

# COMPREHENSIVE SPENDING REVIEW SUBMISSION: CHARTERED MANAGEMENT INSTITUTE (CMI)

September 2020

## EXECUTIVE SUMMARY

1. CSR 2020 is a vital opportunity. The UK continues to experience unprecedented disruption, with the economy facing a number of structural challenges, many of which existed before the pandemic arrived. The new restrictions, set to continue through into 2021 will only exacerbate these challenges.
2. Adult skills and retraining in the UK has been under-resourced for many years but the pandemic makes investment in this area even more of a priority. To avoid another decade lost to flatlining productivity and underemployment - and widespread, long-term unemployment, the Government must place renewed focus on adult skills and retraining.
3. CMI welcomes the Government's move to protect viable jobs with the Job Support Scheme. The Prime Minister's announced Kickstart Scheme and Opportunity Guarantee were also welcome additions, which will create job opportunities for 18 to 24 year olds as well as giving every young person the chance of an apprenticeship or in-work placement.
4. CMI is calling on the Government to go further than this and rapidly deliver enhanced support for those adults in work, at risk of redundancy or recently laid off, who require access to retraining and re-skilling opportunities. Without action, the UK job market faces a glut of unemployed or underemployed workers who lack the skills to re-enter the workforce and survive and thrive in a rapidly changing world.
5. The pandemic has also highlighted the importance of leadership and management skills at all levels to steer an organisation through a crisis – be that in the public sector, managing delivery of critical programmes, or in the private sector, ensuring a business can reorganise and build resilience to survive the economic downturn.
6. This submission outlines CMI's insights and research on the impact of the pandemic to date, the barriers to the uptake of training, and the key skills gaps employers face. It presents policy recommendations designed to create a clear and coherent approach to adult skills and retraining, bolstering the UK's economic recovery and laying the foundations for the Government's ambitions around 'levelling-up' to be realised.

## THE SCALE OF THE CHALLENGE

7. Prior to the crisis there was already a significant adult retraining and lifelong learning challenge in the UK with the country spending relatively little on vocational skills, compared to its competitors and Government investment in adult skills falling significantly in recent years.<sup>1</sup>
8. The need for bold action on adult re-skilling and retraining is borne out by CMI data on employers' experience during the pandemic: a third of managers (36%) believe there will be redundancies within their organisation by the end of 2020.<sup>2</sup>
9. Access to training is also likely to be affected, just when it is needed most. CMI data found 1 in 5 managers (22%) reported their annual training budget has decreased and the same number (20%) reported they expected their training budget to decrease in 2021/22.<sup>3</sup>
10. Increased financial support from the Government could help offset the Covid-induced reduction in participation and funding for training. On the National Skills Fund, nearly all CMI managers (90%) thought the Government should contribute towards re-training costs. These managers think the Government should contribute an average of 47% or £470 of a £1,000 course.<sup>4</sup>

**There are several barriers to taking up training. These include:**

11. **A lack of awareness of Government support for adult skills and difficulty navigating the skills system.** Only 2 in 5 managers felt that the UK skills system was effective and only 38% that it was accessible. The flagship Apprenticeship programme is the exception with all managers reporting at least some awareness of apprenticeships and three quarters of managers saying they are accessible (74%) and effective (78%).<sup>5</sup>
12. **There are also considerable barriers to individuals up- and re-skilling,** with those employees most likely to need retraining and upskilling being the least likely to access training. Social Mobility Commission research found that the poorest adults with the lowest qualifications are the least likely to access training; graduates are over three times more likely to participate in training than those with no qualifications (30 % vs. 8 % in 2017) and half (49%) of adults from the lowest socio economic groups have received no training since leaving school.<sup>6</sup>

## SKILLS GAPS

13. Recent research by the OU<sup>7</sup> looking at the skills gap businesses are expecting over the next 12 months found that technical and operational skills are a much lower priority for organisations. In an uncertain world businesses are looking for skills which enable them to respond flexibly to future shocks. The OU found that “two in five (39%) respondents said that they will require leadership skills and 38% will require managerial skills, reflecting the value that close to two thirds (61%) of organisations now place on agility and adaptability

<sup>1</sup> Social Mobility Commission (2019) [The adult skills gap: is falling investment in UK adults stalling social mobility?](#)

<sup>2</sup> Manager's Voice Pulse Point Poll: Business impacts of Covid-19 Survey (CMI, 27th - 31st July 2020)

<sup>3</sup> CMI Manager's Voice: skills survey of 913 managers conducted between 10th August and 1st September 2020

<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Social Mobility Commission (2019) The adult skills gap: is falling investment in UK adults stalling social mobility?

<sup>7</sup> The Open University (2020) The Open University Business Barometer

as a result of the pandemic.”

14. Prioritising investment which boosts transferable skills should be a key pillar of the Government’s renewed focus on the skills system. And survey evidence suggests this skills challenge is not only confined to workers looking to secure new jobs in future industries - skills gaps are present in a significant number of organisations, and represent a barrier to productivity. Indeed CMI research found nearly 4 in 10 managers (38%) felt that not all their staff are fully proficient at their job.
15. Alongside funding, managers cite three things Government could do to support training efforts:<sup>8</sup>
  - a. more promotion of the UK skills system for adult learning as a whole (71%)
  - b. clearer guidance on how employees access funding (68%)
  - c. better signposting of training opportunities (59%)

## IMPORTANCE OF INVESTING IN MANAGEMENT AND LEADERSHIP

16. Evidence shows that strong leadership and management practices, including setting effective strategy, communication and agility in managing change, as well as a commitment to continuous improvement, are strongly correlated to firm-level productivity.<sup>9</sup>
17. However, in global comparisons, the UK is ranked well behind countries such as the US, Japan and Germany,<sup>10</sup> and in ONS surveys of management skills, foreign-owned firms score higher than domestic owned firms.<sup>11</sup> Research cited in the Government’s productivity review estimated that one-quarter of the productivity gap between the UK and US is associated with these capabilities.<sup>12</sup>
18. Investing in Management and Leadership skills could make a significant contribution to the national recovery. Reskilling older workers with structured management practices addresses employers’ skills gaps and provides high quality career opportunities, as well as improving the productivity and strategic capacity in organisations of all sizes, at a time when these are not only crucial to firms’ survival, but to the state of the nation’s finances.

## POLICY RECOMMENDATIONS

19. This submission has set out the barriers to upskilling, critical skills gaps, and the value of investing in Management & Leadership skills. To address these, CMI is calling on the Government to create a unitary approach to adult skills and retraining, which recognises the economic benefits of doing so, and that is given the same priority as other parts of the education system. In the midst of a pandemic, the retraining needs of workers who face redundancy cannot be solved with a number of small, disparate interventions. Building a stronger skills system now, and rapidly enhancing the level of support available, will drive both the nation’s recovery and also contribute to the Government’s important ‘levelling up’ agenda.

### ***Skills and retraining***

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<sup>8</sup> [Manager’s Voice Skills Survey](#) (CMI, 10th August - 1st September, 2020)

<sup>9</sup> ONS (2016) Management practices and productivity in British production and services industries - initial results from the Management and Expectations Survey

<sup>10</sup> Leadership and management in the UK – the key to sustainable growth (BIS, 2012)

<sup>11</sup> Management and Expectations Survey of 25,000 UK enterprises, (ONS)

<sup>12</sup> HMG (2019) Business Productivity Review

- A generational shift is needed in the approach to skills and retraining – starting with significant new investment through the National Skills Fund - targeted at the stock of adults most vulnerable to the economic downturn and least able to access new professions, while encouraging employers to retain and train (or retrain) their employees.
- To maximise the value for money of the increased investment in training, funding should be allocated to employers as co-investment. This should be allocated on a sliding scale, recognising that SMEs have less capacity to co-invest and so need greater initial support from Government.
- Given the need for rapid implementation of new support, the Government must ensure, where possible, that it avoids introducing new mechanisms to allocate funding. Evidence suggests there is a significant time lag before policy reforms bed in and are understood by employers, providers and learners.
- To drive increased buy-in and engagement, Government should make greater use of incentive payments, ensuring funding is targeted at and rewards the most engaged and effective employers, and improving training completion rates.
- Employers are more likely to engage with training programmes if these are employer-led and co-designed, and aligned to their needs (they are best placed to determine these).
- The employer-led principle is also vital to maintain a direct link between training and employment.
- The Government should also utilise existing networks to support the rapid delivery of an enhanced training offer. Chartered professional bodies, for example, already work closely with employers and education providers to deliver high quality training that meets skills needs and can work with Government to leverage these existing networks.

### **Apprenticeships**

- The apprenticeship levy and apprenticeship service are innovations that should be championed. Through these, Government now has a ready-made mechanism to allocate funding in a targeted way, to programmes that are well recognised by employers and aligned to their needs.
- Employers are using the levy to train people at all levels. They are also using higher level apprenticeships to widen access to high quality professional training with participation more diverse than ever before across gender, region and sectoral mix. CMI data<sup>13</sup> finds:
  - Since the SLMDA was introduced for CMI apprentices:
    - 50% of SLMDA apprentices were female
    - Nearly 40% (37.5%) of SLMDA apprentices were from the 4 lowest areas of productivity in England
    - 52% public, 39% private, 8% not for profit
    - 17% working in the NHS
    - 3% FTSE 350
  - Since the CMDA was introduced for CMI apprentices:
    - 54% of CMDA were female
    - 44% of CMDA were from the 50% most deprived areas of England
- To continue these positive trends, Government should require providers and employers to collect and publish the demographic data of their apprentices so we can evaluate progress in this area in a transparent way.
- Alongside this we want to see the Government continue to champion degree-level apprenticeships. The degree promotes parity of esteem, is recognised and valued by employers and provides important progression routes for those who were previously unable to access higher level training, as well as - in the case of management degree apprenticeships - boosting the management capacity of the UK's public services.

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<sup>13</sup> Data pulled September 2020