

Autumn Budget 2024

Representation summary

The Chartered Management Institute supports the Chancellor's argument in her 2024 Mais Lecture of the need for the UK to increase its management and leadership capability if it is to achieve meaningful growth.

Government policy and funding choices matter if the UK is to rapidly improve the skills of the managers in businesses, public services and both local and central government. Without stronger managers, productivity growth, public service improvement, better work conditions and the green transition will all be held back.

That's why CMI believes that a clear strategy for closing the management gap with other leading industrial nations is imperative – and we stand ready to work with the new government to make it a reality.

Through a clear commitment to a skills policy rooted in accredited, standards-based training, the new Skills and Growth Levy needs to support the upskilling of UK workers at every age and stage of their working lives, be it through shorter, modular courses, or established degree apprenticeships. The evidence demonstrates that ensuring funding is available for higher level degree apprenticeships, including management apprenticeships, addresses deep-rooted shortages across the economy, delivers productivity gains, and improves social mobility opportunities that reach across the economy and the UK's regions and nations.

Executive Summary

As explored in this submission, investing in the UK's management capability will be integral to delivering on the Government's missions.

CMI has carried out a range of evidence-based work in a bid to present the enduring benefits to the UK economy, the working population and the country's vital public services to be realised through a marked improvement in how UK companies, institutions and government departments are managed.

In the background sits the latest future skills needs analysis from the National Foundation for Education Research¹ which shows that we will need to upgrade to a more highly skilled management workforce in the future. NFER found that the job role category with the largest deficit in essential employment skills is managers, directors and senior directors.

Furthermore, on the current trajectory, approximately a quarter of this group will still have substantial skills deficits in 2035. CMI estimates that this could represent as many as two million managers in the wider economy. This mirrors the under-utilisation of skills amongst those in lower-level occupations. It is not difficult to see a plausible link between insufficient skills levels at the top and inefficient skills utilisation at more junior levels.

Meaningful policy and follow-through action are essential. Consistent policy commitments - such as that to all-ages, all-levels apprenticeships - demonstrates this. We have to protect what's working, make management a greater priority across business and the public sector, and put formal targets for improved management capability into overarching modern industrial policy and public service reform

¹ NFER (2024), Rethinking skills gaps and solutions, Working Paper 4 of The Skills Imperative 2035: Essential skills for tomorrow's workforce.

initiatives. In a tight fiscal environment, a commitment to boosting management is more about focus, momentum and action than any large increase in public investment. In fact, improving management capability will complement any investments the Government is likely to make in public infrastructure and supporting private investment. It is a means of protecting and enhancing return on investment. There are three steps to enabling management skills as part of the Government's missions.

Step 1: Protect what's working.

- Continue to support and grow management apprenticeships, which demonstrably enhance productivity and performance in the public and private sectors, returning 300% on initial investment within the decade.
- Safeguard Help to Grow, which is supporting the performance of thousands of businesses a year and also support proven high quality professional qualifications.
- Ensure that universities across the UK can continue to offer strong and high quality management degrees to both domestic and international students, with their popularity delivering positive economic impacts to local and regional economies, as well as the UK as a whole.

Step 2: Embed management development in critical government strategies.

- Ensure that management skills lie at the heart of economic growth, industrial strategies and the skills that support them.
- Develop a strategy for green management skills across the economy - beyond green industries alone - as an important lever for shifting to greater sustainable consumption and production alongside new requirements for non-financial reporting.
- Building on existing programmes, mandating that central and local government, as well as all public services, have robust management capability standards - such as the new civil service line management capability standards - and training in place. Monitor training, development and performance against this framework, including within procured goods and services.

Step 3: Shift employer and individual behaviour

- National skills strategies should prioritise skills needed to boost economic productivity and public service outcomes and have a clear set of goals around the critical role of management skills in unlocking these goals. As the Growth and Skills Levy is developed, reputable, proven and accredited practical courses, including those provided by Chartered bodies, should be at the heart of any widened scope.
- Key government Departments, new delivery bodies such as Skills England, and devolved administrations should focus on influencing and shifting employer behaviour to invest in critical skills needs. Design-led and behaviour shifting approaches to information and guidance should be pursued to link sources of individual funding for skills development to relevant training opportunities and employment outcomes. This will ensure that individuals and their employers have clarity on how best to invest to develop skills.
- Commit to eliminating gender pay gaps in public services by the end of the Parliament and build on statutory workers' rights to emphasise the level of skilled management that takes them further through a Good Work Task Force or similar.

With 82% of UK managers being promoted into their role without formal training - 'accidental managers' as CMI refers to them - the impact of better management is more relevant than ever. Firms in the top decile of productivity are 20% more likely to engage in formal management training than firms with average productivity.

About CMI

The Chartered Management Institute (CMI) works with business, government and education providers to inspire people to unleash their potential and become skilled, confident and successful managers and leaders. Backed by a unique Royal Charter, CMI is the only organisation allowed to award Chartered Manager status, and Chartered Management Consultant status which sets and maintains the highest standards for the management consulting profession. CMI's thought leadership, research and online resources provide practical insights on critical issues for a membership community of over 220,000 and anyone looking to improve their skills, nurture high-performing teams and help pave the way for the next generation of managers and leaders. We work with over 900 partners across the education sector, including 150 universities and 500 FE colleges, independent training providers and employers; we support 160,000 practising and aspiring managers currently studying one of our qualifications. We don't deliver any courses directly, instead accrediting programmes delivered by our partners. Last year we proudly assessed and accredited over 12,000 apprentices.

Proposals:

Step 1: Protect what's working.

- Public support for apprenticeships is at an all time high and as Skills England determines what the Skills and Growth Levy will look like, there is an opportunity to improve the overall levy system while offering employers a larger degree of flexibility.
- In designing the new levy it is important to move beyond the existing debate on input costs and qualifications to focus on what really matters: outputs and impacts. If these are delivered through standards-based modular courses, it is only through independent assessments and adherence to recognised frameworks that policymakers will be in a position to evaluate those impacts to determine value for money - not just on levy-paying employers, but the wider economy.
- Understanding the return on investment is important in order to make the long term case for addressing the weak points in the UK labour force.
- CMI's Apprenticeship Economic Value Model suggests ROI is currently high: apprentices completing now are estimated to be adding almost £700m to the economy per year and are projected to add £7bn to the economy in total by the end of the decade (for a cost of £2bn); a 300% return on investment.²
- The focus on headline costs is unhelpful because the levy funding model should be about delivering a return on investment. If a course costs £5,000 but the business makes £8,000 as a result of that training, there is a monetary/financial gain to that business, and to the Exchequer.
- And if the benefits accrue to that business, then it is right that they should contribute something towards the training that delivered those benefits. Developing management skills can lead to significant pay rises. CMI research found those apprentices in the private sector who secured pay increases received on average a 17% pay rise of nearly £7,000 through their management apprenticeship.
- Moreover, in a July 2024 survey of apprentices who had completed a Chartered Manager Degree Apprenticeship (CMDA) 71% agreed with the statement that they would not have achieved a degree in their life if the option was not available through an apprenticeship, with just 25% disagreeing.

² [CMI Future of Apprenticeship policy paper 2022](#)

- This confirms earlier CMI research into the social mobility opportunity offered by degree apprenticeships with 71% of management apprentices coming from families where neither parent went to university, signalling that they are supporting social mobility.
- 39% of CMI management apprentices are from a lower socio-economic background (compared to 36% in the UK labour force as a whole and 27% in higher education).
- One third of apprenticeships are degree level and CMI data indicate that management degree-level apprenticeships lead to in excess of 20% productivity gains.
- A [recent report from the Chartered Association of Business Schools](#) reinforced this data. It found that one third of level 6 business and management apprentices come from communities with low higher education participation rates and 97% of business and management apprentices attended state school.
- The report also found that higher level management apprenticeships were providing opportunities to learn for students of all ages - notably young people (under 24s) comprised the largest share of business and management apprentices studying at level 6.
- The behavioural change of skilled managers and the impact they can have in upskilling the UK's future labour force cannot be overlooked in policy decisions around investment in degree level apprenticeships, as 97% of CMI management apprentices said they were more committed to upskilling the people who work for them, helping to ease the UK's long-standing underinvestment in training. UK employers currently spend half of the European average on employee training.
- The Government's Help to Grow: Management has given small business leaders the leadership skills they need to increase profitability, innovation and achieve growth. With 91% of completers recommending the course, it is reaching elusive small to medium sized enterprises and is popular among under-represented demographics with 15% of participants identified as an ethnic minority when only 5% of SME leaders identify as such. 31% of attendees were women, while women only make up 16% of SME owners.³
- The UK's universities are an integral part in the delivery of skilled managers to the workforce. Their ability to attract international students impacts not only the universities and their regional economies, but it also impacts the available graduate talent pool for local businesses. A recent CMI poll of 1,000 UK managers found that new, higher wage requirements for skilled workers and restrictions on graduate visas will adversely impact their organisation's ability to address skills shortages.
 - 1 in 3 managers (31%) using skilled worker visas to hire international students think the new minimum salary rule for skilled worker visas are unaffordable and will increase skills shortages.
 - CMI research found that six in 10 (61%) managers who said their organisation employed international graduates in the past year stated that international graduates bring access to a global talent pool and unique skill sets to their organisation.
 - They also said employing international graduates enhanced exposure to different educational backgrounds and perspectives (68%), diverse problem-solving approaches and critical thinking (60%) and improved representation in the workforce (59%).

³ [Small Business Charter research](#) into Help to Grow

Step 2: Embed management development in critical government strategies.

- The UK's public services cannot deliver to their full potential for taxpayers unless they are well led and managed. CMI believes the Government should adopt a formal management capability framework, such as CMI's professional standard, with clear qualification pathways at all levels.
- Building on existing programmes, mandating that central and local government, as well as all public services, have robust management capability standards - such as the new civil service line management capability standards - and training in place. Monitor training, development and performance against this framework, including within procured goods and services.
- Recent CMI research in partnership with the Social Market Foundation found a clear correlation between well-managed organisations and end results, be they in health care, education or local government services.
- [The CMI report specifically into management in the NHS](#) also challenged the popular myth that compared to the wider economy, the NHS has too many managers. The research highlights that the NHS appears to be under-managed, with analysis revealing that the number of managers in the UK workforce, as a whole, is 6.5 percentage points higher than in the English NHS workforce.
- With data from the Care Quality Commission indicating that around a quarter of hospital trusts need considerable improvement, the study found a demonstrable, positive link between high quality management practices and the quality of healthcare.
- Additional [evidence](#) also 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.
- CMI believes that boosting the public sector's management capability is key to transformation. 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.
- To become future-ready, the NHS will have to implement technology. [LSE's research](#) on tech adoption achieving greater productivity improvements when paired with good management signals the value that skilled management can bring to major reforms (20% vs 2%).
- The Social Market Foundation found similar correlations between concerted efforts to improve management capabilities and performance in [local government](#) and [educational institutions](#) where performance management, recruitment and retention issues were addressed more effectively in organisations that reported effective leadership teams.
- Aside from public service delivery, the Government needs to act as a catalyst for the wider economy to invest in better management skills, and to ensure that it is reflected across the procurement supply chain and beyond.
 - Trade deals need to support the place of UK business in global supply chains. Future trade relations with the EU and other major global economies to allow strong flows of goods, services, people and capital wherever possible will also contribute to the UK's management capability.

- Develop a strategy for green management skills across the economy - beyond green industries alone - as an important lever for shifting to greater sustainable consumption and production alongside new requirements for non-financial reporting.

Step 3: Shift employer and individual behaviour

UK employer investment in training remains low.

The latest comparable data shows that, out of the 30 European countries that took part, the UK ranked 9th⁴ in terms of the percentage of total labour cost enterprises spend on continued vocational training (CVT). In 2015, UK enterprises spent 1.8% of total labour costs on CVT compared to Denmark which spent 2.7% and France and Slovenia which spent 2.5%. In addition, Belgium (2.4%), the Netherlands (2.3%), Ireland (2.2%), Luxembourg (2.1%) and Malta (2.2%) all spend a higher proportion of total labour costs on CVT compared to the UK.

Recent data from the UK⁵ suggests spending has not proportionately increased since 2015.

Even where employers do provide training, the Learning and Work Institute has shown that more than one in 10 only provided basic induction or health and safety training.⁶ The tendency of employers to focus on short-term challenges over longer-term, structural weaknesses is why the apprenticeship levy system was introduced.

The [CMI's Management and the UK 2030 report](#) analysed the country's relative position in management investment alongside other major economies. It found:

- The UK ranks sixth in the world and in the middle group amongst most developed countries according to the World Management Survey, with the USA leading and countries including Japan, Germany, Sweden and Canada outpacing the UK.
- If UK productivity were to continue growing at its current trend, sustaining any sort of improved living standards will be challenging according to the Productivity Institute.
- The UK requires 10% more management job adverts to require high level management skills if it is to close the gap with the world's most productive economies.
- The UK will need to recruit over 120,000 extra managers by 2030.
- Data suggests the UK's health sector is undervaluing skilled managers, in comparison to other sectors.
- In a scenario where UK management capability was made equal to Germany in the coming decades we estimated that the gain to the UK economy would be of significant scale. The estimated gain was in the region of £127 billion.
- Data also suggests the NHS could be facing significant difficulties in hiring skilled managers. The NHS is advertising for each role across, on average, five different recruitment platforms, compared with firms such as Morrisons and Whitbread, which each advertise on average across two platforms.
- Research from the Work Foundation⁷ in partnership with CMI also highlighted the role that skilled managers can play in supporting employees in insecure work, beyond legislative or regulatory changes.

⁴ Eurostat, Cost of CVT courses by type and size class - % of total labour cost of all enterprises.

⁵ GOV.UK (2019) Employer Skills Survey.

⁶ [Learning and Work Institute](#), Naomi Clayton and Stephen Evans (2021), Learning at work: Employer investment in skills

⁷ [Managing Insecurity](#), The Work Foundation report into the role of good management on insecure workers

- The research found that managers are central to delivering a positive work experience. Insecure workers who feel they are treated well at work are 7.5 times more likely to be satisfied with their job.
- The need for skilled managers is borne out in the same report, with one in three (34%) of workers reporting having at least one of their shifts cancelled with less than two days' notice in the past month. Half of workers surveyed (51%) said their mental wellbeing is affected by sudden changes to their work, schedule, or weekly hours.
- The pressures of insecure work are also felt by the managers themselves, with half of managers wanting more predictable hours and one in ten expected to lose their job in the next 12 months.

Ultimately, the UK's growth mission requires a marked shift in employer behaviour when it comes to meeting future skills needs across the economy. Currently, Britain's employers invest only half the EU average investment per worker in training and development. The impact is being felt in retention rates. According to a LinkedIn study, 94% of employees said they would stay with their employer if they invested in their skills development. Better-skilled managers in turn play a greater role in providing their team with the necessary training and skills development as they tend to have a better sense of the skills their team members need to build.

However, changing employer behaviour requires stability and a long-term view of training as an investment and it is here where Government has a strong role to play. Years of multiple government 'growth plans' and a start and stop approach to industrial strategies has left many employers wary of making those investments. Supply-side policies which incentivise investments in skills and training designed to improve productivity and economic growth are long-term projects, and usually do not fit easily within the four-to-five year electoral cycle - a reality that needs to be recognised in policy design.

Conclusion

The CMI stands ready to support the Government's growth agenda through the upskilling of leaders and managers across the UK economy. Following the evidence of ROI for investing in accredited management apprenticeships, of the impact of skilled managers on how our public institutions perform, and of the value for businesses investing in their future leaders will reinforce the need for a consistent and long-term commitment to management training across the economy. With one in four UK employees managing teams, the need for skilled leaders runs across every sector and region and meaningful growth and productivity will be elusive if they are not working to their full potential, supported by their employers and their government.