

Chartered Management Institute (CMI) 2020 Budget Submission

CMI evidence submission to HMT on management degree apprenticeships.

EXECUTIVE SUMMARY

Since the financial crisis, UK productivity growth has flatlined. Inadequate leadership and management skills, particularly within SMEs, are a key driver of this gap. Chartered Management Institute (CMI) estimate there are at least 2.4m managers who report receiving inadequate training to prepare for leadership roles.

Ahead of Spring Budget and the Spending Review, this submission from the CMI sets out:

1. Evidence to support more investment in leadership and management training to increase UK productivity and help 'level up' the regions.
2. The role of Management degree apprenticeships (MDAs) in providing high quality management training routes and promoting social mobility.
3. Recommendations to support high-quality apprenticeships promoting leadership and management skills:
 - a. **Improving clarity and providing policy stability for all participants – apprentices, employers and providers.** The Levy is just starting to be understood by business and we are seeing a broader range of employers engaging with the apprenticeship programme than ever before. A period of stability is required to ensure the system can continue to embed and evolve.
 - b. **The levy must remain employer-led.** If employers' choice is too constrained, through narrow eligibility criteria, employers may instead write the levy off as a tax, as happened in the first year of the levy, with risks to quality of provision and connection to the needs of the labour market and employers.
 - c. **Reducing bureaucracy in the system.** Guidance for employers and providers runs to hundreds of pages, with eligibility rules spread over multiple documents. SMEs understandably find this hard to navigate. Training providers estimate that at least 25% of the cost of delivering an apprenticeship through the levy goes on regulatory compliance rather than training.

INTRODUCTION TO CMI

1. The Chartered Management Institute (CMI) works with businesses and education providers to train workers in leadership and management. CMI has more than 80,000 people currently in training through a CMI accredited course across our close to 600 UK and international partners.

2. Backed by Royal Charter, the CMI is the only organisation able to award Chartered Manager status. We have a range of further and higher education [partners](#) across the country including Dudley College, the University of Huddersfield and University of Birmingham. We also work with private and employer training providers such as Pearson and Veolia.
3. CMI has engaged with the apprenticeship programme from its inception. We helped set the standards for management apprenticeships through the Management Apprenticeships Trailblazer Group - a 40-strong employer-led group including Barclays, the BBC, the Civil Service, Sainsbury's and Serco – and have created a high quality set of management apprenticeships across the levels. This comprises a L3 Team Leader Apprenticeship, L5 Operations Manager Apprenticeship, L6 Chartered Manager Degree Apprenticeship and L7 Senior Leader Master's Degree Apprenticeship for executive and C-suite development.
4. These degree and master's level apprenticeships are providing learners with new routes into management careers, and are offered by an increasing number of universities. CMI's apprenticeship schemes help to promote diversity in management: 49% of the CMI's apprentices are women, and 46% come from the UK's more deprived areas.¹

THE UK'S PRODUCTIVITY AND MANAGEMENT CHALLENGE

5. UK overall productivity – persistently low since the financial crisis – is, in large part, determined by firm level productivity. Although the UK has many world-leading businesses, it has a long tail of poorly managed and unproductive organisations, with significant untapped potential – particularly SMEs². Given the greater preponderance of SMEs outside cities, addressing SME productivity has an important role to play in 'levelling up' up the regions, and spreading opportunity across the country.
6. Strong leadership and management practices, including effective monitoring, setting targets, incentivising performance and continuous improvement of operations, are strongly correlated to firm-level productivity³.
7. However, many businesses cite management and leadership capability as specific skills shortages. The Bank of England has attributed this lack of management quality as an explanation for the UK's poor productivity⁴. In global comparisons, the UK is ranked well behind countries such as the US, Japan and Germany⁵, and in ONS surveys of management skills, foreign-owned firms score higher than domestic-owned firms⁶. Research cited by HM Treasury in a productivity review estimated that one-quarter of the productivity gap between the UK and US is associated with these capabilities.⁷
8. There is a significant adult retraining and lifelong learning challenge. In 2015 only 30% of UK employees received continuous vocational training compared to the EU average of 41% – and well below other European G7 countries. The 2015 Adult Participation in Learning Survey found that almost half of people from the lowest social grades had not undertaken any learning since they left school.
9. CMI's own research estimated that there were around 2.4m "accidental managers" - managers who report receiving inadequate training to prepare for leadership roles⁸.
10. Investment in leadership and management is vital to close skills gaps and address the productivity challenge – particularly among UK SMEs which perform particularly poorly within the G7 on people management – the factor most correlated to productivity.⁹

VALUE OF CHARTERED MANAGER QUALIFICATION AND MANAGEMENT DEGREE APPRENTICESHIPS

11. Attaining Chartered Manager accreditation, the ultimate accolade in the management profession, has a significant impact on individuals, business revenue and the UK economy. An independent report by Oxford Economics for the CMI found that nearly a quarter of Chartered Managers report receiving a pay rise following their Charter, with average pay rises of around £13,000¹⁰. The report also found that those who receive a pay rise help to create an estimated boost to their firm's revenue of £62,000, and £310,000 in net present value terms over the average five years that they remain in their roles¹¹.
12. Becoming Chartered also boosts future employability. Analysis of DHLE data¹² suggests that a degree course accredited by CMI provides a 10% employability boost over a non-accredited business course.
13. Our research suggests 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 performance¹³.

THE IMPORTANCE OF THE APPRENTICESHIP LEVY TO SUPPORT MANAGEMENT

14. The introduction of the apprenticeship levy and 2017 apprenticeships reforms designed to improve the quality of training are successfully delivering more investment by firms in high level qualifications. In the most recent academic year, 2018/19, there were just over 6000 starts on MDAs: this is 46% of total DA starts (13,400)¹⁴. This has grown significantly from around 2,900 starts on MDAs in 2017/18¹⁵.
15. CMI accredited MDAs including the Chartered Manager Degree Apprenticeship (L6) and Senior Leaders Master's Degree Apprenticeship (L7) align with objectives for courses that are flexible, employer designed, of longer average duration, with more off-the-job training and proper assessment upon completion. Universities UK stated that Chartered Manager is one of the top five degree apprenticeship standards¹⁶.
16. Providers tell us that levy reforms have harnessed investment in training courses by employers who have never come to them before. For example, Manchester Metropolitan University now works with over 300 employers, from the NHS to small social enterprises; prior to the introduction of degree apprenticeships they worked with one employer. Those on their Senior Leader Master's Degree Apprenticeships programme tend not to be senior leaders within big corporates but instead come from a wide range of roles and business areas.
17. At the University of Exeter, new partners joining the programme include a government regulatory body, engineering firms, and a family-run farming and retail business, as well as NHS trusts and private businesses.
18. The diversity of these cohorts is important for participants; they get to benchmark and exchange best practice with their peers in other organisations and sectors. It is also important for diversifying the leadership pipeline of organisations where progress, as the Parker Review¹⁷ highlighted this week, is still too slow.
19. A representative survey of our overall apprentice population found that CMI apprenticeships are giving people management and leadership exposure and opportunities for promotion that they may not have had.

Of apprentices who had completed their End Point Assessment (EPA), nearly 6 in 10 reported managing or supervising staff prior to their apprenticeship, whereas just over 8 in 10 reported this in their post apprenticeship role.

IMPACT OF MDAs AND POLICY RECOMMENDATIONS AHEAD OF BUDGET AND SPENDING REVIEW

20. Vocational training policy has been plagued by instability in comparison to the relatively stable schools and HE landscapes, hurting credibility and deterring engagement from employers. More than two years after the introduction of the apprenticeships levy and associated reforms, employers have reported still struggling with the complexity of the levy system. For example, in September 2019 the CBI reported that many organisations still have unspent funds in their account and “businesses are confused and crying out for clarity on how their levy funds are being used.”
21. The growth in MDAs since the levy was first launched represents a success on its own terms and a much-needed corrective to chronic under-investment by employers in management skills. Besides the wage returns to apprentices and productivity potential, other spill over benefits of the policy include:
- Widening access to leadership training and responsibility.** Since its introduction the CMDA has seen strong uptake with older workers, women and those from lower socio-economic backgrounds. 43% of those on the CMDA are from the most socio-economically deprived areas of the UK¹⁸; 54% are female¹⁹; and around 70% of those on the CMDA are 25 or over²⁰.
 - Degree apprenticeships such as the CMDA are transforming the apprenticeship “brand” and promoting parity of esteem** between vocational and academic routes. 81% of parents we surveyed believed degree apprenticeships were a good option for young people who are considering studying for a degree, and around three quarters think they provide a better chance of getting a good job than a traditional university degree and are better value for money²¹. The same survey showed a 30 percentage point increase in parents who have heard of degree apprenticeships: from 13% in 2016 to 43% in 2019²².
 - Disproportionate benefits in northern regions, supporting the ‘levelling up’ agenda.** Northern regions have higher levels of apprenticeship training intensity (17-20 starts per 1,000 in employment in 2017/18) compared to London (7 starts per 1,000)²³. This view is supported by a recently published research paper from the Sutton Trust²⁴, which recommends that, to improve social mobility, there needs to be a significant increase in the number of degree and higher-level apprenticeships.
22. Misdirected reforms, which undermine the flexibility and employer-led nature of the apprenticeships programme - for example placing restrictions on the levels of courses which are eligible for funding or reducing the funding levels of individual courses, could reduce apprenticeship take-up and the hurt the quality of provision. This in turn will be detrimental to the government’s ambitions to address the productivity gap and ‘level up’ the regions.

23. This also presents risks to the financial sustainability of education providers and the quality of training they can offer. For example, as a result of the most recent funding band review, some providers such as QA and Avado have scaled back their L5 provision.

24. The CMI recommends:

- a. **Improving clarity and providing policy stability for all participants – apprentices, employers and providers.** The Levy is just starting to be understood by business and we are seeing a broader range of employers engaging with the apprenticeship programme than ever before. A period of stability is required to ensure so the system can continue to embed and evolve.
- b. **The levy must remain employer-led.** If employers' choice is too constrained, through narrow eligibility criteria, employers may instead write the levy off as a tax, as happened in the first year, with risks to quality and connection to the needs of the labour market and employers.
- c. **Reducing bureaucracy in the system.** Guidance for employers and providers runs to hundreds of pages, with eligibility rules spread over multiple documents. SMEs understandably find this hard to navigate. Training providers estimate that at least 25% of the cost of delivering an apprenticeship through the levy goes on regulatory compliance rather than training.

ENDNOTES

¹ <https://www.managers.org.uk/~/-/media/Files/Apprenticeships/New/Increasing-workplace-productivity-2019.pdf>

² BEIS Committee (2018), Small Businesses and Productivity, p.5

<https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/807/807.pdf>

³ Bryson et al (2018) and BIS (2012) cited in HM Government (2019), *Business Productivity Review*

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844506/business-productivity-review.pdf

⁴ <https://www.bankofengland.co.uk/~/-/media/boe/files/speech/2018/the-uks-productivity-problem-hub-no-spokes-speech-by-andy-haldane.pdf>

⁵ *Leadership and management in the UK – the key to sustainable growth* (BIS, 2012)

⁶ *Management and Expectations Survey of 25,000 UK enterprises*, (ONS)

⁷ *Management as a Technology*, Nicholas Bloom, Raffaella Sadun and John Van Reenen, 2015 (public draft).

⁸ <https://www.managers.org.uk/insights/news/2017/september/how-accidental-managers-are-draining-productivity>

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844506/business-productivity-review.pdf

¹⁰ <https://www.managers.org.uk/~/-/media/Files/PDF/cmgr/Infographics%20-%20Chartered%20Manager%20%20%20pager.pdf>

¹¹ *ibid.*,

¹² CMI (2019) Making an Impact Infographic
<https://www.managers.org.uk/~/-/media/Files/PDF/cmgr/Infographics%20-%20Chartered%20Manager%20%20%20pager.pdf>

¹³ CMI (2012), The Business Benefits of Management and Leadership Development

<http://www.noblelearning.co.uk/wp-content/uploads/2015/12/Business-Benefits-of-MLD.pdf>

¹⁴ DFE, apprenticeships start data: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

¹⁵ ibid

¹⁶ Universities UK (2019), The Future of Degree Apprenticeships, p.28

<https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2019/future-degree-apprenticeships.pdf>

¹⁷ Parker Review: Ethnic Diversity Enriching Business Leadership

Report https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2020-report-final.pdf

¹⁸ CMI analysis of CMI administrative data on apprentices starting management apprenticeship since 2014/15

¹⁹ Ibid.

²⁰ Ibid.

²¹ <https://www.managers.org.uk/about-us/media-centre/cmi-press-releases/apprenticeships-make-the-grade>

²² ibid

²³ <http://cver.lse.ac.uk/textonly/cver/pubs/cverbrf011.pdf>

²⁴ <https://www.suttontrust.com/wp-content/uploads/2020/01/Pulling-Away-1.pdf>