

# BULLETIN

## Investors in People in Shropshire

### The research

The study aimed to ascertain the attitudes and perceptions of local businesses towards Investors in People (IiP); to provide an assessment of the value of IiP for local businesses; and to assess the local awareness and knowledge of IiP or other workforce development initiatives including the use of various media channels by local businesses to assist Shropshire LSC's marketing strategy. These objectives were addressed through a survey of 500 organisations in Shropshire and a re-analysis of national data.

### IiP background

Investors in People was designed to improve the competitiveness of companies in the UK. The success of the initiative ultimately depends on it being able to demonstrate that it has a positive impact on organisational behaviour and performance. Now a mature package, its future take-up will depend on robust evidence being available which proves that investment in achieving the IiP standard has a positive return. Since those organisations that believe in IiP are likely already to have accreditation, those employers left to be accredited are likely to be more sceptical of what IiP potentially holds in store for them.

### IiP take-up in England, West Midlands and Shropshire

Analysis of national data derived from the Employer Skill Survey 2001 suggests that the take-up of IiP varied little between England and the West Midlands with about nine per cent of workplaces being IiP accredited in 2001 compared with six per cent in Shropshire. ESS2001 suggests that IiP accredited companies were disproportionately located in

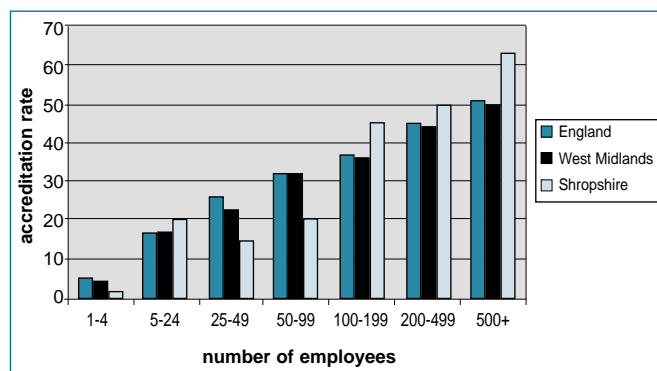


Figure 1 shows that IiP is taken up more by larger organisations and is less successful at penetrating small or even medium sized workplaces

either the public sector, larger workplaces (see Figure 1), and foreign owned companies.

### Awareness of IiP in Shropshire

In general, there was a moderately high level of awareness of the IiP initiative amongst businesses in Shropshire.

Around two thirds – 65 per cent – reported they had heard of IiP. The proportion that were aware of IiP was highest in medium and large employers with about 88 per cent of those employing 50 or more employees saying they had heard of IiP. Awareness was least amongst small employers. Employers in the public sector or voluntary sectors were more likely to be aware of IiP than were private sector employers.

Size and sector were related, with many public sector establishments being large. Sector and activity were also related and it was not surprising, therefore, to note that 81 per cent of employers in public administration, government, health and education were aware of IiP whilst only 50 per cent of employers in wholesale and retail activities were

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aware of IiP. The corresponding rates of awareness were 75 per cent in other services, 73 per cent in manufacturing, 68 per cent in finance and business services and 63 per cent in transport and communication.

Levels of awareness of IiP amongst employers in North Shropshire (63 per cent), Oswestry (66 per cent), Shrewsbury and Atcham (65 per cent) and the Wrekin (65 per cent) were little different to the average for Shropshire as a whole. The proportion of employers who were aware of IiP was, however, somewhat above average in Bridgnorth (71 per cent) and below average in South Shropshire (56 per cent). These differences probably reflect differences in the size and sectoral composition of business in these areas.

### The extent of involvement with IiP in Shropshire

Overall, it was estimated that around 21 per cent of establishments in Shropshire were involved with IiP in some way, being either accredited, committed to becoming accredited or intending to seek accreditation in the future.

Despite the overall consistency of the findings, it should be noted that the Shropshire survey and ESS2001 differ in their estimates of the breakdown of employers according to whether they are accredited or committed to IiP.

The Shropshire survey estimated that around 15 per cent of employers were accredited and six per cent committed, whereas ESS2001 estimated that only six per cent were accredited and 10 per cent were committed. Two factors may explain the difference. First, some of the Shropshire employers that were committed to IiP in 2001 may have achieved accreditation by 2002 when the survey was carried out. Second, the difference may be due to sampling variation, as both the 2002 survey and ESS2001 were relatively small samples.

In 82 per cent of cases IiP accreditation applied to the whole company while in 15 per cent of cases IiP accreditation covered the whole of the establishment in Shropshire but not the whole company. Only a very small proportion, less than three per cent, of Shropshire establishments had some but not all departments IiP accredited. Where IiP covered less than the whole workforce, coverage was typically less than 50 per cent of the workforce. Again typically, coverage of IiP was greatest in the public sector and lowest in the private sector.

Establishments that had obtained IiP accreditation were more likely to be large. Around 41 per cent of establishments that employed 200 or more had at least some accredited departments or sections, while amongst establishments with a workforce of 10-49 employees the corresponding figure was 10 per cent.

Accreditation was most common where the establishment was located in the voluntary or public sector and least likely in private sector establishments. Associated with those differences, IiP accreditation was highest in public administration, health and education and transport and communications and significant in other private services. It was lowest in manufacturing, wholesale and retailing activities and finance and business services.

There were also differences in the accreditation rate between the constituent parts of Shropshire, perhaps reflecting the sectoral and size differences between areas. The accreditation rate was around the average in the Wrekin, North Shropshire and South Shropshire but was relatively high in Shrewsbury and Atcham and relatively low in Oswestry and Bridgnorth.

### IiP accredited organisations in Shropshire

The survey of employers in Shropshire found a fairly high level of awareness of IiP with 65 per cent of businesses reporting that they had heard of the initiative.

The survey found that around 21 per cent of employers were involved with the IiP initiative, a figure close to that derived from ESS2001. The survey indicated a rather higher level of accreditation than ESS2001. This might be because some employers who were committed to achieving IiP accreditation in 2001 had achieved this status by 2002. The survey confirmed earlier indications that IiP accredited employers tended to be those in larger establishments, often in the public and voluntary sectors.

IiP accreditation was relatively low in the private sector. However, in manufacturing and distribution not only was accreditation low but commitment to future IiP accreditation was also low. In financial and business services, the level of accreditation was low but accompanied with a high level of commitment to achieving IiP accreditation in the future.

Shropshire employers used a variety of methods of assessing workforce quality. Shortfalls in the competence of the workforce were greatest in respect of technicians, skilled trades, personal service workers and sales occupations. Many employers were sanguine regarding any shortfalls in the competence of their workforce, believing there to be no adverse consequences for their business.

The main reasons companies sought IiP status were to improve staff motivation, improve productivity and to use IiP status as a marketing tool. Small employers appeared more attracted by concerns over motivating staff and improving the quality of training, whereas large employers were more concerned about improving productivity and using IiP as a marketing tool.

Almost all employers, regardless of IiP status, provided some form of training to their workforce although IiP accredited employers were more likely to provide off-the-job training and training for young people than those not involved with IiP.

### Implementation of IiP

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Few accredited companies regarded the process of accreditation as overly bureaucratic, but many regarded the process as very time consuming. Almost all indicated they would seek accreditation again.

The most common organisational contact for employers seeking IiP status was Business Link and the Chamber of Commerce. Small employers were more likely to use the Chamber of Commerce while large employers were more likely to use the TEC/LSC. Private sector employers were more likely to use the Chamber of Commerce while those in the public sector tended to use Business Link. Unusually, many voluntary sector employers used their local authority in regard to IiP. Few accredited employers reported any difficulty in obtaining information about IiP accreditation.

The most commonly suggested improvement to the IiP process was to make it less time consuming. Few accredited employers mentioned cost as an adverse factor. The most common reasons cited by employers who were aware of IiP but were not involved in accreditation were a lack of time and commitment and the anticipated cost of the accreditation process.

### Impact of IiP on organisations in Shropshire

Whilst IiP was associated with measures to improve staff motivation and reduce absenteeism, its ability to reduce the potential for recruitment problems was less clear.

Private sector businesses with IiP accreditation tended to be operating in more competitive, dynamic product markets. There was little or no relationship between IiP accreditation and business/financial measures of performance such as turnover growth. These types of performance indicator were likely to be influenced by a number of factors internal and external to an organisation such that IiP was likely to play only a small role, if any, in improving these types of indicator. A large proportion of respondents said IiP had led to important improvements such as increases in productivity and profitability.

A simple analysis was used to compare accredited and non-accredited IiP workplaces, controlling for their size, to assess the impact of the standard on a range of business and HR measures. The key message was that IiP was more likely to have a positive and direct impact on HR activity, such as worker motivation, than on business measures such as sales growth. This needs to be qualified as accredited workplaces were more likely to be in competitive markets and were seeking ways to improve their product market standing. IiP will be of assistance in pushing through the types of change these organisations were trying to achieve but the benefits might not come to fruition for some time.

Whilst there are strong messages about the benefits to business of obtaining IiP accreditation, extending such coverage in Shropshire will increasingly mean that employers of a type that have not taken the standard on board either nationally or regionally will need to be persuaded.

In many cases these will be small, private sector workplaces. Realistic target setting in the first instance should, perhaps,

be to achieve the national level of IiP penetration by industry and size of workplace.

Bringing all the evidence together provides, at the very least, *prima facie* evidence that IiP was associated with improved organisational performance (*Figure 2 below*).

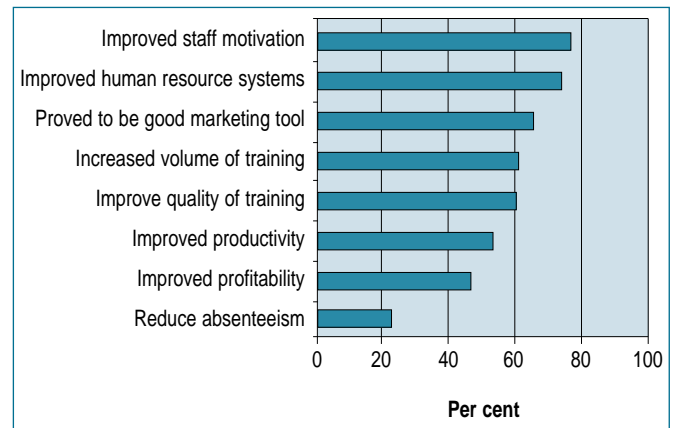


Figure 2 shows the impact on business performance reported by respondents who had achieved IiP accreditation. LSC Shropshire IiP Survey (IER/IFF)

### IiP accreditation rates

As already stated, take-up of IiP varies little between England and the West Midlands (*see Figure 1*). Around nine per cent of workplaces in England were IiP accredited in 2001, a further two per cent were implementing it and seven per cent were considering it. Data for Shropshire reveals that six per cent were accredited – a little below the national average.

Overall, the West Midlands accounted for 9.7 per cent of all Investor workplaces and around 8.9 per cent of all workplaces in England. Shropshire accounted for 1.5 per cent of all workplaces in England and one per cent of all Investor organisations. Generally, take-up of IiP in the West Midlands and Shropshire would appear to be more or less in line with the population of workplaces in each of these localities.

Summary statistics of the type presented above potentially disguise differences in the characteristics of workplaces becoming Investors.

Overall, the distribution of Investors across England, the West Midlands and Shropshire were approximately the same, except that Investors in Shropshire were much less likely to be in workplaces with between one and four employees; Investors in Shropshire were more likely to be foreign owned than either the West Midlands and England.

Insofar as differences exist these may be simply be a consequence of differing industrial structures in the three areas. For instance, a relatively high level of accreditation amongst workplaces with between one and four employees may reflect a relatively large proportion of these workplaces in Shropshire compared to the national picture.

In Shropshire the rate of accreditation in the private sector was found to be lower than either nationally or regionally although a higher percentage of larger workplaces were IiP accredited. Accreditation rates were also much higher in public administration than either nationally or locally, and lower in health and education. Foreign owned workplaces were more likely to have obtained accreditation.

IiP is very much associated with larger workplaces. The Employers Skill Survey 2001 reveals that as a device to improve human resource practices it has been much less successful at penetrating small, or even medium sized workplaces (see Figure 1). When addressing the evidence from the Shropshire IiP survey this ought to be borne in mind, given the large proportion of smaller workplaces in the Shropshire LSC area.

## Conclusion

The report concerned the take-up of accreditation and implementation of IiP in Shropshire. National evidence, although only indicative of the situation at a local level, suggested the accreditation rate in Shropshire was below the national rate and that of the West Midlands region. But this is likely to be explained by respective industrial structures.

The LSC Shropshire survey of IiP accreditation indicated a somewhat higher level of accreditation in Shropshire, although the overall level of involvement with IiP when those committed to IiP are taken into account was much the same as the national figure at around 20 per cent.

The survey also revealed that where employers have become Investors they have been disproportionately located in larger workplaces and in the public sector. At first glance, this suggests there is considerable scope for improving the take-up of IiP in Shropshire. But one has to be circumspect here. The IiP initiative is now more than 10 years old and although it has been revised over recent years, the age of this particular initiative suggests that those employers most likely to embrace the ideals of IiP will have already done so. Persuading new employers to engage with the standard will require a most convincing argument for the merits of doing so.

Workplaces which have implemented IiP found it relatively easy to do so and there appeared to be a range of support available to assist with implementation. Tellingly, most IiP accredited respondents reported that, given the chance, they would do it all over again and few workplaces were willing to let their accreditation lapse.

Employers were supportive of IiP because they firmly believed there were many benefits from gaining the standard, including improved profitability and productivity, as well as helping to improve worker motivation and improve human resource management systems overall

From a research perspective it is not sufficient to rely upon what employers say the benefits of a particular intervention have been. They may be wrong in their perception and human resource managers may not be best placed to judge what impact a human resource measure has upon the complex phenomenon of profitability.

Overall the evidence points to IiP having a favourable impact on the performance of organisations. It is impossible to say definitively that IiP has an impact on the 'bottom line', that it improves profitability. But this is not to say that IiP does not have such an impact, rather that its impact is indirect. It helps improve staff motivation and is associated with higher levels of training and professional development. In the long run one would expect, other things being equal, for a well motivated and trained staff to have an impact on the overall business performance of an organisation.

## Other relevant work conducted by the IER includes:

Barry, R., D. Bosworth and R.A. Wilson (1997). *Engineers in Top Management*. Coventry: Institute for Employment Research, University of Warwick. ISBN 0 95157 63 48.

Brown, A.J. (1997). 'Facilitating learning: helping others learn within companies'. *Promoting Vocational Education and Training: European Perspectives*. Ed. A.J. Brown. Tampere: Tampereen yliopisto, 81-89. ISBN 951 44 4193 1.

Elias, P., A. McKnight, J. Pitcher, K. Purcell and C. Simm (1999). *Moving On: Graduate Careers Three Years After Graduation*. Manchester: CSU-DfEE-AGCAS-IER. ISBN 1 84016 069 1.

Brown, A, A E Green, J Pitcher and C Simm (2000). *Employers skill survey: case study – health and social care*. National Skills Task Force Research Report 35. Nottingham: Department for Education and Employment.

Hogarth, T, J Shury, D Vivian and R A Wilson (2001). *Employers Skill Survey 2001: Statistical report*. Nottingham: Department for Education and Skills Publications. ISBN 1 84185 559 6.

Hogarth, T and R A Wilson (2001). *Skills Matter: A synthesis of research on the extent, causes, and implications of skill deficiencies*. Nottingham: Department for Education and Skills Publications. ISBN 1 84185 583 9.

Elias, P, T Hogarth and G Pierre (2002). *The wider benefits of education and training: a comparative longitudinal study*. Research Report No. 178, Leeds: Department for Work and Pensions. ISBN 1 84123 517 2.

Green, A E and D Owen (2002). *Exploring Local Areas, Skills and Unemployment: Exploratory Data Analysis at Local Area Level*. Nottingham: Department for Education and Skills Publications. ISBN 1 84185 807 2.

## Other recent publications include:

Bynner, J, P Elias, A McKnight, H Pan, G Pierre. (2002). 'Young People's Changing Routes to Independence'. York: Joseph Rowntree Foundation 2002. ISBN 1-902633-74-1

Lindley, R M (2002), 'Knowledge-based economies: the European employment debate in a new context'. *The New Knowledge Economy in Europe*. Ed. M João Rodrigues. Cheltenham: Edward Elgar, 95-145. ISBN 1-84064-719-1.

Onstenk, J. and A Brown (2002). 'A Dutch approach to promoting key qualifications: reflections on 'core problems' as a support for curriculum development'. *Transformation of Learning in Education and Training: Key Qualifications Revisited*. Eds. P. Kamarainen, G. Attwell and A. Brown. CEDEFOP Reference Series 37, Luxembourg: Office for Official Publications of the European Communities, 87-104. ISBN 92-896-0130-2.