

About the Chartered Management Institute (CMI)

- CMI is the chartered professional body for managers. Across the UK and we work with the public sector, businesses across industries and educators to develop more skilled, confident and successful managers and leaders. We have a membership community of over 200,000 aspiring and practising managers and more than 150,000 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.

Executive Summary

CMI's budget representation covers **growth and productivity, public services and the labour market** (including skills and supporting employment).

This submission discusses why the UK needs improved management skills to drive growth and productivity. It outlines how skilled management and leadership is critical to delivering effective and productive public services, and examines the strengths of the current apprenticeship levy, highlighting where there is a need for increased flexibility. We reiterate CMI's support for the Civil Service People Plan 2024-2027 published in January 2024 that details the need for improved management and leadership training for civil servants.

It outlines our core **policy suggestions**:

- (1) the improvement of public services,
- (2) to defend what is working,
- (3) to put the right long-term policy processes in place, and,
- (4) a call for a systematic review of UK management needs.

Introduction

1. The UK is facing an urgent requirement for rapid upskilling to meet the needs of the economy and address skills mismatches at all levels. The [Open University's 2023 Business Barometer](#) found 73% of organisations are currently facing skills shortages and these shortages are leading to increased workload, reduced output, reduced long term growth plans and decreased staff morale and wellbeing.
2. It is widely understood that management and leadership skills are central to a strong economy - through **driving growth and boosting productivity**. The [ONS found](#) that the largest positive contributor to productivity growth has been workers with higher-level qualifications.
3. John Van Reenen and Nicholas Bloom of the [World Management Survey](#) suggest that more than half of the productivity gap between the UK and America can be attributed to poor management practice. In the rankings, Britain sits below an elite

group that is headed by America and also includes Japan, Germany, Sweden and Canada.

4. The UK skills gaps, including the significant shortage of skilled managers in our economy, will not be addressed without a concerted, longer term approach to upskilling our workforce at every age and stage of people's working lives. Quality, standards-based training such as management apprenticeships have been shown to deliver significant productivity gains and are playing their part in delivering both high-performing businesses that grow our economy and world-class public services that people can rely on throughout their lives.
5. CMI analysis of Labour Force data shows that 1 in 4 working people in the UK are managers. Yet [our research](#) finds that 82% are 'accidental managers' – those who have entered management roles without the appropriate skills and training to do so effectively.

The UK is crying out for management skills, however, employers continue to underinvest in this area

6. The [DfE's 2019 Employer Skills Survey](#) found that 57% of employers reporting skills gaps had needs in management & leadership. Research from McKinsey for the Industrial Strategy Council estimated that 2.1 million workers will be under-skilled in at least one core management skill (leadership, decision-making or advanced communication) by 2030.
7. Leadership and Management/Business and Commercial Skills features as a priority in 15 LSIPs, the third most in demand after Digital skills and employability/soft skills.
8. The CBI's Education and Skills Survey 2022 found that +44% of businesses identified industry-specific technical knowledge (+50%) leadership and management (+44%) and advanced digital skills (+29%) as their biggest areas for investment over the next five years. However, businesses are least confident about meeting these management-related skills needs (34%) compared with meeting other skills needs.
9. Impact of management apprenticeships is significant. The introduction of a standards-based management apprenticeship system has delivered the biggest boost to the quality of management in a generation and we have barely begun. It helps create greater progression and develops future leaders; it makes a [positive contribution to social mobility and helps to create a more productive economy](#).

A. 41% of Chartered Manager Degree Apprentices (CMDA) and 32% of Senior Leader Master's Degree Apprentices (SLMDA) were from lower socioeconomic backgrounds, compared to 36% in the UK labour force as a whole and 27% in higher education, according to Higher Education Statistics Agency (HESA) data.

B. 78% of CMDA and 63% of SLMDA come from families where neither parents went to university.

Good management and leadership is critical to delivering productive and effective public services

10. [CMI research](#) with the Social Market Foundation (SMF) found the majority of NHS managers (62%) say they face significant management-related challenges which prevent them from doing their job effectively.
11. [Research from the IfS](#) also found that the recently announced NHS workforce plan will only work if productivity is increased by 1.5-2% per annum. The [available academic evidence from the IfG](#) shows management quality is key to increasing productivity.
12. [Evidence](#) from a CMI report with the SMF also reveals that leadership and management can play a central role in improving educational quality. In the UK, however, between 2017-2023, an average 30% of schools and colleges have received a rating of “inadequate” or “requires improvement” for leadership and management, indicating that leadership and management has been lacking for some time.
13. Overall, nearly two fifths (39%) of [survey respondents](#) said leadership quality is one of the three most important factors for success in public sector organisations but one in five rate their senior leadership as ineffective.
14. The quality of management in local administration is also key to delivering thriving places and managing through times of severe fiscal constraint. [Our research](#) with the Social Market Foundation found that inadequate recruitment, poor retention levels, low morale and limited adoption of performance management systems are common across parts of local government.

Apprenticeships

15. Public support for apprenticeships is at an [all time high](#) but there is an opportunity now to improve the apprenticeship levy system for its second decade. There is a general consensus that the levy plays an important role in ensuring funding is available for training - and that it should be improved, rather than fundamentally changed or scrapped. This could be done through a modules based system or a more agile adaptation to the existing system.
16. [CMI data](#) indicates that degree-level management apprenticeships can lead to more than 20% productivity gains, with private sector productivity gains estimated at 27%.
17. In designing the next iteration of the levy system - Levy 2.0, from 2025-2035 - it's important to move beyond the existing debate on input costs and qualifications to focus on what really matters: outputs and impacts.
18. CMI are supportive of greater flexibility within the Apprenticeship Levy system, but also of the apprenticeship gold standard that has secured the confidence of learners,

employers and parents where a young person is making their decision to go into higher or further education. Our full suggestions can be found in our paper [“Towards flexibility and productivity: Apprenticeship Levy 2.0”](#).

19. Challenges of flexibility include:

- a. Less for SMEs: There is a risk that, with more flexibility over what large businesses can spend apprenticeship funds on, the remaining funding to support SMEs to recruit and train apprentices is greatly reduced.
- b. More deadweight: Increased flexibility also risks increasing the chance that employers spend their levy money on training they would have paid for anyway. This ‘deadweight’ is precisely what the original levy was designed to avoid.
- c. Less quality: The current apprenticeship system has been modelled around high quality standards. Increased flexibility should not result in the spending of precious levy funding on lower-quality training that doesn’t meet equivalent quality and assurance standards.
- d. Less additionality: CBI [research](#) shows 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.

20. Apprenticeships are only one part of the UK education and training system; they tend to be very intensive and long term, and as such they will not meet all up- and re-skilling needs. In this space we need to build upon the strong foundations and spread the apprenticeship levy further. We need to enable more apprentices and employers to be onboarded and to support them both through the system.

21. SMEs have reported that they find the process of taking on apprentices hard, citing difficulties coordinating the hire and training, as well as navigating a complex system. A general lack of information, advice and guidance for both businesses and individuals can suppress SME apprentice starts. Introducing restrictions that limit employer choice of apprentice/ apprenticeship will not alleviate the pressures many SMEs face in trying to engage with the apprenticeship system. Instead, CMI has advocated for the introduction of “apprenticeship accelerators” and an “apprenticeship opportunity fund”:

- a. “Apprenticeship accelerators” would take the form of a dedicated administrator/facilitator to support SMEs to attract and onboard apprenticeships - from promoting local opportunities to helping SME leaders through the requisite application forms and processes. The administrator could be based in a local institution that already has engagement with SMEs, for example an existing local authority or growth hub.
- b. The Apprenticeship Opportunity Fund would provide dedicated funding to support the most disadvantaged learners to access and complete

apprenticeships. The fund could deliver interventions including hardship funds, mental health and wellbeing support, and numeracy and literacy training where required. Funding could be provided by Levy transfer, expired Levy funds, or a grant from the government. The employer would receive this money to fund approved interventions.

22. Given the positive economic impact of continual upskilling and reskilling - on individuals, businesses and the wider economy - it makes sense to seek to replicate the successful elements of the apprenticeship model to a wider range of courses and training opportunities.

Our policy suggestions

Policy suggestion

Invest in leadership and management across our public services

23. On the NHS and care, the most important challenge for politicians, policymakers and the NHS is improving poorly performing acute services providers. Leadership and management are key influences on the efficacy of organisations. There is a growing body of evidence showing the importance of both in driving up healthcare outcomes. Therefore, efforts to boost leadership of and the management in these laggard providers will be key to improving them. In the CMI and SMF report [A Picture of Health](#), there are five policy recommendations (p.72-76):
- a. To broaden the CQC’s “well-led” category for inspections so that it includes a detailed review of the management practices, training and the leadership pipelines of the organisations it inspects.
 - b. To establish a set of benchmarks for judging good leadership and management that the CQC can use in their assessment of whether or not an organisation is “well-led”.
 - c. To mandate in-work leadership and management training requirements across the NHS and primary care for managers and leaders.
 - d. To mandate NHS England to establish a compulsory national excellence framework for the minimum in-work leadership and management training requirements.
 - e. To pilot workplace democracy in the NHS in under-performing trusts.
24. The CMI and SMF conducted joint research on the state of education, which found that one in four (26%) of education leaders and managers thought that their senior leadership performed poorly when it came to motivating staff. Our recommendations were as follows:

- a. For improving the quality of leadership and management across England's educational settings: Politicians and policymakers should make the quality of leadership and management across the education sector a priority issue.
- b. Build on the current Teacher Recruitment and Retention Strategy and develop a more comprehensive approach to reducing the numerous barriers to maximising the contribution of leadership and management to organisational success of schools and colleges.
- c. Revamp leadership NPQs and mandate them for all those aspiring to be or already in leadership and management roles in state funded education, and develop them for other parts of the (e.g., higher) education sector.

Policy suggestion

Defend what is working

25. There is a strong need to defend high quality management training. This includes in higher education, apprenticeships and through dedicated programmes such as Help to Grow: Management, which are working to improve much needed skills and productivity.
26. As part of solving the public sector productivity puzzle, the Government should seek to embed management and leadership training for its civil servants. As mentioned in the [Civil Service People Plan 2024-2027](#), CMI is supportive of the “spans and layers”:
 - a. “We will develop a set of externally accredited line management standards that will be embedded across government. These standards will draw on the evidence base of best practice from academic research, professional bodies, across sectors and within government.”
 - b. “We will Improve the productivity and capability of line managers across the Civil Service, by setting externally accredited standards and requirements for line managers with a commitment that 70% of the target cohort of priority line managers will achieve or be working towards accreditation by 2025.”
27. As a charity, CMI would welcome the opportunity to further assist the Civil Service in its development of accredited training standards that deliver long-term impact across the UK's public services.
28. On apprenticeships, our [modelling](#) suggests that Level 5, Level 6 and Level 7 deliver significant productivity gains and improvements to organisational performance. It suggests that apprentices completing now are projected to be contributing almost £700 million a year to the economy. In total, the apprentices trained in 2019 are projected to have added £7bn to the economy by the end of 2029 for a cost of £2bn - this is a 300% return on investment.

Moreover, given that the majority of level 6 and 7 management apprentices are in public services, they are critical for the public service improvement and productivity agenda and, therefore, fiscal sustainability. Contrary to popular myth, CMI data indicate that less than 10% of level 7 apprentices are in FTSE 350 companies.

29. If the economic benefits of apprenticeships are underplayed, there are risks that any reform that dilutes their impact, or even worse, removes the Levy and the £2.5bn (and rising) per year it is contributing to future skills, will carry a very significant economic and fiscal cost. Dilution or abolition of the Levy could leave a yawning £2.5bn black hole in the UK's productivity and growth agenda if significant public resources are not reallocated from other areas.

30. Two case studies that show the successes of Level 5, 6 and 7 apprenticeships:

Level 5 and 6 case study: Chris Walker, CEO & Director, Diamond Hard Surfaces.

Micro manufacturing business, Diamond Hard Surfaces, provides patented coatings that are distributed to blue chip companies in 22 different countries. New ways of operating, identified through the Level 5 & 6 management apprenticeship, resulted in the company growing by 60% in 2020-21 and winning a Queen's Award for Enterprise in International Trade in 2022. [Chris Walker said](#): *"The business is in a better financial position [with our improved cash flow]. As we grow, having a solution [to the import/export process is] more and more important."*

Level 7 case study: Jo Procter, Head of Service, Cambridgeshire & Peterborough Safeguarding Partnership Boards.

Jo found that the CMI Level 7 Senior Leader Apprenticeship (SLA) was a catalyst for delivering transformative change across Peterborough and Cambridgeshire Safeguarding Partnership. Jo works across a range of public sector organisations including Local authorities, police and health, and with her newfound confidence and innovative strategies gained through the apprenticeship, she improved staff satisfaction, reduced attrition, and streamlined processes. This resulted in significant cost savings for the surface. [Jo said](#): *"My experience has been completely transformational. It gave me the confidence and strategic understanding I needed to implement systemic change, with great positive results for staff and organisational outcomes."*

Policy suggestion

Put the right long-term policy processes in place

31. [CMI recently published our Better Managers report](#) that outlined the experiences of more than 4,500 people working across every corner of the UK economy and evidences the importance of good management and, perhaps most importantly, the cost of getting management wrong.

- 82% of managers who enter management positions have not had any formal management and leadership training - they are "accidental managers".

- 52% of managers do not hold any management and leadership qualifications.
- Half of workers who rate their manager as ineffective are planning to leave their organisation in the next 12 months (50% vs 21%), which puts a drain on company resources with regards to staff retention and replacement.
- In some instances, an ineffective manager can be the reason an employee hesitates to report suspected wrongdoing or bad behaviour, effectively stymying a potential whistleblower from alerting senior management to a reputational or financial risk.
- Of the 1 in 5 managers (17%) who said they wanted to raise concerns but didn't, 41% feared they would not get enough support from their superiors. Overall, 35% of managers and 32% of workers say they have left a job because of a negative work culture.

32. **Government and the civil service should lead from the front.** We would like to see an agenda across Whitehall that prioritises skills, high quality management and leadership, to ensure that this is embedded across the entirety of Government policy and its delivery championed by key ministers and officials.

33. We think Government could also drive management and leadership improvements across all public service delivery through:

- Mandating a management and leadership investment strategy for each department
- Appointing a management and leadership ambassador as part of the leadership team in every department
- Make Chartered Status (or other accredited equivalents) a requirement for access to senior Civil Service roles

Policy suggestion

Call for a Systematic Review of UK Management Needs

34. 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.

35. 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.

36. CMI has already begun work in this area given its importance. Our Management & UK 2030 report is due to be published in the coming weeks, and will recommend further detail on the structure of the systematic review. We are happy to share a draft of this report to help inform HM Treasury's work in this area.

Key CMI reports for further reading

- [Better Management Report: Taking responsibility - why UK plc needs better managers](#)
- [Towards Flexibility and Productivity - Apprenticeship Levy 2.0](#)
- [The Future of the Apprenticeship Levy - Raising Productivity and Delivery Economic Growth](#)
- [A picture of health? Examining the state of leadership and management in the healthcare sector](#)
- [Top of the class? Examining the state of leadership and management in education](#)
- [Management and Leadership in Local Government](#)

Upcoming

- Management & UK 2030 (pre-publication draft copy available upon request)