

# BUDGET SUBMISSION

January 2021



## INTRODUCTION

The Chartered Management Institute (CMI) works with business and the education sector to train workers to improve their leadership and management skills. CMI has more than 90,000 people in training across the organisation's UK and international partner networks. Our thought leadership, research, events and online resources provide practical insight for our membership community of more than 143,000. Backed by a Royal Charter, CMI is the only organisation able to award Chartered Manager status.

## SUMMARY

Coming out of the pandemic we now face an economic rebuilding challenge similar to the post-war period. CMI was originally founded to support that effort, with policymakers recognising the importance of investing in high quality management and leadership training to expand the nation's productive capacity and boost productivity. We have supported managers to do this ever since, with flexible and agile training that is tailored to the needs of individuals and employers.

The government has commendably taken steps to address the pandemic-driven unemployment challenges, with the furlough scheme, Lifetime Skills Guarantee at Level 3, and the £4.3bn package for jobs through the Restart Programme and enhanced support for Job Centre Plus. We also welcome the steps the Government is taking to invest in the long-term capacity of the economy through R&D and infrastructure spending.

But a key limiting factor for the effectiveness of this spending will be the provision of skills; specifically, the skills needed within businesses to enable them to adapt, innovate, improve their productivity. Recognising this fact will be key, if they are to power the recovery, manage major projects, steer them through stormy waters and deliver the outcomes that will benefit local businesses and communities.

To tackle the twin challenges of low productivity and reorganising the economy, as well as address long-term regional disparities, we need to place the same focus on human capital. This means investing in the core skills employers need the most, such as those in digital, communications, and leadership and management. Core skills, particularly at higher levels, are vital irrespective of the sector or job, widening the pool of jobs people can access and enhancing their ability to progress within these.

Ahead of Budget 2021 we are specifically calling on the Government to:

- Extend the existing Lifetime Skills Guarantee up to Level 5, enabling adults who already have a Level 3 qualification to access critical training at higher levels
- Allocate additional funding to ensure that every course funded through the National Skills Fund also includes a 'bolt on' of high quality core skills training, including digital, communication and management and leadership provision

CMI estimates suggest an additional investment of around £1300 per adult in receipt of training could enable them to receive high quality core skills provision at Levels 4 and 5.

An additional investment of around £170m per annum, therefore, funded through a combination of the National Skills Fund and employer contributions, would mean 130,000 adults per year can be trained in the core skills most valued by employers.

## CONTEXT

Since February 2020, the number of payroll employees has fallen by [819,000](#) - with the largest decreases seen at the beginning of the coronavirus pandemic. In the period August to October 2020, redundancies reached a record high of 370,000. Sectors such as hospitality, and travel and tourism have been particularly affected. In others such as retail, pre-pandemic trends like the move from bricks and mortar shopping to e-commerce have accelerated, in part due to the necessary restrictions.

Government support for these businesses and workers forced to close and stop work through business grants, loans and the furlough scheme has been hugely welcome.

The [Bank of England estimates](#) that in November, around 5.5m employees were assumed to be furloughed; over December to the end of April 2021. The same report estimates that a little under 2.5m employees will continue to be supported by the furlough scheme from now through to April 2021. With projections made before the recent restrictions, the actual number could be higher. The report also projects that the unemployment rate will peak at c.7.75% by end of Q2 2021, up from the 4.5% recorded in the LFS for the three months to August 2020.

As vaccine roll-out ramps up, and restrictions can be eased later this year, some of these businesses will be able to get up and running again and some of these furloughed workers will return to their previous jobs. However, as has been widely acknowledged, not all of these jobs will continue to be viable. And some of those out of work will have been on the furlough scheme for up to a year, not working and not training either.

As we have seen over the last year, however, the world of work has changed considerably since the pandemic, with an abrupt shift to working from home and the rapid digitalisation of many industries. These changes will remain even when things return to normal, creating new jobs in some sectors and eliminating others, and enhancing the need for broadly applicable skills across all jobs.

## CHALLENGE

This makes immediate investment in adult skills more important than ever. But as is well documented, this is not a new challenge. Participation in adult learning has fallen to its lowest rate in 23 years, and by 2024 it is estimated that there will be a shortfall of four million highly skilled workers.

The announcement of the government's Lifetime Skills Guarantee in September 2020, to be funded by the first tranche of funding from the National Skills Fund, was a welcome intervention.

However, given the sheer scale of the challenge facing the workforce and the economy, it is vital that the government now ramps up investment in training and skills at Budget 2021 - targeted at priority groups. Those currently out of work and most at risk of redundancy or long-term unemployment, and those in work, but trapped in low-skilled, low paid work and at risk of automation need to be supported to develop the skills they will need to progress beyond their current jobs or access the new jobs that will be created.

Employers are reporting skills shortages driven by a lack of core skills. The [2019 Employer Skills Survey](#) found that a lack of management and leadership skills contributed to around six in ten skills gaps (57%). An April 2020 CMI poll found 34% of managers reporting skills gaps among their staff exposed by Covid-19. Survey respondents revealed that gaps were predominantly found in the areas of communication, digital and management skills.

Core skills are vital for productivity. The Government's [Business Productivity Review](#), published in November 2019, found that strong leadership and management practices are strongly correlated to firm-level productivity, with even small improvements in management practices being associated with up to a 5% increase in the growth rate of a business's productivity.

When looking to the future, we shouldn't assume that employer demand is for technical skills over core skills. The World Economic Forum's recent [Future of Jobs Report 2020](#) found that although skills related to data analytics and software development will be important, the top skills which employers see as rising in prominence in the lead up to 2025 include groups such as critical thinking and problem-solving, and skills in self-management such as active learning, resilience, stress tolerance and flexibility.

[Analysis by the OECD](#) also suggests that average labour productivity could be increased by as much as 5% if the level of skills mismatch in the UK was brought into line with OECD best practice levels. [The 2019 Business Barometer](#) report by the Open University found that organisations in the UK are spending £4.4bn a year as a result of skills shortages, as more than two-thirds (68%) of employers struggled to find workers with the right skills.

Addressing skills shortages is vital to address regional disparities. [According to DfE data](#), some LEPs in areas across the country, including Leicester and Leicestershire and Liverpool City Region have the highest density skills gaps (workers lacking full proficiency) - 6.1% and 5.9% respectively, almost twice the levels for London (3.6%).

## PROPOSAL

Coming out of the pandemic, we must invest in the core skills that employers need the most, to ensure that workers are resilient to the rapidly changing labour market and can compete in the jobs of today and the future. This will provide businesses with the skills they need to navigate the opportunities and risks of the post-Covid economy, ensuring that the legacy is a positive correction in long term UK productivity, rather than reinforcement of historic sectoral and regional weaknesses.

To deliver this, CMI wants to see the government incentivise progression by extending support for higher level skills provision all the way up to Level 5, with 'core skills', including digital, communications and management and leadership, embedded in all training provision.

Specifically we would like to see the government:

- Extend the existing Lifetime Skills Guarantee up to Level 5, enabling adults who already have a Level 3 qualification to access critical training at higher levels
- Allocate additional funding to ensure that every course funded through the National Skills Fund also includes a 'bolt on' of high quality core skills training, including digital, communication and management and leadership provision

CMI estimates suggest an additional investment of around £1300 per adult<sup>1</sup> in receipt of training could enable them to receive high quality core skills provision at Levels 4 and 5. This provision would include modular training, assessment and certification - giving adults the core skills needed to thrive in the evolving labour market.

CMI costings suggest an additional investment of around £170m per annum, therefore, funded through a combination of the National Skills Fund and employer contributions, would mean 130,000 adults per year can be trained in the core skills most valued by employers. While the exact employer contribution can be scaled depending on size and type of employer, additional government investment could unlock significant private sector funding and crucially increase the uptake of training by more closely tying this to employer need.

The time lag between launching new training and take-up means Government must act now, to prevent a mismatch between the skills of those out of work or trapped in low paid employment and the skills needs of the jobs that will be created as we emerge from crisis.

We look forward to discussing this proposal in more detail with officials ahead of the March Budget.

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<sup>1</sup> CMI estimates are based on the most recent publicly available data on skills levels from [the Labour Force Survey](#) and the average cost of short course education and training provision at L4 and L5:

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