

## PROFESSIONAL AND BUSINESS SERVICES COUNCIL (PBSC): PROPOSED SECTOR DEAL

### CMI RESPONSE

#### INTRODUCTION

##### **CMI**

1. CMI is the chartered professional body for management and leadership. We are dedicated to improving managers' skills and growing the number of qualified managers across the UK.
2. With a member community of over 100,000, CMI provides individual students, managers and employers with access to the latest management thinking and with practical support to help them embrace change, build high-performing teams and improve individual and organisational performance. We are a UK awarding body for management and leadership qualifications and the only body that awards Chartered Manager, the hallmark of any professional manager.
3. Our vision is to create better led and managed organisations. As such, we welcome the opportunity to comment on the draft proposal published by the Professional and Business Services Council (PBSC) and recognise the value that a sector deal for professional and business services could deliver to individual managers, to organisations and to the UK economy as a whole.

##### ***We support calls for a sector deal for professional and business services....***

4. As the draft paper makes clear, the professional and business services sector is critically important to the UK economy. The sector has also been highly successful in exporting professional and business services around the world and has made a major contribution to the position of the UK as a net exporter of services<sup>1</sup>.
5. It is important that the role of management as a profession is recognised in any sector deal. In international comparisons of management practice, the UK still lags behind many of our key international competitors such as the US and Germany<sup>2</sup>. There is also a large and growing body of evidence that suggests that better management practices is key to driving productivity and helping to solve the

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<sup>1</sup> <https://commonslibrary.parliament.uk/economy-business/economy-economy/uk-trade-a-deficit-in-goods-but-a-surplus-in-services/>

<sup>2</sup> *Leadership and management in the UK – the key to sustainable growth* (BIS, 2012)

productivity puzzle<sup>3</sup>. Our own research and analysis<sup>4</sup> shows that there are currently around 2.4m accidental and unskilled managers, promoted because of their functional expertise but left to sink or swim when it comes to management. This is costing UK employers some £84bn<sup>5</sup> a year and is, according to authorities like the OECD, one of the biggest factors in our competitive weakness.

6. Building management capability must be central to any sector deal and there needs to be explicit recognition of the need to improve management and leadership skills in any sector deal. **A stronger voice for management on the PBSC would be one way of ensuring this and CMI - as the only chartered professional body for management and leadership - would be well positioned to provide this.**

***...although the focus of any deal should be on skilling the UK workforce and driving exports.***

7. Growing and developing talent will be key to the future of the sector and professional bodies are already actively building capability and championing excellence. At the same time, new initiatives – such as degree level apprenticeships for senior leaders – have the potential to deliver a step change in performance.

CMI works to create confident and competent managers. 40,000 learners registered for CMI-accredited courses in 2016/17, across more than 90 business schools and 400 education providers. Working in partnership, we both skill students and help to upskill those already in management roles, providing pathways to grow capacity to drive up performance and meet the future needs of business.

8. We recognise and agree that access to talented workers, managers and leaders from across the EU and beyond is important, but the structure of the draft paper suggests that ensuring continued access to EU talent should be the priority of any sector deal. We do not agree. This needs to be reflected in the deal, but the deal should prioritise investment in skilling, upskilling and reskilling the UK workforce and UK managers over wider reforms to the immigration system. Alongside this, the deal should also prioritise supporting exports.

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<sup>3</sup> For example: *Management practices and productivity in British production and service industries – initial results from the Management and Expectations Survey: 2016* (ONS, 2018); *The impact of management practices on SME performance* (Bryson et al, 2018).

<sup>4</sup> *Leadership for change. CMI's Management Manifesto*, (CMI, 2017)

<sup>5</sup> [www.investorsinpeople.com/press/uk-businesses-miss-out-%C2%A384-billion-year-due-poor-people-management](http://www.investorsinpeople.com/press/uk-businesses-miss-out-%C2%A384-billion-year-due-poor-people-management)

## TRANSFORMING TALENT

***The apprenticeship reforms have the potential to transform the skills landscape...***

9. Apprenticeships provide a real opportunity to transform the skills landscape and address the UK's long-standing productivity crisis. They are no longer restricted to introductory or low level programme for new starters, but can and should be used to upskill employees of all ages and in all sectors. The Government's own analysis shows the productivity benefits of apprenticeships: research in 2016 suggests that the average apprentice increases productivity by £214 per week. A poll of CEOs at the recent Times CEO Summit shows that almost half believe investing in skills, education and apprenticeships would deliver the single biggest boost to UK productivity<sup>6</sup>.

***...and growing the number and quality of apprenticeships in professional and management roles should be central to any sector deal.***

10. High quality management apprenticeships are already being used to develop current and future leaders, and are proving increasingly popular with both apprentices and employers. Research from Universities UK shows that the Chartered Manager Degree Apprenticeship (CMDA) is already the most popular degree apprenticeship, just ahead of engineering, accountancy and digital. By April 2018, there were over 1,500 apprentices on the CMDA.

CMI has supported an employer-led trailblazer group of over 50 businesses, organisations, training providers and HE institutions to develop four management and leadership apprenticeships: a Senior Leaders Master's Degree Apprenticeship, a Chartered Manager Degree Apprenticeship, an Operations/Departmental Manager Apprenticeship and a Team Leader Apprenticeship.

11. We welcome the recognition of the potential of apprenticeships in the draft paper, but want to see the sector being more ambitious and showing real leadership. **We believe that any sector deal should commit employers, professional bodies and others in the sector to increasing the number of high quality apprenticeships in professional and business services and in management.** In return, the government should unambiguously reaffirm its long term commitment to apprenticeships and work with the sector to promote and encourage the take-up of professional and management apprenticeships. As the draft paper notes, there is also still significant work to do to raise the profile and currency of apprenticeships with parents, teachers and students.

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<sup>6</sup> <https://twitter.com/thetimes/status/1011548799888740352>

12. **We agree that the levy needs reform – and together with the British Chambers of Commerce (BCC), have set out a 10 point plan for this (see summary below). We do not, however, agree that levy funds should be used to pay apprentices** as this would reduce investment in skills at a time when employers are reporting significant skills gaps<sup>7</sup> and when Brexit means we need to increase our investment in UK talent. The sector deal might commit government to working with professional and business services bodies to reform the levy. However, government would need to reaffirm its long-term commitment to an apprenticeship levy to create certainty and confidence in the system for employers, providers and apprentices.

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<sup>7</sup> *Education and Skills Survey 2017* (CBI, 2017); *21<sup>st</sup> Century Leaders* (CMI, 2018)

## **CMI/BCC 10 point plan to improve the apprenticeship levy**

### **5 ASKS OF GOVERNMENT**

#### **1. Transform the skills landscape**

The Government must ensure that everyone benefits from the Apprenticeship reforms... Re-skilling and up-skilling existing employees must be a key part of the solution.

#### **2. Listen to business – transform the levy**

The complex and restrictive Apprenticeship Levy rules... should be relaxed. For access to quality training, funding bands must reflect the true cost of provision... other accredited quality training should be included in the scope of the funds.

#### **3. Provide efficient, single point accountability**

The system should be made simple and transparent, with a single accountable agency. The Institute for Apprenticeships should be resourced to bring forward apprenticeship standards more quickly and take on end-to-end responsibility for the successful funding, execution and monitoring of apprenticeships policy. Employers –not civil servants – should set and approve standards. There should be a single body responsible for external quality assurance...

#### **4. Measure the impact, not the target**

...the Government should support the drive for quality over an arbitrary numerical target – this is the way to improve social mobility and productivity and close the skills gap that threatens the UK economy.

#### **5. Keep the process joined up, stable and consistent**

The Government should work with employers to get the apprenticeship reforms fit for purpose, and then keep the system stable, consistent and joined-up...

### **5 ASKS OF EMPLOYERS**

#### **1. Get involved and informed and tackle your skills needs**

...Employers should find out about the new apprenticeship standards for their sector, how to recruit apprentices and how to access funding and high-quality training for their teams.

#### **2. Find flexible ways to manage training**

...Employers should work with their training provider to identify sensible, flexible and creative training opportunities – including online workplace training, work-based assessments and other time that you invest in developing an apprentice.

#### **3. Commit to long-term investment in skills**

...All businesses can play a part in fixing the skills crisis. Employers should

***Partnering with Universities and others to ensure alignment between education and the needs of the sector and the wider labour market is critical***

13. The UK will need 1.9m new managers by 2024<sup>8</sup>. To meet this challenge, and ensure the next generation of managers are better prepared and better skilled, young people need to start developing management and leadership skills in school, college and university. This will better prepare young people for the world of work and equip employers with a far more productive workforce. As things stand, around two thirds of employers believe that graduates lack the interpersonal skills necessary to manage people and nearly three quarters want all students to have access to management, enterprise and leadership modules to improve employability<sup>9</sup>. As such, we agree that a sector deal should encourage and commit those in the sector to work more closely with schools, colleges and universities to ensure that students and graduates are developing the skills and specialisms that the sector needs.

CMI works with over 90 university partners to improve employability outcomes, develop practical management and leadership skills, and support student entrepreneurship, by accrediting degrees and providing employability modules. We have developed measures to track the impact on employability and will publish data as soon as it becomes available.

***Promoting diversity and social mobility within professional and managerial roles should be a priority for all of us...***

14. The evidence is clear - diversity delivers results. McKinsey have calculated that improving diversity could add £150 billion a year to the UK economy by 2025<sup>10</sup>.
15. Although the best performing firms in the sector recognise this, there remains a glaring lack of diversity in too many organisations. Women make up 73% of junior managers but only 32% make it to director level, and male managers are 40% more likely to be promoted than female managers<sup>11</sup>. There is also under-representation of ethnic minorities and those from lower socio-economic backgrounds in management roles.

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<sup>8</sup> *Working Futures 2014-2024*, UKCES (2016)

<sup>9</sup> *21st Century Leaders. Building employability through higher education*, CMI (2018)

<sup>10</sup> *The power of parity: advancing women's equality in the UK*, McKinsey & Company (2016)

<sup>11</sup> *Gender salary survey*, CMI (2016)

16. We therefore welcome the commitment in the draft paper to put social mobility at the heart of any sector deal. **However, this commitment needs to be extended to include a wider commitment to promoting diversity and inclusion across the sector.**

*...and the actions set out in the sector deal must reflect this.*

17. We welcome the proposed actions and commitments in the draft paper to promote social mobility in the sector. We would add that apprenticeships have been shown to be effective at developing a more diverse pool of talent than other more “traditional” education and training pathways. For example, according to a breakdown as at 6 April 2018 for the Chartered Manager Degree Apprenticeship (CMDA):

- 47% were from the most socio-economically deprived regions of the UK;
- 47% are aged 30 or under; and
- 54% are women.

18. **We would, however, also want to see a range of commitments and actions aimed at promoting diversity in the sector and encouraging more women and more members of ethnic minorities both into the sector and into more senior management and leadership roles within the sector.** This could include a commitment to more transparency around pay and progression data. This might also include a commitment to increase flexible working practices. Flexible working is rated as one of the top five ways to help women progress and to create a diverse, more productive organisation<sup>12</sup>.

## **DRIVING INCREASED EXPORTS**

*Driving exports should be a key objective of any sector deal...*

19. The draft paper quite rightly highlights the success of the sector in exporting services, not just to the EU but around the world. Supporting those in the sector to grow exports must be core to any sector deal.
20. The deal should recognise the export potential of Chartered status. Our international competitors and their governments understand the value of Chartered status in raising standards, as evidenced by a recent Department of International Trade (DIT) mission to Asia Pacific to promote the work of six UK Chartered bodies. **We would like to see in any sector deal ongoing commitment from government for a “Chartered is Great” campaign.**

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<sup>12</sup> A *Blueprint for Balance*, CMI (2018)

***...although this should focus equally on helping organisations and bodies export to markets outside the EU.***

21. We recognise the importance of access to EU markets for many in the sector, and agree that mutual recognition of qualifications is key to this. However, we would like to see an equally strong focus in any sector deal on helping the sector export globally.
22. In some areas, such as in higher education, the growth markets have been outside the EU. This is also our experience. Our recent DIT mission to Asia Pacific covered Singapore, Malaysia and Thailand and has already resulted in a number of contracts being signed. A future mission to China is planned for early 2019.
23. **Any sector deal should therefore include a commitment from the sector, and support from government, to increase exports around the world**

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