

# TRENDS IN THE WORKPLACE SURVEY 2008

## OVERVIEW



The following are selected highlights from the Trends in the Workplace 2008 Survey Report<sup>1</sup>. For the full Report, and the data in its complete context, you should refer to that Report. Copies of the Report are available at the IOE website ([www.ioe-emp.org](http://www.ioe-emp.org))

# 1. GLOBALIZING ECONOMIES

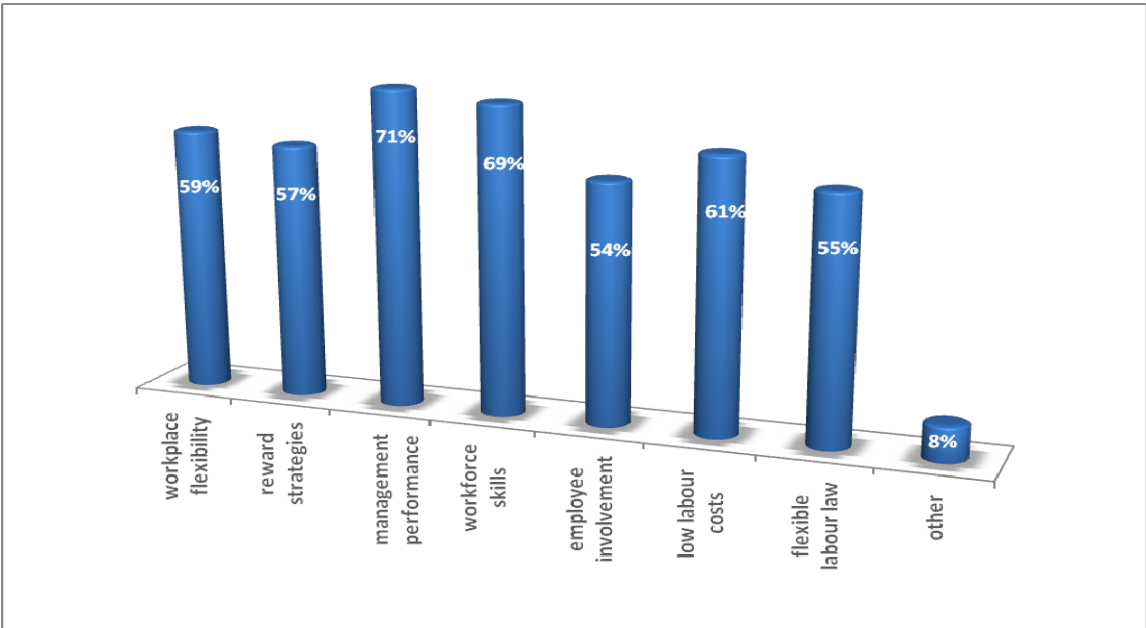
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## *Management performance vital in competitive globalized markets*

Management performance is the most important *current* factor in maintaining and improving the financial performance of enterprises, closely followed by workforce skill utilization, labour costs, flexible work arrangements, reward strategies, flexible labour law (linked to the flexibility of labour laws is the capacity to work flexibly) and finally, employee involvement.

### *And looking forward...*

All variables ranked very similarly in terms of their importance to enterprises in the coming 3-5 year period. Only one element took on noticeable importance – that is, increased flexibility in working arrangements (linked to labour law flexibilities). Effective leadership is important, but is likely to be become even more so in the future as competitive pressures continue. The quality of management was also seen as being an ongoing issue as new markets and new competitors emerge. Across all regions there was a remarkable similarity. The most interesting element in looking forward was that *all* factors except one (reward strategies) were given a higher ranking in terms of their importance for the coming period. This would suggest, particularly when looking at the final section of the survey on future challenges, that all respondents see their markets becoming more competitive. Accordingly, the message is: *enterprises need to focus on competitiveness.*



<sup>1</sup> The survey was targeted at member organizations of the International Organisation of Employers. Responses came from 50 countries, giving a response rate of 35%.

## *Globalization seen as opportunity for national businesses but not for all sectors*

Just over a third of respondents stated that globalization was an opportunity for the business community. Only 6% felt it was a threat to national businesses.

A large number of respondents fell in the middle with 39% saying globalization brought both negative and positive impacts. 11% said it would impact positively on certain sectors and 9% said it would impact negatively. These were often from the same respondents –for example, positive impact on the metal industry but negative on the textile sector. This latter sector was extensively referenced as one under threat. From the data gathered we can conclude that globalization has, overall, had a positive impact on national businesses with resultant growth and employment.

## 2. WORKING CONDITIONS

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### *Remuneration policies*

Overall, the results showed that the most important factor in remuneration policies was *skills*, followed by *performance* and then by *market rates*. *Length of service* was the least important indicator. Generally across all regions the indicators showed a high degree of commonality.

Performance	Length of Service	Skills	Collective Bargaining	Inflation	Market Rates	Labour market Tightness	Other
71%	46%	73%	64%	62%	66%	55%	18%

### *Wage bargaining*

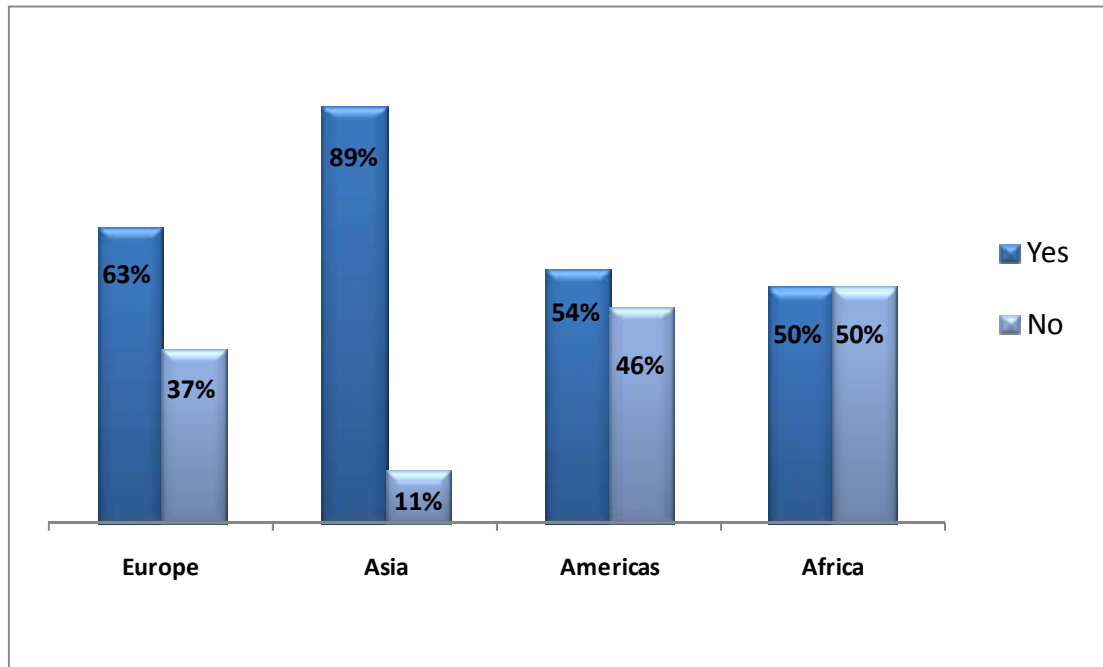
A variety of factors such as productivity rates, inflation, competitiveness, tightness of the labour market and economic development are considerations in wage bargaining. Both productivity and inflation unquestionably remain very important variables. The former is of more importance to employers, the latter for trade unions.

Considerable differences can be noticed across regions. In Africa inflation is a ‘primary’ consideration in a large majority of countries while in all other regions it is less important, most noticeably in Asia where it is a primary consideration in only one fifth of countries.

Overall the survey found that wage increases (both public and private) are well ahead of inflation –the average rate of inflation across all regions was 4.98% while the average wage increase was 7.32%.

### *Increasing demand for more flexible working arrangements*

63% of the respondents agreed that there was an increase in the different types of working arrangements in the last twelve months. This was most significant in Asia.

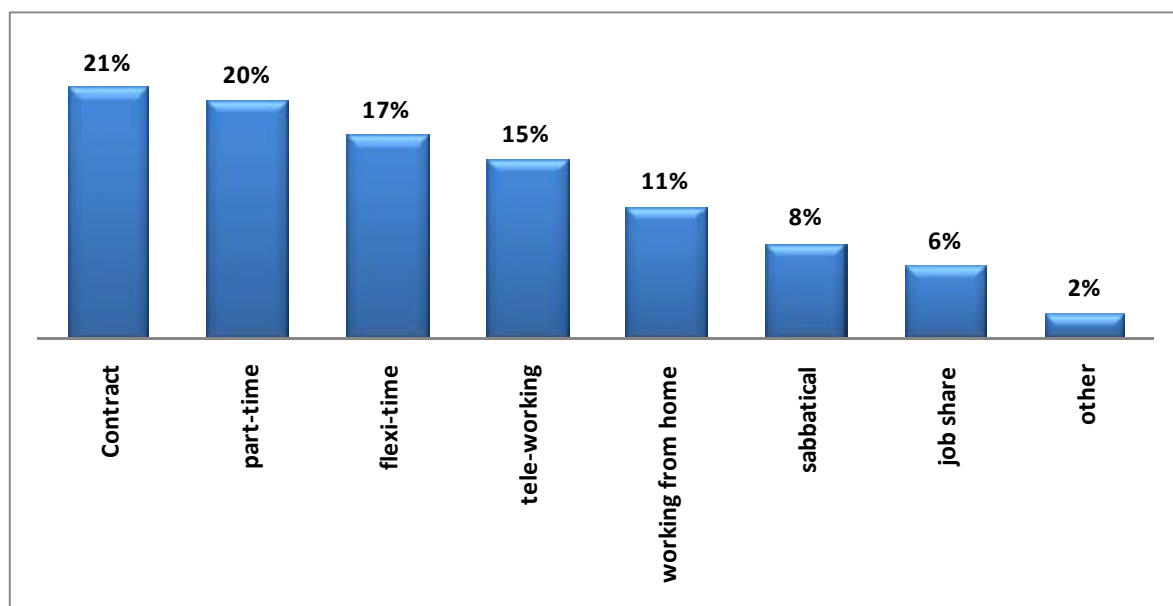


The increase in the variety of working arrangements is to a large extent, due to market forces. Such alternative working arrangements are important recruiting devices for employers because of the large proportion of persons in the workforce who desire a more effective work/life balance.

*The survey confirms that there is a definite employee-driven demand for greater flexibility at the workplace due to societal changes.*

*Flexibility can often be constrained or be in conflict with national labour law which in many cases assumes the traditional employment relationship of a normal working. The rigidities of labour law should not be a barrier to the efficient conduct of business based on the mutual and beneficial requirements of the employer and the worker.*

### *Different types of working arrangements that are increasing*



### *Collective agreements*

According to respondents, 47% of the overall working population (public and private sectors) is covered by collective wage agreements. An important factor to consider in reflecting on this data are the regional differences, which showed considerable variation. In Africa coverage of collective agreements is lowest and has a strong public sector focus. Coverage is by far the highest in Europe (both private and public) and this drove the overall weighting upwards.

## 3. REGULATORY ENVIRONMENT

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### *Governments- still making it hard to 'do business'*

Perhaps not surprisingly, *all* aspects of existing labour and social legislation – purely in terms of cost – impact on the competitiveness of an enterprise to some degree. But clearly from the responses received there is still a very heavy legislative burden on enterprises in all regions. An overly regulated labour market is a constraint on entrepreneurship and employment creation, especially where such regulation entails excessive labour costs. All regions noted total labour costs as a key impediment to enterprise growth and development.

### *Many workers remain outside labour law jurisdiction (i.e. in the informal economy)*

Many respondents from developing countries gave very high figures for those engaged in informal work in their countries. Two countries for example reported that, according to their estimates, the informal economy covers more than 80% of the workforce. Measuring the informal economy, however, remains a very inaccurate science. In many countries there is little verifiable data to track the informal economy, so trying to determine exactly how many

people it covers or what impact labour law has in driving these people into informality is difficult to precisely ascertain. While informality occurs in all economies to some degree, it is a major issue for developing and transition economies.

*Lack of worker skills and inappropriate regulation are the key drivers of informality according to the majority of respondents.*

## 4. SOCIAL DIALOGUE AND TRIPARTISM

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*Wages remains the most important area for negotiation between employers and trade unions.*

84% of responses stated that wages are the most important area for negotiation with trade unions. In some countries pensions are emerging as an increasingly important issue for bargaining and are being pushed (or attempts are being made to push them) into collective agreements.

Many respondents noted that collective agreements provide some degree of flexibility in their implementation. ‘Family-Friendly’ policies have also been an area of increasing debate between social partners in some countries. Some respondents also pointed out that such is the level of regulation (on the above issues) in their country that there are few areas left upon which to negotiate outside of wages.

*Trade union density is estimated at less than 20% in more than half the countries surveyed.*

## 5. A CHANGING LABOUR FORCE

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### *Worrying levels of skills shortages globally*

86% of respondents felt that enterprises are experiencing skills shortages. It would be difficult to outline trends because nearly all kinds of skills in a wide range of industries and sectors were referenced. Some economies had specific needs – for example, if a country was positioning itself as a base for call centres, then language skills were heavily sought after. Other high-growth economies were experiencing a construction boom and consequently those kinds of skill were needed.

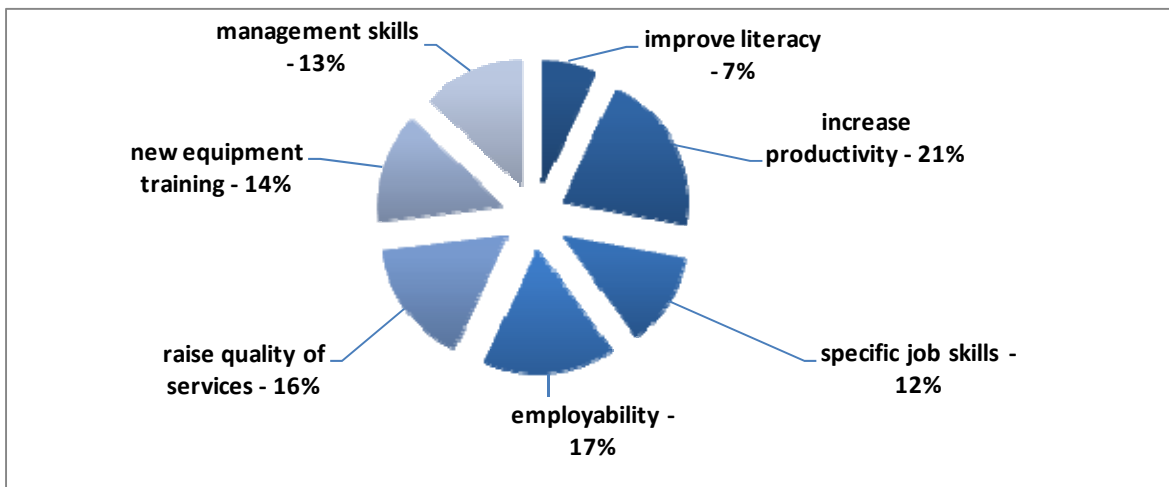
#### *The top 5 priorities for business in improving skills and education*

- 1. Raising technical skills**
- 2. Increasing vocational education**
- 3. Helping enterprises identify their skill needs and gaps**
- 4. Access to life-long learning**
- 5. Raising the quality of university graduates and ensuring more young people leave school literate and numerate.**

Serious investment in education, linked to the needs of the labour market, is extremely important. Trades training needs to be promoted and tertiary education better tuned to what the business community needs from graduates. But often government education spending has not kept up with this need and business alone does not have the means of action nor the social mandate to do so – a partnership is clearly needed. It was noted that education should not be something that is uniquely confined to early life with no second chance. Innovative ways need to be found that enable those who have missed out on education to be able to return and continue it at different stages in their life.

*Increasing productivity is the current emphasis of training*

Raising productivity (i.e. making better use of available factors and resources) is the driving force behind the rates of return on investment which determine aggregate growth rates. Prosperity is sustainable if it is based on the productivity companies can reach given the conditions they face in an economy. Not surprisingly improving productivity was the main training preoccupation of the employers surveyed with one in five respondents saying that increasing productivity is the most important current focus for training in enterprises in their countries.



## 6. LOOKING AHEAD: LABOUR MARKET CHALLENGES

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The challenges cited by employers as major labour market challenges for business in the next 3-5 years were remarkably similar across all regions.

Certain countries reported specific challenges they would face – such as endemic corruption; privatization of certain national industries; or expected down-turns in specific sectors that dominated the economy. Likewise, certain regions had particular challenges – the spectre of HIV/AIDS, for example, is a seriously debilitating undercurrent to labour market developments in Africa. In many OECD countries, major demographic changes will require policy responses in the immediate future; integrating migrant workers in others.

### **TOP 3 CHALLENGES FOR BUSINESS**

- 1. Making sure that the economy remains competitive and enterprises are able to compete in global markets**
- 2. Getting the balance right on labour legislation and ensuring maximum participation in the labour market**
- 3. Making sure the right skills match the needs of the economy – now and in the future**

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