Improving UK productivity through skills
Why should we care so much about productivity?
What is productivity?

**Definition**
How much output a company can generate with a given amount of input.

**Equation**
\[
\text{Total Output/Total Input} = \text{Productivity}
\]

**Quotation**
“Productivity isn’t everything, but... it’s almost everything”
It was all going so well until 2008
What it means to each and every one of us

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Why is productivity so important now?

\[
\text{Profitability} = \text{Customer price} - \text{Material costs} - \text{Labour costs} + \text{Productivity}
\]
Why is productivity so important now?

- **Customer prices & costs stable**
- **Costs rapidly increase & customer prices try to keep up**
- **Volatility is slowing but profits are squeezed**

**Historically:** Costs rapidly increase & customer prices try to keep up.

**Recently:** Volatility is slowing but profits are squeezed.

**Future:** Productivity is needed to restore & maintain margin.

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What’s holding back UK productivity?
What our latest research tells us
Productive Business Index: 7th edition (March 2024)
Measuring the gap between how good we think we are and the corresponding investment that we make

The gap

Confidence

We believe we’re doing a good job at X 

60% 30%

Action

We are increasing investment and/or activity in X 

30%
We think we’re better than we are

<table>
<thead>
<tr>
<th>Country</th>
<th>Confidence</th>
<th>The gap</th>
<th>Action</th>
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<tbody>
<tr>
<td>Italy</td>
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<td>Japan</td>
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</tbody>
</table>

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What this means for skills?
What our latest research tells us
Productive Business Index: 7th edition (March 2024)
Leadership & management skills

70% believe their management team has the right blend of professional management skills

36% plan to increase activity to improve general management and leadership skills within the company over the next 12 months
Digital skills

67% are confident their employees have the digital skills needed to be effective in their jobs, the highest level recorded by the PBI.

35% plan to increase training of employees to improve digital awareness and skills over the next 12 months.
Team skills

69% believe their business has the skills and talent needed to succeed

33% plan to increase training and development over the next 12 months
What do we need to do in response?
Thank you
Any questions?