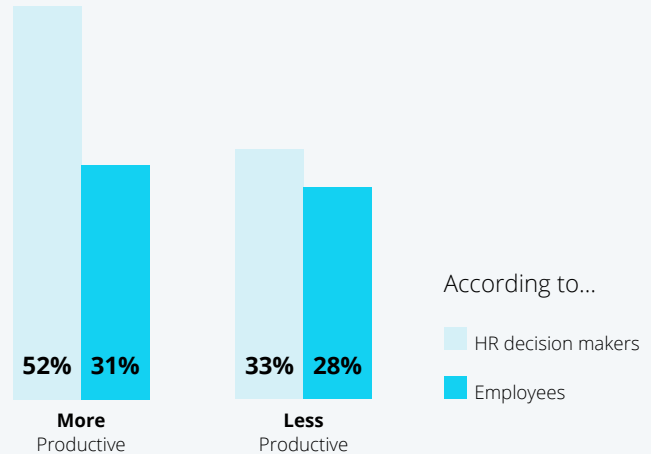
Three in ten employees (31%) state that the pandemic has made them more productive whilst at work, however, a similar proportion state their productivity has fallen (28%). This is notably different to

what HR professionals believe they have seen – over half (52%) say they have noticed an increase in employee productivity, compared to a third (33%) who have noticed a decrease due to the pandemic.

This optimism could pose a risk; if employers don't recognise that a productivity drought is occurring, they're less likely to take steps to address it – and this could cost them dearly.



The pandemic has made employees...



03 A looming productivity drought

Economic analysis

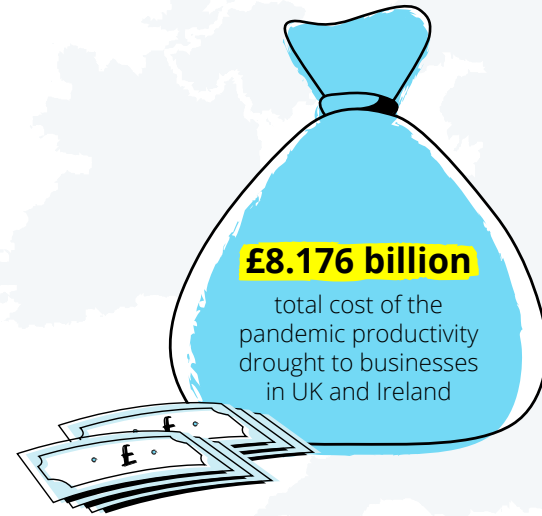
Looking at those businesses in the UK and Ireland that said they suffered productivity losses over the past 12 months, this is already estimated to have caused a significant drop in economic output of around £3,465 per employee, on average.* This goes up to £4,016 per employee for medium-size businesses, which have been affected the most.

On a national scale, the challenge is huge, with overall productivity losses estimated to have cost UK and Irish businesses £8.176 billion.

Loss of economic output per employee:

£4,016
per business
in the medium
size category

£3,008
per business
for those in the
small business
category



*weighted average

03 A looming productivity drought

Productivity puzzles

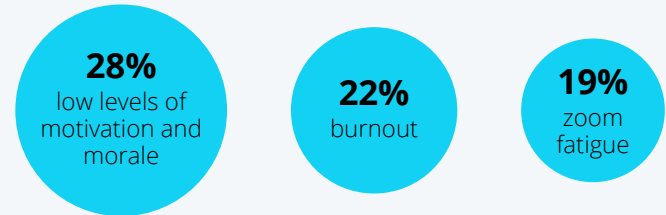
Not only is there a mismatch in how employers and employees rate productivity, they are also at odds over the reasons behind productivity losses.

HR decision makers are more likely to believe that external factors are driving poor productivity or performance, such as distractions or managing childcare. Employees, on the other hand, are most likely to attribute productivity loss to factors related to their work, such as low motivation and morale, or burnout.

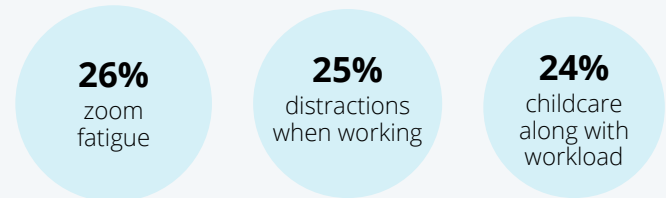
Employers should address these issues sooner rather than later, if they're to prevent a looming productivity drought. And with 83% of employees saying a good workplace culture helps people be more productive, it's clear that getting people strategy right is key to solving the productivity puzzle.

What has had the biggest negative impact on productivity during the last 12 months?

Employees



HR decision makers



03 A looming productivity drought

Fragmentation Frustration

Meanwhile, with remote working leading businesses to use more digital tools, another growing risk factor for businesses is 'fragmentation frustration'. Caused by digital tool overload, this has the potential to negatively impact productivity and performance.

Over a third of employees (37%) report that there are too many different digital tools to use at work, with a similar portion (36%)

saying working across different tools disrupts their productive flow.

Amongst HR decision makers using multiple tools for people-related tasks and insights, a quarter (25%) recognise that this causes frustration amongst employees, 24% state that this slows down processes and causes unnecessary delays and 23% observe that this disrupts employees, interrupting their flow.



37%

"there are too many different digital tools to use at work"

36%

"working across multiple different tools disrupts my productive flow"

03 A looming productivity drought

Fragmentation Frustration

With fragmentation frustration putting pressure on productivity, it's worrying that the risk of digital tool overload is only increasing.

Indeed, during the pandemic 44% of HR decision makers have seen an increase in the number of digital tools they use. Today, organisations use on average 6 different tools just for people-related tasks and insights – rising to 8 different tools in large businesses.

Looking forward, businesses don't just need to prioritise people strategy to unlock productivity. As many companies embrace a remote or hybrid way of working, preventing digital fragmentation frustration should also be a key consideration.

44%
have seen an
increase in the
number of digital
tools they use



Organisations use 6
different tools for people
related tasks and insights

04

The changing role of HR



04 The changing role of HR

Behind every great business is a great team. And a great team requires a brilliant HR function. The backbone of any business, HR supports and nurtures employees, empowering them to thrive – which is why an effective people strategy is so important.

But, shockingly, 39% of HR decision makers don't cite people strategy as a top priority at their business.

This number should be 0% – especially when good people strategy goes hand in hand with productivity. Of those HR decision makers that reported an increase in productivity during the pandemic, 67% said that people strategy is a priority at their business, compared to 7% of those that said it was not a priority.

39%

of HR decision makers don't cite people strategy as a top priority at their business

Among employers that reported an uplift in productivity:

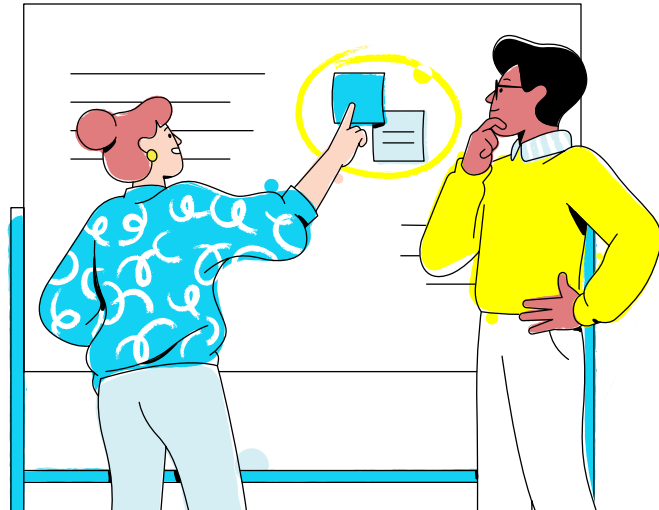
7%

say that it's not a priority



67%

say people strategy is a priority



04 The changing role of HR

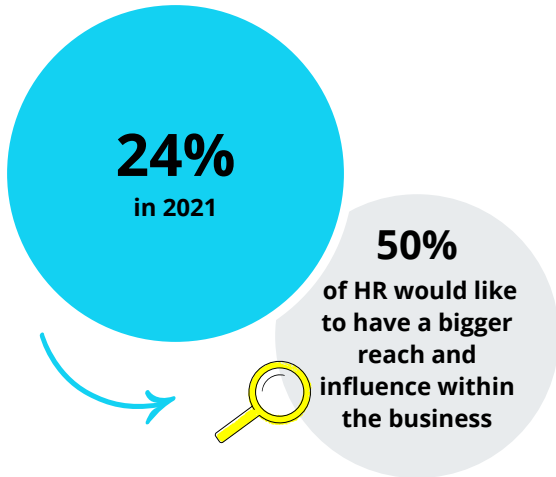
People strategy is integral to productivity and performance, driving business success and, in turn, the economy. And this necessitates that HR becomes more strategic still – a movement that is already on its way.

Looking at the function of HR in their business over the past 12 months, 24% of HR decision makers state there has been a greater

shift towards it becoming a more strategic and advisory level partner to the business.

Yet the HR function doesn't yet have all the influence it needs. Half of HR decision makers (50%) still wish that HR had a bigger reach and influence within the business.

HR has become more of a strategic and advisory level partner to the business



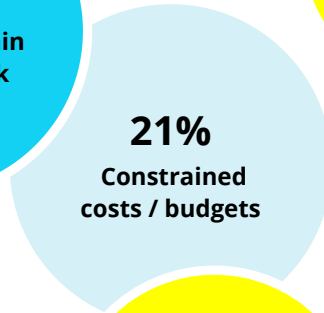
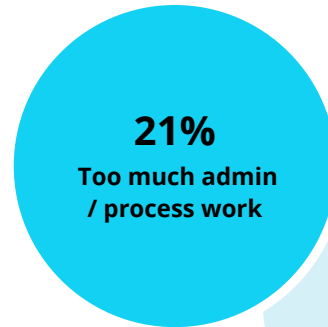
04 The changing role of HR

Barriers to effective people strategies

Despite having the very best intentions, the HR function still has some barriers to overcome in order to bring people strategy to its rightful place at the top of the agenda and help businesses to reach their productive potential.

HR decision makers state that too much admin, and budget constraints are the biggest factors holding back the HR function from operating as effectively as possible.

With productivity and people strategy intrinsically linked, it's also worrying that 46% of HR decision makers report the HR function lacks the data and insights it needs to support the business in the best way possible.

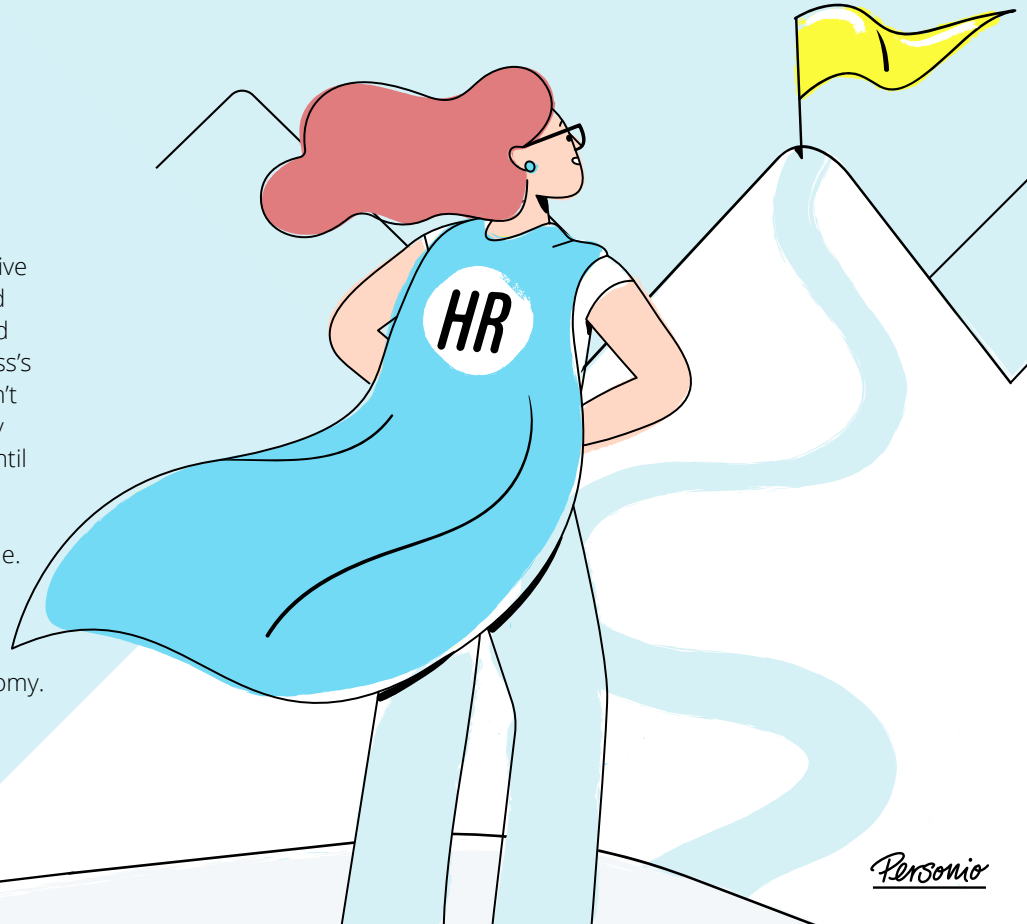


Conclusion

People are a business's greatest asset. So, when people strategy is not well planned or thought out this comes at a cost to the people and the business too.

With the potential to provoke a cascade of negative outcomes, such as poor staff retention, damaged employer brand, and poor productivity, this could ultimately cause a significant impact on a business's bottom line. And for those businesses that haven't prioritised their people during the pandemic, any detrimental impact may not become apparent until it's too late.

But, businesses still have a chance to turn the tide. By prioritising their people and taking a more strategic approach to people management, employers have the opportunity to drive their business performance as well as the wider economy.



Checklist for powering up your people strategy



1. Start With A Vision And Some Data

Even if you already have a 'vision' in mind, it's best to gather data that can help feed your plan – whether that's quantitative data on your workforce or qualitative data from the leadership team. This way, you can build it out in a distinct, actionable way.



2. Identify The Problems And Outcomes

A people strategy needs to be reflexive, which means that it needs to identify problems before they occur and handle them in a proactive fashion. This can be achieved by running some workshops to hypothesise some of the problems that need to be solved as a People Team, as well as decide on outcomes, work or activities and ways of measuring success.



3. Gather Feedback & Excitement

A people strategy needs to be informed by people so feedback is essential, and it's just as essential that this comes from a diverse range of people in various roles and disciplines. This will ensure your strategy makes sense and can inspire those within the organisation – as well as help to develop buy-in.



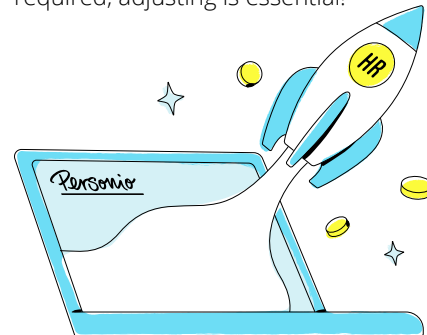
4. Visualise & Communicate

It's helpful to set about creating something visual that can be used to communicate plans with your wider organisation. An engaging presentation can help educate the wider business about how work is thought about and allocated.



5. Track & Adjust

A people strategy is not a static, 'set-it-and-forget-it' plan. It is something that can change and should be tracked to ensure it is working. It is important to proactively check in with the overarching strategy to ensure it's working and that it doesn't require changes. Then, if changes are required, adjusting is essential!



Methodology

Survey fieldwork was undertaken on behalf of Personio by Opinium, with fieldwork conducted between 12th and 22nd March 2021. The survey sample was 500 HR decision makers and 2,002 workers in the UK and Republic of Ireland, across a range of industries and organisation types and sizes.

The report also includes figures from survey fieldwork undertaken in Europe amongst comparable samples in Spain, DACH (Germany, Austria and Switzerland), and the Netherlands.

Economic analysis was conducted by Development Economics on behalf of Personio.



Personio gives you more time for what matters: **PEOPLE AND STRATEGY**





For press inquiries:

Kathrin Kirchler
press@personio.com
+49 (0) 159 0616 8883
www.personio.com/press

For customer enquiries and product demos:

hello@personio.com
+44 (0) 20 8138 9602
www.personio.com

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