

Post-pandemic economic growth: Industrial Strategy

CMI evidence submission to BEIS Select Committee

EXECUTIVE SUMMARY

1. The COVID-19 pandemic has had a significant impact on the UK economy, which has now entered a recession.
2. The Government's Industrial Strategy needs a renewed focus on skills investment if we are to bolster growth and prevent further widening of regional divides in productivity. Helping people get back into work and to progress in their professions will be essential.
3. Professional bodies such as CMI can help in this endeavour by connecting learners, employers and education providers with opportunities to upskill and retrain.
4. One of the key challenges for productivity is a lack of management capability. Investing in management and leadership development represents a substantial opportunity to boost productivity in the UK.
5. Widening access to management and leadership development is essential. Despite the need to upskill and retrain - at all levels - adult participation in training remains low and there is reason to expect employers will not, on their own, invest in training beyond the pandemic.
6. Government support must look to broaden access to this training and boost take up in a post-Covid world by creating incentives for employers to invest in training and progress people up the levels.
7. In measuring success we should look at qualitative and quantitative returns in addition to GDP. The impact on progression, business intentions on skills, training and labour mobility are important measures for the health, productivity and flexibility of the labour market.

INTRODUCTION TO CMI

8. The Chartered Management Institute (CMI) is the only Chartered professional body in the UK for management and leadership. We work with nearly 600 education providers - from universities and colleges, to employers and private training providers - and have 132,000 members including aspiring and practicing managers across all sectors, regions, industries and levels and seniority.
9. The link between management and productivity is [well documented](#):

“Britain’s relatively poor recent record in productivity is not uniform. We have some of the world’s most productive businesses, but research shows that we have an unusually ‘long tail’ of underperforming businesses, pulling the average down. We are not as good as other countries at spreading the best practice of our top performers. The Bank of England has carried out extensive work to understand the key factors for improvement. One is greater access to management skills. Studies suggest that the average UK manager is less proficient than many overseas competitors, while management skills could account for a quarter of the productivity gap between the UK and the US”.

10. We have focused our response to the consultation on three areas in the Terms of Reference: IS Foundations, IS Support and Measuring Success.

IS FOUNDATIONS

10. **Evidence shows there is a need to retrain and upskill the existing workforce at an unprecedented scale**, to address skills gaps, and boost productivity and opportunity. [A recent government report](#) found that ‘by 2022 the number of people in the workforce aged 50 to State Pension age will have risen to 13.8 million and the number aged 16-49 will have reduced by 700,000 and by 2030, 375 million workers worldwide, around 14% of the global workforce, may need to find new jobs and new careers as automation and [advances in AI transform the world of work](#). This will require retraining and reskilling [on an unprecedented scale](#).
11. **The pandemic makes skilling and retraining needs more acute**. Some industries, sectors and roles will be slow to recover, some may be redundant. Yet only 30% of UK employees received continuous vocational training compared to the EU average of 41% – [and well below other European G7 countries](#). This challenge is most acute within SMEs which have less capacity than larger businesses to invest in skills and retraining.
12. **Improving access to management and leadership training and development should be a priority as we recover from the pandemic**. The ‘People’ chapter in the Industrial Strategy stated that:

We need to narrow disparities between communities in skills and education and remove barriers faced by workers from underrepresented groups in realising their potential. We will ensure that everyone can improve their skills throughout their lives, increasing their earning power and opportunities for better jobs. We will equip citizens for jobs shaped by next generation technology.

13. **Widening access to management and leadership development is important for the levelling up agenda** (with persistent [disparity](#) between the economic productivity of different UK regions) **and to secure well run public services** that are needed to deliver strong social and health outcomes that support populations to be productive.
14. **This has never been more important.** The global pandemic has led to a significant number of managers, perhaps inexperienced, needing to manage teams of people through considerable disruption. But good practice has often been by chance rather than design - we estimate there are at least 2.4m “accidental managers” in the UK - those first time managers who report receiving inadequate or no training at all to prepare for leadership roles.
15. The apprenticeship levy began to change this - widening access to new cohorts of learners and delivering important training to support continual improvement. For example, Director of Medical Education, Jill Ablett, is, with her team, managing one of the biggest challenges Royal Berkshire NHS Trust has ever faced. While nothing could have prepared her for this, being trained in management has helped considerably:
- “Those who are on our management degree apprenticeship programmes have been conspicuous during this challenging time by their willingness to step up and not be afraid to be leaders; to make decisions, adapt and make rapid changes to our services and teams as required by the COVID pandemic”*
16. **Research has shown the productivity gains that access to high quality management development can deliver.** CMI [research](#) found that firms who invest in management and leadership development programmes see on average a 23% increase in organisational performance, and a 32% increase in people performance. The Government’s own [Business Productivity Review](#) stated:
- “Strong leadership and management practices include activity such as setting targets, analysing operations, and monitoring, managing and incentivising performance. These have been shown to be strongly correlated to firm-level productivity”*
17. CMI recently published a [skills paper](#) with a set of whole-system recommendations developed based on our insights, on the most effective way to improve skills through boosting take-up and targeting support where it is needed most. These include:
- a. Accelerating the roll-out of the National Retraining Scheme (NRS), offering a Right to Retrain to anyone who wants it.
 - b. Retaining the employer-led principle for all skills policy interventions, to ensure a close link between training and employment.
 - c. Utilising the tax system to incentivise employers to invest in training.
 - d. Making greater use of bite-size courses and modular learning, to meet employer demand for greater flexibility to fit their needs.
 - e. Boosting apprenticeship take-up by supporting employers, especially SMEs, with the initial non-training costs of employing an apprentice with incentive payments and grants targeted up-front, where employers need it most.

- f. Linking ongoing government support for job retention with retraining and skills.

IS SUPPORT

19. **Skills investment will be imperative as the UK attempts to recover from the recession.** From a poll of our manager members, CMI found that 96% felt that the skills level in the labour market was important in driving productivity in business both across the UK and in their region.¹ In another recent CMI poll the majority of managers said that staff training continues to be a business priority for their organisation - even after Covid 19 - however investment in training is not increasing. For 2021/22 49% said their staff training budget would remain the same with 20% saying it will decrease.² This is a concern especially as we have already seen [apprenticeship starts fall](#) by 40% as reported in August 2020 compared to the same period in 2019.
20. **Our recently published [skills paper](#) highlighted the significant adult retraining and lifelong learning challenge in the UK**, which existed even before the pandemic. Only 30% of UK employees receive continuous vocational training compared to the EU average of 41% – and well below other European G7 countries.
21. **The Social Mobility Commission also 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), half (49%) of adults from the lowest socioeconomic groups have received no training since leaving school.
22. **It is critical the government supports systematic interventions for upskilling and reskilling.** The apprenticeship levy and the quality reforms in 2017 were significant because they made, for the first time, high quality management training accessible through an apprenticeship. Take-up for management degree apprenticeships is more diverse than typical business school intakes. Half of those studying on a Chartered Manager (CMDA) and Senior Leader Degree Apprenticeship (SLMDA) are women and at least 40% currently studying on the SLMDA are located in 'left behind areas' - the four regions of England ONS identify as having the lowest levels of productivity.
23. To ensure upskilling and retraining is sustainably financed we should learn from the principles of the apprenticeship system. **To secure employer buy-in, incentive payments should be delivered to employers through a co-investment training pot, such as an employer's apprenticeship levy pot.** Payments can be made into this pot as a rebate for an employer's contribution, depending on training outcomes. This will ensure funding is targeted at the most effective and engaged employers, incentivising them to improve completion rates

MEASURING SUCCESS

24. **We need to look at measures of success beyond GDP.** New challenges - especially the pandemic but also linked to Brexit and wider international uncertainty as well as the proliferation of technology - demand that we use additional qualitative and quantitative measures.
25. **Success measures should include increased career progression (both in wages and responsibility), increased participation in skills and training, increased labour mobility and**

business intentions in terms of skills development. These are good proxies to measure the health, productivity and flexibility of the labour market.

26. CMI has collected and continues to collect data on the impact of our professional qualifications and training:

- a. An independent report by Oxford Economics for the CMI in 2019 found that Chartered Manager accreditation has a [significant impact](#) on individuals, business revenue and the UK economy:
 - i. On individuals: The average boost to pay for managers receiving a pay rise was £13,000;
 - ii. On businesses' revenue: Those Chartered Managers that do receive a pay rise help to create an estimated boost to their firm's revenue of £62,000; and,
 - iii. On the UK economy: Becoming Chartered also has a positive effect on the UK economy. We estimate that Chartered Managers who do receive a pay rise contribute an additional £22,400 in gross value added (GVA) to the economy, on average.
- b. A survey of over 2,200 CMI apprentices in 2020 also found that 91% of apprentices agreed that their apprenticeship was or is helping them to develop the skills they need to be more productive at work.³ The same survey also found that 88% of apprentices agreed that their apprenticeship was or is giving them better career prospects, and that 74% of apprentices agreed that their apprenticeship was or is giving them the skills they need to achieve promotion in their current role.

27. Whilst the immediate challenge is to keep people in employment, and create good quality jobs, there is also an opportunity to build 'good work' into our recovery efforts from the beginning.

One way to do this is through incentivising employers to develop their management and leadership capabilities and create progression routes to ever higher skills levels for their employees - to support productivity and social mobility in a way that is sustainable in the long term.

28. We should also make use of existing networks (e.g. universities, FE, chambers of commerce). Professional bodies already work with these networks and deliver a kitemark of quality that is valued by employers. They can ensure good coverage of provision that is high quality and have the ability to develop and adapt their provision to changing needs quickly and effectively.

ENDNOTES

¹ CMI (2020) Survey results from a poll of 442 practicing manager members of CMI, conducted between 30th June and 3rd July 2020.

² CMI (2020) Survey results from 914 practicing manager members of CMI, conducted between 10th-31st August 2020.

³ CMI (2020) Survey results from 2,291 CMI management apprentices conducted between 6th and 27th January 2020