

Spring Budget 2023

Executive Summary

- [On 4 January 2023](#), Prime Minister Rishi Sunak MP set out his five key priorities for the year. As explored in this submission, investing in the UK's management capability sits at the heart of two of those challenges: creating better-paid jobs and opportunity, and cutting NHS waiting lists.
- Chancellor Jeremy Hunt MP's [recent speech at Bloomberg](#) set out his approach to growth, via the four 'Es' of Enterprise, Education, Employment and Everywhere. Again, management skills are vital here: better managed firms are more productive; a high skill economy requires investment in the skills that employers say they need, time and time again identified as management skills; better managers create inclusive cultures where everyone can find purposeful employment, regardless of background; and, management skills are required everywhere, providing high quality careers in every corner of the UK.
- Management and leadership capability is positively correlated to [better organisational productivity](#), [resilience](#), [innovation](#) and [economic forecasting](#). When applied to the Prime Minister's pledges, these skills can lead to progression and pay rises for an individual, and better patient outcomes in the health service.
- Developing management skills can lead to significant pay rises. Recent CMI research found apprentices in the private sector received on average a 17 per cent pay increase of nearly £7,000 through their management apprenticeship. Managers who accredit their skills through the Chartered Manager award can expect on average to see [a £13k pay rise](#) as a result of becoming Chartered.
- Managers in the public sector, and particularly the NHS, will be increasingly important to the success of public services. [Evidence](#) shows that managers have a positive effect on hospital performance - across efficiency, infection control and patient experience. Suggestions that NHS managers should be cut to fund more frontline care staff should be strongly resisted.
- **Given the significant challenges we face in delivering economic growth, sustainable public services, and innovative approaches to generational challenges like Net Zero, we are calling on HM Treasury to undertake an assessment of the UK's management capability:**
 - **Systematic Review of UK Management Needs.** This review would seek to understand the role that managers will be required to play in the next decade against national missions such as public sector transformation and Net Zero. It should report on availability of these skills and on domestic efforts to invest in professional management skills. It should also include a comparative aspect, to identify the policies that other governments have successfully implemented to improve the quality of leadership in their respective countries, and recommend those that the UK should seek to emulate.
- Apprenticeships are one of the primary routes for developing management & leadership skills. At Spring Budget 2023, **we are asking for HM Treasury to prioritise the following reforms to the Apprenticeship programme:**
 - **Deliver Clarity and Transparency.** The Government should define an 'English Model of Apprenticeships' and enshrine it in law. It should be standards-based, accessible to all ages at all levels, employer-led, and Levy-supported, with clear definitions around the purpose and evaluation criteria (and reporting) for

apprenticeships policy: productivity, improved public services and social mobility.

- **Introduce an Apprenticeships Opportunity Fund. The Government should create a ring-fenced budget - funded by Levy transfer, expired Levy funds, an additional charge on large employers or a grant from government - to improve much needed support for under-served groups/ businesses to access and progress through apprenticeships.**
- **Widen the scope of the system. The Government should consult on widening the Levy at a lower rate for more employers from 2025, to be introduced alongside wrap-around advice and guidance and/or wage subsidies. The Government should also introduce auto enrolment on the Apprenticeship Service for all registered companies with employees listed on Companies House, with regular communications on apprenticeships sent via HMRC. This should be a medium-term aspiration for the programme.**

About CMI

- CMI is the professional body for managers. Across the UK and in every sector, we work with business and educators to develop more skilled, confident and successful managers and leaders. We have a membership community of over 180,000 aspiring and practising managers and more than 120,000 people are currently studying on one of our management and leadership programmes.
- We work with nearly 850 partners to deliver our qualifications, including 150 universities and 500 Further Education colleges, independent training providers and employers. Backed by a Royal Charter, CMI is the only organisation able to award 'Chartered Manager' status.

Introduction

1. It is widely understood that management and leadership skills are central to a strong economy - through driving growth and boosting productivity. [ONS notes](#) that good management practices are positively related to improved productivity, profitability and turnover.
2. Yet despite some positive progress, the UK's managers remain largely under prepared for the challenges we face ahead. CMI's analysis of Labour Force Survey data finds there are 8.1 million managers in a UK working population of 32 million. That means that 1 in 4 working people are managers. The majority of these will be 'accidental managers', managers who have not received proper support and guidance from their employer to develop the skills required to lead in an effective manner. 69 per cent of UK managers work in SMEs (5.2m) compared to 31 per cent in large organisations (2.4m).
3. Management skills are still often perceived as 'nice to have' and of limited value. Yet management is a definable range of skills and mindsets that have an impact on business and public service outcomes. They can be learned and applied as part of professional development and should be based on clear standards. In this sense, they are an important category of skills, with a high impact on other technical skills and on organisations, and they are specific rather than, as is sometimes labelled, 'generic'.
4. The UK's productivity-boosting management capability is held back by two things: by a lack of demand for development from accidental managers, [who are more likely to overestimate](#) their own management competencies because they have not developed these skills; and a skills system which SMEs too often struggle to engage with. Management apprenticeships and the

Help to Grow: Management scheme are examples of positive, proactive approaches which are beginning to address the UK's management capability, but there is much more to do. Addressing this national skills gap will require the Government to approach management and leadership skills as a public policy priority.

Management Skills in difficult economic times

5. Management skills are never more important than during moments of economic difficulty. The [ONS](#) found that better-managed firms maintained their productivity advantage over their rivals even during the most difficult moments of the pandemic. Just as we saw during the pandemic, the investment in these skills will be critical for businesses to navigate the volatile economic future.
6. Research from the [National Bureau of Economic Research](#) found that better managed firms make more accurate micro and macro forecasts, even after controlling for their size, age, industry and many other factors. Furthermore, the authors found that better managed firms appear aware that their forecasts are more accurate, resulting in lower uncertainty decision making. These findings led the authors to suggest that one reason for the superior performance of better managed firms is that they knowingly make more accurate forecasts, enabling them to make superior operational and strategic choices.
7. Management skills are also a catalyst for wider innovation. The [LSE has previously found](#) when information and communication technology is adopted with good management practices, it achieves a 20 per cent productivity improvement compared with just a 2 per cent uplift when adopted with poor practices.
8. Management skills appear to become self-reinforcing. [CMI research](#) found that 97% of management apprentices say their apprenticeship has increased their commitment to improving the training and development of their direct reports. Managers who see the value in upskilling their direct reports, who then in turn develop this commitment and share it with their direct reports, are contributing to a shift in the UK's culture around workplace training and upskilling which should be celebrated.
9. It follows that the Government should be looking to support UK organisations to develop their management to support resilience, innovation and strategic decision making in UK businesses.

Creating Better Paid Jobs and Opportunity

10. Creating better paid jobs relies on developing skills within the workforce that employers value. Our [Work Ready Graduates](#) research highlighted that nearly 80 per cent of employers believe graduates aren't work-ready on entering the employment market - and that only 27 per cent of students confidently demonstrate the 11 skills we identified as being key to boosting graduate employability.
11. CMI's qualifications focus on developing these particular skills to help learners secure employment, and the results speak for themselves. Using data from the Graduate Outcomes survey we found nearly two-thirds (64 per cent) of graduates with CMI accredited degrees were in highly skilled roles 15 months after graduating, compared to 57 per cent of graduates with non-accredited business degrees. Graduates on CMI-accredited courses enjoyed an average 8 per cent boost in terms of their salaries 15 months after graduation, equating to an additional £2,000 compared to those on non-accredited business courses.
12. Our research shows how access to management and leadership skills help managers add value to their businesses and the economy, driving revenue for pay rises and progression.

[Our latest research](#) found apprentices in the private sector received on average a 17 per cent pay increase of nearly £7,000 through their management apprenticeship. Managers who accredit their skills through the Chartered Manager award can expect on average to see [a £13k pay rise](#) as a result of becoming Chartered.

13. It is important to remember that managers are required in every town and city across the country, as demonstrated that 1 in 4 UK workers have management responsibilities within their current role. Providing opportunities to invest in these skills means a young worker doesn't have to live near a technology or growth sector hub to secure a high-paying, high-quality role. CMI's 180,000 members, including practising and aspiring managers, are spread widely across all of the UK and sectors of the economy, as well as the public and private sectors.
14. The opportunity that management skills are providing for people from lower socio-economic backgrounds is demonstrated by [our latest research](#). Our analysis shows 41 per cent of Chartered Manager Degree Apprentices (CMDA) and 32 per cent of Senior Leader Master's Degree Apprentices (SLMDA) were from lower socioeconomic backgrounds, compared to 36 per cent in the UK labour force as a whole and 27 per cent in higher education, according to Higher Education Statistics Agency (HESA) data. We also see that 78 per cent of CMDA and 63 per cent of SLMDA come from families where neither parent went to university.
15. The ability to offer opportunities and better paid jobs relies on organisations growing and meeting their objectives, and we are seeing tangible examples of management training supporting this. In one case study, a management apprentice for Broadley Speaking generated over £200k additional revenue for the business through their activity across two years, whilst another apprentice helped their business, Diamond Hard Surfaces, grow by 60% in 2020-21 thanks to new ways of exporting they identified.
16. LSIPs and the devolution of skills policy provides an opportunity for local partnerships to focus on the skills that local employers need (DfE's 2019 [Employer Skills Survey](#) identified a lack of management and leadership skills reported by employers as a factor in three-fifths (57%) of skills gaps.) That said, as the Government focuses on the implementation of a more local skills policy, it shouldn't overlook the national need for better management and leadership, and its responsibility to provide these skills. Whilst better managed firms recognise the need to invest in their management capability, the opposite is true of firms lacking that capability. The Government should ensure that high-quality management and leadership training is available in every area of the UK.
17. The Government should also do more to improve awareness from business leaders and workers themselves about the upskilling routes available to them, and the growth and employment outcomes that are linked to training.
18. Management and Leadership qualifications and accreditation are already delivering better paid jobs and opportunities across the country. The Government should renew efforts to encourage upskilling in management skills, either through the Help to Grow: Management scheme, the apprenticeship programme or through incentivised training undertaken by the individual.

Future of Public Services

19. The UK's public services face a difficult future of increased demand and strained investment. The NHS in particular needs to simultaneously modernise and deliver an efficient service which better meets patient needs. CMI believes that boosting the public sector's management capability is key to the public sector transformation we need to see. Better managers would

deliver more efficient, productive services through the adoption of technology and innovative working practices, whilst also improving working conditions leading to a positive effect on recruitment and retention. Driving other reforms ahead without developing management and leadership capability is likely to limit the return on this investment.

20. The suggestion that the NHS has too many managers, and that they could be reduced to free up budget for frontline care should be staunchly resisted by the Government. [A 2019 project by the University of Bristol](#) compared the proportion of managers across a number of trusts. The results showed that, across all trusts, having a higher proportion of managers had a statistically significant positive impact on performance - hospital efficiency, patient experience, and hospital infection rates. Even a small increase in managers, from 2 per cent to 3 per cent of the workforce, led to a 5 per cent improvement in hospital efficiency and a 15 per cent reduction in infection rates.
21. Patricia Hewitt, who is Chair of Norfolk and Waveney Integrated Care Board and was recently commissioned by the Government to review local NHS power shares, also challenged the idea that the NHS has a surfeit of managers in [a recent Health Service Journal interview](#): “All the OECD figures I’ve seen suggest that actually the NHS has a low ratio of managers to frontline staff. Significantly lower than many roughly comparable countries including France and Germany.”
22. She went on to underline the role of operational managers in improving elective productivity, by “making sure the right staff are in the right place so that you can do the maximum number of procedures in an operating session that it is safe to do, instead of significantly less, which is what’s happening at the moment for various reasons”.
23. Furthermore, to become future-ready, the NHS will have to implement technology. Again, the [LSE’s research](#) on tech adoption achieving greater productivity improvements when paired with good management is important here. (20 per cent vs 2 per cent)
24. The challenging national situation by public sector organisations presents difficult-to-solve workforce challenges. High pressure working environments and stretched budgets can create poor working cultures, as demonstrated by the [2021 NHS Staff Survey](#):

“There was a small fall in rates of bullying from managers falling from 12.4 to 11.6 per cent. Levels of bullying from colleagues remained stable at 18.7 per cent as did reporting rates at 48 per cent.
25. Professional managers who have been trained in modern, structured practices are better equipped to deal with bullying and discrimination, and to create inclusive environments. This has a clear impact on recruitment and retention. CMI believes inclusion is the responsibility of every single manager and leader within the organisation - not just HR or EDI specialists - and this is reflected in the core of our [Professional Standard](#).
26. CMI already works with over 70 NHS Trusts to upskill their managers and the feedback from our partners, and the case studies from the learners themselves, could not be clearer: professional management training can transform a manager’s effectiveness in their role and - by extension - the overall effectiveness of the Trust.
27. The Chartered Manager Degree Apprenticeship programme at the Royal Berkshire NHS Foundation Trust is a great example of the demonstrable impact that investment in management and leadership skills can have on public sector priorities. Embedding this training within the trust saw a significant impact on the provision of care, and was attributed by the CQC as one of the key factors that enabled the Trust to go from being rated as “Requires Improvement” to “Outstanding” by the Care Quality Commission.

28. A deeply harmful misconception about the NHS is the notion that there are 'clinicians' and 'managers' who exist in separation. The most effective clinicians are excellent managers and the best managers understand clinical needs and processes.
29. Dr Deepak Ravindran, Medical Consultant & Level 6 Chartered Manager Degree Apprentice, Royal Berkshire NHS Foundation Trust told us about his experience: "By understanding the needs of patients and stakeholders in different organisations, I've been able to co-author a policy paper, secure funding and people engagement to support those with long Covid. I don't think that outcome would have been possible without my new management and leadership abilities."
30. We were pleased to see the Messenger Review's focus on the quality of managers and leaders within the health system, and we hope to see NHS organisations taking its recommendations forward. We believe that a greater focus on professionally trained managers and the provision of accredited training would not only provide a clear quality assurance measure, but it would also demonstrate a commitment to Continuing Professional Development for NHS staff - a reflective process that sits well within the NHS' culture of continuous learning.
31. Creating a public sector which is both fit for the future and attractive as a career choice won't happen overnight. It will require investment to create modern leaders, able to deliver a productive, inclusive culture which focuses on service-user delivery. Management and leadership is key to this future.

Management and Leadership

- Given the significant challenges we face in delivering economic growth, sustainable public services, and innovative approaches to generational challenges like Net Zero, we are calling on HM Treasury to undertake an assessment of the UK's management capability:
 - **Systematic Review of UK Management Needs. This review would seek to understand the role that managers will be required to play in the next decade against national missions such as public sector transformation and Net Zero. It should report on availability of these skills and on domestic efforts to invest in professional management skills. It should also include a comparative aspect, to identify the policies that other governments have successfully implemented to improve the quality of leadership across the world, and make recommendations for those the UK should emulate.**

Apprenticeships

32. Management Apprenticeships are a British success story. As mentioned above, they demonstrably improve productivity, drive social mobility and deliver skills that are needed right across the economy.
33. The government should be commended for protecting investment in higher level skills, and apprenticeships as a route for older workers to reskill alongside young people. The focus on simplifying the system and removing barriers to SME engagement is the right one, and chime with our recommendations for Levy reform, below.
34. We are cautious about the prospect of increasing flexibility within the levy which could have the unintended consequence of reducing apprenticeship opportunities if it diverts funding from apprenticeships to other forms of training.
35. CMI is not convinced by the arguments made by the CBI that increasing flexibility within the

levy will release businesses to unleash a wave of investment in skills. Past experience does not support this claim. And CBI [research](#) shows over one third of levy-paying businesses (36%) said that the levy has increased their overall investment in training, and 50% say their overall spending on training has remained the same. Likewise, 19% of levy-payers say the levy has increased their investment in non-apprenticeship training, and 60% say non-apprenticeship training investment has remained the same. These findings don't paint a picture of business investment held back by the levy.

36. The Government's priority should be twofold: to address the market failure around employer engagement with the market, and to ensure that investment can be directed towards the high quality courses which deliver the economic impact and return on investment required by business and the wider economy.
37. Whilst innovations in modular and short courses are exciting given their potential to further widen access to high quality training, there are a number of barriers to their widespread take-up: quality assurance, portability, and expiration of learning. Solving these problems and creating a robust, quality-led system which employers trust and understand (like the Apprenticeship project) should be another focus of HM Treasury's skills agenda in the coming years.

Our Asks

38. In November 2022, we published [The Future of the Apprenticeship Levy](#). We noted that there have been calls for apprenticeships to be limited to certain skills levels, or for the Apprenticeship Levy to be diluted into a general skills levy. These changes would dilute the impact of apprenticeships and unpick the gains that are being made.
39. The Apprenticeship Levy is not the main barrier to the take-up of apprenticeships. Instead we identified:
 - a. Capacity constraints - funding but also administrative time, for both large and small businesses (although this is more acute in SMEs).
 - b. Lack of information, advice and guidance for businesses and individuals - and a complex application process
 - c. The risk involved - for employers and education providers - in taking on those less ready for work or learning and/ or needing additional support, given their increased needs and chance of drop out.
40. Restricting employer choice on apprentice level or occupation would not directly address these challenges. It could in fact damage some of the progress that has been made to embed high-quality training, to provide progression opportunities, and to improve much needed skilled capacity in the public and private sectors.
41. As such, we concluded with three recommendations:
 - a. **Clarity and Transparency.** The Government should define an 'English Model of Apprenticeships' and enshrine it in law. It should be standards-based, accessible to all ages at all levels, employer-led, and Levy-supported, with clear definitions around the purpose and evaluation criteria (and reporting) for apprenticeships policy: productivity, improved public services and social mobility.
 - b. **Introduce an Apprenticeships Opportunity Fund.** The Government should create a ring-fenced budget - funded by Levy transfer, expired Levy funds, an additional

charge on large employers or a grant from government - to improve much needed support for under-served groups/businesses to access and progress through apprenticeships.

- c. **Widen the scope of the system.** The Government should consult on widening the Levy at a lower rate for more employers from 2025, to be introduced alongside wrap-around advice and guidance and/or wage subsidies. Government should also introduce auto enrolment on the Apprenticeship Service for all registered companies with employees listed on Companies House with regular communications on apprenticeships sent via HMRC. This should be a medium-term aspiration for the programme.

- 42. In delivering these recommendations, the Government would be investing in the management and leadership skills which will be vital to delivering the Prime Minister's pledges and delivering a more productive UK.
- 43. Furthermore, we note the Chancellor's comments at [his recent Bloomberg speech](#) about exploring whether shorter apprenticeships could be used to help older workers retrain and return to the workforce. We believe this initiative is worth exploring. In the case of management apprenticeships, we know that they improve productivity and help the learner progress and secure pay rises. We would welcome the opportunity to discuss this proposal with HM Treasury and set out how we suggest it could be made to work.