

2018 will go down as the year of the backstop but it could also be dubbed the year of skills shortages, particularly in sectors such as hospitality and IT. In 2019, it remains to be seen whether the backstop comes into being, but one thing that is for sure is skills shortages will remain a feature and persist throughout the next 12 months and beyond.



In this environment, many Northern Ireland companies have had to get good at recruiting, working out how best to identify and attract the right kind of recruits. But competition is fierce and intensifying. As a result, companies will need to get better at retention, working out not only how to recruit but also how best to retain the best people.

One part of this is ‘purpose’ – i.e. a company’s fundamental reason for being. A key statistic in this respect is that 86 percent of Millennials think business success should now be

defined by more than financial performance, according to a Deloitte survey. That's significant when this generation is taking up an increasing share of the labour force. And some believe that Millennials will account for up to three-quarters of the US workforce as soon as next year. This means that businesses need to be much more than just money-makers. Employees want them to have a clearly defined role in contributing purposefully to society.

As Larry Fink, who runs Blackrock, a major US fund managing \$6trn of assets, said in a letter to CEOs: "Society is increasingly looking to companies, both public and private, to address pressing social and economic issues". He said that businesses should be thinking of "purpose before profits", and about "investing for the long-term, serving a community, developing the talents of a workforce." This form of 'shared capitalism' is said to have been central to the German economy's success.

Part of the reason for this need for change is that capitalism got derailed; an issue that was explored at a lecture by Paul Collier, author of the book *The Future of Capitalism* at Queen's University last month. His argument is that capitalism got derailed for third time during the last 30-40 years, culminating with the financial crisis in 2007. Trust in capitalism, as well as politics and business, has arguably been mired in recession too. Capitalism and its actors now need to reinvent themselves, or perhaps rediscover some of the purposes that businesses had in the past.

Indeed, corporate social responsibility, or CSR as it is known, has had a long history, right back to companies like Boots, Cadbury and Rowntree who were philanthropic in their purpose and invested significantly in terms of creating and improving communities. CSR perhaps lost its way in more recent years and became more superficial than fundamental. Today, CSR needs to be at the heart of organisations, because it is important to employees as well as a wide range of other stakeholders.

Google has been singled out as an organisation that has broken new ground in creating the right environment to help attract and retain staff. This includes offering free meals to every employee, as well as providing onsite gyms, offering massage therapy, and encouraging a healthy work-life balance. It's original mantra "Don't do evil", also says something of its understanding of the need to have a positive purpose and to go against where it was perceived capitalism was heading.

In some areas, we are seeing Northern Ireland companies adapt their approach towards creating an environment where they can retain staff. The IT and wider tech sector is one area where we are seeing companies create attractive offices with gyms, food offerings and other incentives. We are also seeing a greater focus on well-being, with companies encouraging and supporting team members to have a better work-life balance and to be healthier. This has included offering free Fitbits to staff. But we need to see this happening more broadly in the Northern Ireland business community. Not just because it is the right thing to do, but also because it makes business sense. Google doesn't just offer free food on site to attract and retain staff. It also does it to keep them in the office for longer so that they can be more productive for the company. The reality is that happy, contented employees are more likely to work harder, particularly if they feel that they are working for a purpose that they believe in.

Investing in people's skills is also seen as a key way to retain them as employees. If they feel that they are being developed and offered opportunities for progression, then they will be more inclined to remain with the business. Increasingly, self-development has greater importance relative to status and salary, which is a change that has happened in the business world in recent years. Part of the reason for this is that skills now have a much shorter shelf-life than they did in the past. According to Deloitte, the lifetime of a skill has dropped from 30 years in 1984 to between two-and-a-half and five years today.

Some employers will be concerned that investing in their employees' skills will make them even more attractive to other companies and therefore potentially even more mobile and likely to leave. But if they don't invest in employees' skills, someone else will, and this will certainly lead to them moving on.

There is an element of mutual trust at play here. Employees want to be able to trust the companies they work for to act in their interests and in the wider interests of society at large. But employers also need to trust their employees – that if they treat them well and invest in them, they will provide a return on that investment.

These are issues that are only going to become bigger in 2019. And they are being led from the top down and the bottom up. In the US, Democrat Elizabeth Warren is arguing for the implementation of a charter of corporate purpose. In France, Emmanuel Macron is doing something similar. In Northern Ireland, particularly in an environment of escalating skills shortages, it is essential that companies ensure they are in line with these key trends. Retention and purpose will be the business watchwords of 2019.

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