

This discussion paper outlines the concept of levelling up, the challenges to be overcome in order to 'level up' opportunities in the UK and how skills will play a role in the post-lockdown economic recovery.

WHAT DO WE MEAN BY LEVELLING UP?

Since winning the 2019 General Election the term 'levelling up' has become the Conservative government's political strapline. But what does it actually mean?

Across many measures, the UK suffers from stark regional inequalities. While it is not the only developed economy to do so, it is argued that our regional inequalities are worse than in any other comparable country.¹ Recent GDP growth in London, for example, was significantly higher than many other areas of the UK, particularly in the North West, West Midlands and the North East.² In Wales and Northern Ireland the [ONS](#) finds productivity was 16 to 17% below the UK average, while for many regions in the north of England and the Midlands, productivity was around 7% to 15% below the UK average. In London, productivity was 33% above the UK average.

The levelling up agenda is concerned with how we close these gaps and boost opportunity across all areas and demographics of the UK.³

There is the potential for Covid-19 to further intensify regional divides. For example, parts of the Midlands are particularly exposed to the economic fallout from Covid due to its high concentration of automotive and other transport manufacturing industries, which are likely to face difficulties with social distancing and supply chains. In contrast, those areas with a high concentration of public sector employment or technology businesses are better placed to weather the economic impacts.⁴

THE SKILLS CHALLENGE

“This is the dawn of a new era in which we no longer accept that your life chances...should depend on which part of the country you grow up in. This is the moment when we really begin to unite and level up” [Boris Johnson MP](#) (2020).

Skills gaps are not a new challenge. Research from the [Open University](#) has shown that 91% of organisations in the UK struggled to find workers with the right skills over the preceding 12 months with nearly three quarters of employers (73%) experiencing difficulty hiring for management and leadership positions.

¹ <https://www.ippr.org/files/2019-11/sofn-2019-summary.pdf>

² [ONS](#) cited in

<https://commonslibrary.parliament.uk/insights/levelling-up-how-can-economic-growth-and-prosperity-be-measured-across-uk-regions/>

³ For example, see introduction:

<https://www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020>

⁴ <https://assets.kpmg/content/dam/kpmg/uk/pdf/2020/06/uk-economic-outlook-june.pdf>

But Covid presents a new urgency to addressing these problems, as without a coherent strategy it is likely to exacerbate existing skills challenges. For example, before Covid it was [predicted](#) that by 2030 as much as 14% of the global workforce may need to switch occupational categories due to digitisation, automation and advances in artificial intelligence. As a result of the pandemic we've seen a surge in home working and virtual teams in some areas of the economy and a complete shut down in other areas where business activities could not easily be moved online. Workers and businesses are having to adapt more rapidly than ever before and some are better equipped to do so than others.

We can't ignore the different sectoral, regional and individual effects of Coronavirus. [Analysis](#) has shown that workers in the hardest hit sectors have below-average qualifications, suggesting that the skill-based entry requirements to other sectors may be an obstacle. For example, in 2019, 17% of workers in the hospitality sector had a degree-level qualification, a lower proportion than in any other sector apart from 'transport and storage' and 'agriculture, forestry and fishing'.

Cities such as Crawley, Burnley, Sunderland and Birmingham have had at least [a quarter of their workforce on the Coronavirus Job Retention Scheme](#) and the [Institute for Fiscal Studies](#) found that employers seem to be furloughing their lowest-paid staff. The [Resolution Foundation](#) also finds that the proportion of 18-24 year-old employees who have been furloughed is greater than the average across all ages. In a recent CMI [webinar](#), we heard there is an urgent need to tailor the skills offer to young people.

[McKinsey](#) argues that the broader skills areas of social and emotional skills, digital and cognitive capabilities, and adaptability and resilience will be even more important in a post-Covid world. Just this month (July 2020) 74% of teachers were reported as saying [employability skills are more important than exam results](#) in a post-Covid jobs market. An effective skills ecosystem will play a vital role in helping regions of the UK to recover and thrive in a post-Covid world.

HOW CAN WE ADDRESS THESE CHALLENGES?

The key to addressing skill gaps is to match skills development with employer needs. This is more complex than it sounds. But one of the ways to support better matching is to maintain an employer-led skills system, like that championed through recent apprenticeships policy and the apprenticeship levy.

To sustain skills development we also need to increase the number of government-employer partnerships and private sector investment in lifelong training, [especially in those local areas and sectors with long term and concentrated underinvestment in training and development](#). The recent [announcement](#) that the Government will offer payments to employers to retain staff and to take on apprentices represents an important step to limit the worst effects of Coronavirus in terms of unemployment. Sustaining these opportunities beyond the initial government investment will require continued buy-in and investment from leaders and managers.

Apprenticeships

Apprenticeships are an important vehicle for fostering employer buy-in to skills development, as well as enhancing opportunities for employees and widening the talent pool of recruits.⁵ [Management apprenticeships have been shown to boost productivity](#) and [research](#) has found they can be key for levelling up, with higher apprenticeship training intensity in the north of England compared to the South, and the highest intensity in the North East.⁶

Apprenticeship starts are still relatively low, however, and provision has been impacted by Covid: the

⁵ Universities UK (2019), [The Future of Degree Apprenticeships](#)

⁶ In 2017/18 there were around 20 starts per 1,000 in employment in the North East compared to 7 starts per 1,000 in London.

[Sutton Trust](#) found that as of early April, employers reported just 39% of apprenticeships were continuing as normal, with 36% furloughed and 8% made redundant. Government has made clear it is committed to apprenticeships and investment in this area will hopefully go some way to addressing the drop in numbers, but to expand apprenticeship provision through current funding rules will be expensive for the Exchequer and may not be politically feasible in the long term. Retaining this type of high quality and systematic skills development will be essential to the levelling up agenda and should not be lost.

Retaining local talent

If we are to successfully 'level up' the UK, we need to think about how we can retain talent in local regions. A study by [Grant Thornton](#) showed that only 17% of graduates in the East and West Midlands were planning to stay post-graduation. While [ONS data](#) has shown the regional variation in human capital across the UK, stating that London's per capita figures were 38.1% higher than the UK's average.⁷ The move to remote working for many workers could support levelling up and managers and leaders will have an important role in making this a reality. What will be the impact for example, if managers and leaders choose to follow [Facebook's](#) lead and pay differential salaries according to where workers are based?

Interestingly, in a recent CMI survey we found some similarities in what managers thought needed to be implemented to help retain local talent in their region and nationally for the UK, suggesting there are widespread issues that the Government needs to address.⁸ The top five for local region were:

- Government boosting investment in infrastructure (63%)
- Championing the use of flexible working to support remote opportunities (62%)
- Fully funding apprenticeships for small and medium-sized enterprises (SMEs) (61%)
- Employers having greater ability to influence local skills funding (60%)
- Greater local control over economic funding and priorities (59%)

While for the UK, the top five were:

- Championing the use of flexible working to support remote opportunities (77%)
- Fully funding apprenticeships for SMEs (73%)
- Employer-Government social contract on joint commitment to skilling/ reskilling (72%)
- Targeted management training in organisations most at risk of COVID-19 uncertainty (67%)
- Government boosting investment in infrastructure (67%)

Learning from devolution

Finally, what can we learn from the devolved administrations? The Welsh Government has [stated](#) they will support employers to recruit and prioritise those who are most likely to be economically affected by Covid, such as young people, people from Black, Asian or minority ethnic backgrounds and those with a disability. Northern Ireland's Department for the Economy has [stated](#) they will allocate funding to create online training places for those who have been furloughed or made redundant. While the Scottish Government is considering [recommendations](#) including providing a jobs guarantee with skills strategies in partnership with business and government.

Is further devolution in England needed to help address local challenges? IPPR [argues](#) that the introduction of metro mayors has been a significant step forward, as they provide leadership and add accountability to local authorities. In combination with [Skills Advisory Panels](#) (SAPs), which consist of Local Enterprise Partnerships, chambers of commerce, employer bodies, councils and devolved governments, this could be an effective way to address local skills challenges.⁹

⁷ ONS define human capital as 'the stock of skills, knowledge and experience of an individual or population, which can productively be applied in the economy and is widely referred to as one of the main drivers of economic growth'

⁸ CMI Manager's Voice poll of 442 managers conducted between 30th June and 3rd July 2020

⁹ For further info see: <https://blogs.lse.ac.uk/politicsandpolicy/covid19-skills-economy/>

CALL TO ACTION

We are interested in your thoughts and opinions on the topic of levelling up and what CMI, together with other organisations, can and should be doing to increase opportunity across the UK.

THE ROLE FOR CMI

CMI has over 150,000 members, with more than 30,000 apprentices and established networks with over 600 education and training providers. **What more could we be doing? What are we missing?**

THE ROLE FOR ORGANISATIONS

Is it the responsibility of organisations and managers to support levelling up? **How can they do this? What support is needed? What best practice can we learn from?**

POLICY PROVOCATIONS

Not all of these policy provocations are official CMI policy positions, but are included to stimulate conversation and debate. **Will these be enough to deliver on the levelling up agenda, and what concerns might you have if implemented?**

1. **Make the Apprenticeship Levy more flexible so it can be used for more forms of accredited training to meet business needs** e.g. bitesize courses and modular learning. A small share of large employer contributions could also be used to develop a 'regional skills fund', to meet local need and which can be used to invest in high quality vocational training. In the medium- to long-term the Government should change the Apprenticeship Levy into a 'Skills' Levy.
2. **Implement a training guarantee for the recently announced 'Kickstart Scheme'**. To prevent a 'revolving door' back to unemployment, employers should be required to co-invest in accredited training and demonstrate how they have supported those individuals into ongoing opportunities at the end of any placement under the Kickstart Scheme. The Department for Education should report data capturing the destinations and/or progression of those on the Kickstart Scheme to inform ongoing policy development based on what works.
3. **Introduce a 'Right to Retrain' as a part of the National Retraining Scheme** and using funds from the National Skills Fund. The scheme should be focused on the immediate threat of place and sector-based job losses, and include a job matching service linking potential workers to sectors or technologies that have emerged as viable now and in the longer term.
4. **Continue to champion and expand degree apprenticeships alongside bitesize training.** The degree adds value by professionalising a job role and raising performance standards for the occupation.
5. **Ensure critical management and leadership capability** by requiring businesses to invest in the management and leadership skills of their workforce through accredited training.
6. **Extend devolution of skills policy in England.** This should include introducing metro mayors to more cities in England and - through SAPs - developing better links between employer bodies and devolved governments in these regions. Leveraging the regional networks of professional bodies such as CMI can help to achieve this.

PRACTICAL EXAMPLES

We are looking to develop an evidence base of organisations that have taken active steps to contribute to the levelling up agenda. Please get in touch at editorial@managers.org.uk if you have a story or example you would like to share.