

# UNLOCKING THE POTENTIAL OF THE UK WORKFORCE

**CMI Policy Paper on Future Skills  
and Retraining**

## EXECUTIVE SUMMARY

The Coronavirus pandemic has had a significant impact on the UK economy. As we enter the recovery phase of the crisis, the Government must ensure sufficient policy focus is placed on skills and retraining, underpinned by dedicated new investment to guarantee that everyone who wants to, has the right to retrain. The Government must not lose sight of the significant retraining needs of older workers, particularly those recently made redundant or who are at particular risk of losing their jobs.

The crisis has deepened the need - and created a moment of opportunity - to unlock the full potential of the UK workforce. The Government should work with and lean heavily on Chartered organisations - such as CMI - that have the ready-made, ready to rollout training and resources needed to upskill and reskill the nation, at pace.

Ahead of upcoming fiscal events, this submission sets out:

1. The need to increase investment in skills and retraining and the case for prioritising investment in leadership and management skills
2. CMI's recommendations on future skills and retraining policy, including how to implement planned skills policy interventions:
  - The roll-out of the National Retraining Scheme (NRS) must be accelerated, offering a Right to Retrain to anyone who wants it.
  - This should be supplemented by investment in training capacity; the £3bn National Skills Fund (NSF) should be the vehicle to do this.
  - DfE should look to align and simplify its range of skills policy interventions, including the NRS, NSF and AEB, to reduce bureaucracy and increase engagement.
  - The Government should consider using the tax system to better incentivise employers to invest in training.
  - Existing structures should be used where possible, to ensure new support can be quickly deployed.
  - The employer-led principle should be retained for all skills policy interventions, to ensure a close link between training and employment.
  - There should be greater use of bitesize courses and modular learning to meet employer demand for greater flexibility to fit their needs.
  - For an apprenticeship guarantee to be effective it must be a job creation scheme; to do this employers, especially SMEs, must be supported with the initial non-training costs of employing an apprentice. Support should be targeted when employers need it most, with greater use of up-front incentive payments and grants.
  - There should be greater use of data on the effectiveness of apprenticeships and outcomes by schools and training institutions including careers advice and incentives to support progression to apprenticeships as well as university.
  - There should be continued job retention support, which must be more explicitly linked to retraining and skills.
  - To receive this support, employers should commit to a social contract, asked to make firm commitments to embed a culture of retraining and professional development, and build capacity to retrain, to access support.

## THE NEED TO INCREASE INVESTMENT IN SKILLS AND RETRAINING

1. When the CJRS ends in the autumn we are likely to see a portion of those furloughed workers made redundant and a spike in unemployment. A recent CMI survey found that 34% of managers are set to lay off staff, with 26% expecting to do so this year. The survey found 1 in 17 companies are set to make more than 500 workers redundant, and 18% will fire more than 100. Only 22% of managers said their businesses would be back to normal by the end of the year.
2. Some jobs will no longer be viable, while others will open up – creating an immediate retraining challenge to ensure those redundant workers have the skills necessary to quickly take on new roles.
3. Prior to the crisis there was already a significant adult retraining and lifelong learning challenge in the UK. 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.
4. This training gap is likely to become more acute. McKinsey research produced for the [Industrial Strategy Council](#) before the crisis estimated that, by 2030, 7 million additional workers could be underskilled for their job requirements, representing 20% of the workforce. 2.1 million will be under-skilled in at least one core management skill (leadership, decision-making or advanced communication).
5. The [Social Mobility Commission](#) also found that the poorest adults with the lowest qualifications are the least likely to access training. Graduates are over three times more likely to participate in training than those with no qualifications (30 % vs. 8 % in 2017), half (49%) of adults from the lowest socioeconomic groups have received no training since leaving school.

## THE CASE FOR INVESTING IN LEADERSHIP AND MANAGEMENT SKILLS

6. The crisis has demonstrated the importance of good leadership and management skills. Managers have needed to respond quickly and effectively to a rapidly changing landscape; transforming operations, restructuring workforces, reforecasting budgets, and adapting supply chains in response to challenges they have never faced before.
7. Evidence shows that strong leadership and management practices, including setting effective strategy, communication and agility in managing change, as well as a commitment to continuous improvement, are strongly correlated to firm-level productivity. **CMI research found 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 performance.** The [2019 CBI/Pearson Education and Skills Survey](#) report found that respondents **rated leadership and management skills as the top skillset they were prioritising developing over the next 12 months.**
8. However, the UK has traditionally treated management as an amateur field of study rather than an important profession to invest in. CMI research from 2018 estimated that there were around 2.4m ‘accidental managers’ (managers who report receiving inadequate training to prepare for leadership roles) in the UK. In global comparisons, the UK is ranked well behind countries such as the US, Japan and Germany, and in ONS surveys of management skills, foreign-owned firms score higher than domestic owned firms. **Research cited in the Government’s productivity review estimated that one-quarter of the productivity gap between the UK and US is associated with these capabilities.**
9. This is despite a large body of research which shows that management practice is positively correlated with improved productivity. The ONS found a statistically significant correlation between management practices and labour productivity, with an increase in management score of 0.1 associated with a [9.6% increase in productivity](#). The Government’s Business Productivity Review cited research which shows a strong correlation with firm-level

productivity, with even small improvements in management practices being associated with up to a 5% increase in the growth rate of a business's productivity.

## SOCIAL MOBILITY AND LEVELLING UP

10. Investing in leadership and management training can contribute significantly to improving social mobility and diversity. Widening access to high quality management training to a broader and more diverse cohort will boost progression; dismantling management stereotypes and provide a pathway to senior leadership positions.
11. CMI's Chartered Manager Degree Apprenticeships (CMDA) are doing this, with cohorts that are significantly more diverse than typical business school intakes. 43% of those on the CMDA are from the most socio-economically deprived areas of the UK and 54% are female. Closing the representation gap is an urgent challenge – and a major opportunity: [bridging the gender gap at work](#) could add £150bn to the UK economy by 2025 and [bridging the ethnicity gap](#) could add £24bn to the economy annually.
12. Management apprenticeships can offer 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). The Sutton Trust recommends that, to improve social mobility, there should be a significant increase in the number of degree apprenticeships.

## SUPPORTING EMPLOYERS AND EMPLOYEES

13. Evidence suggests there is much that works well about the current skills system. The post-2017 reforms to the Apprenticeship programme demonstrate that an employer-led model can drive improvements in quality of training and strengthen its link to employment outcomes. This **employer-led principle should be retained for all skills policy interventions**. Employers are best placed to assess current and future skills needs and should **continue to set training standards and influence where funding is targeted**.
14. The Government has rightly indicated it will focus on the retraining and skills agenda as we exit the crisis. The debate around this has understandably focused on the scarring effects of unemployment for young people, especially those just entering the labour market. But the Government must **not lose sight of the significant retraining need for older workers**, particularly those recently made redundant or those at risk of losing their jobs.
15. The UK's retraining and upskilling policy is not yet sufficient to satisfy current or future skills demand. Significant new investment is needed to ensure we can equip workers with the skills they will need to remain competitive in the Fourth Industrial Revolution. Evidence suggests there are two key areas in which to improve upskilling and retraining activity:
  - **supporting employers to create training opportunities and an environment that is conducive to retraining; and**
  - **ensuring employees – particularly older workers - take up the training available.**
16. To address these barriers, the **roll-out of the Government's National Retraining Scheme (NRS) must be accelerated**. Learning from initial pilots, the Government should scale up what works nationwide, **offering a Right to Retrain to anyone who wants it**. This roll-out should be **supplemented by similar investment in training capacity**. The announced £3bn **National Skills Fund (NSF) should be the vehicle to do this**, complementing the NRS by being a critical resource to improve skills capacity in a targeted way with employers in key sectors, training providers and other learning institutions.
17. This should be part of a wider effort to **align and simplify the range of skills policy interventions**, including the NRS, NSF and Adult Education Budget, cutting bureaucracy and making the system more accessible and easier to navigate for providers, employers and learners. To better incentivise employers to engage with the system and

investment in training, the Government should **consider using the tax system** and other mechanisms. This could also **include the use of match-funding or completion payments**.

18. To quickly deploy the increased investment, and ensure employer engagement with the system, it is vital that **the Government makes use of existing structures and where possible, avoids developing wholly new interventions**. Employers and providers have only now got to grips with the 2017 major reforms to the apprenticeship programme and other parts of the skills system. Broader evidence suggests there is a significant time lag before skills policy reforms bed in and start having an impact.
19. CMI survey evidence also suggests a **demand from employers for greater flexibility in the type of training available, including greater use of bitesize courses and modular learning** which can build towards formal qualifications, delivered in more innovative ways such as e-learning. **78% of managers agreed there should be greater flexibility around levy funding to allow it to be spent on different forms of training and 87% said apprenticeships should be targeted at any skills level required to meet employer need**. 90% of managers agreed the government's skills agenda should focus on transferable skills such as problem solving, resilience and communication as well as technical skills.
20. CMI welcomes the Government's ambition to work towards an apprenticeship guarantee; CMI members overwhelmingly support this idea (86%). As we know an apprenticeship is a job as well as a training programme. **For a guarantee to be effective it must work as a job creation scheme** which incentivises employers to create more high-quality apprenticeships. This is challenging in the current economic climate where employers face difficult decisions about retaining existing staff.
21. The most effective way to incentivise employers, particularly SMEs, to create more apprenticeships, is **providing them with greater support and flexibility within apprenticeship funding**, targeted when they need it most. In particular providing **support with the initial non-training costs of employing an apprentice and making greater use of up-front incentive payments and grants**.
22. To ensure employer buy-in, incentive payments should be delivered to employers through a co-investment training pot, such as an employer's apprenticeship levy pot. Payments can be made into this pot as a rebate for an employer's contribution, depending on training outcomes. This will ensure funding is targeted at the most effective and engaged employers, incentivising them to improve the currently low completion rates.
23. In parallel, **there should be greater use of data on the effectiveness of apprenticeships and outcomes by schools and training institutions including careers advice and incentives to support progression to apprenticeships as well as university**. This will encourage increased take-up and improve learning about which courses deliver the best outcomes.
24. There will need to be continued Government job retention support as we exit the crisis, and as existing support schemes wind down. It is vital that **future job retention support is more explicitly linked to retraining and skills**, to support workers to adapt to the changing shape of the labour market. 91% of managers support this policy. Alongside this, employers must shoulder some of the increasing training burden. This should include a **firmer social contract, with employer commitments to embed a culture of retraining** and professional development from the outset.

### **Manisha Mistry, Head of Digital Culture, Rolls-Royce, Chartered Manager**

"My Chartership journey has really helped me to remove the feeling of impostor syndrome I had placed on myself, allowing me to become confident in who I am and what I am capable of. I now really want to give back to those who have helped me, so intend to take on a more coaching role to support other BAME female leaders looking to advance their career journey.

I have recently had the pleasure of leading the externalisation of our internal Rolls-Royce Digital Academy in response to the COVID-19 crisis, which went live on 1<sup>st</sup> May 2020 which has been quite a learning curve. Looking back, it wasn't my technical knowledge which ensured that this new digital offering was delivered successfully against the backdrop of the impact of Covid-19 - but my management & leadership skills toolkit which I can apply to any strategic challenge."

### **Level 3 management apprentice, Corndel**

A team manager at Wincanton identified that the methods for recording and analysing late deliveries within her organisation could be improved. She focused on this challenge for her work-based project – the final project that learners complete on the Corndel Diploma in Management. Using the frameworks and new skills she learnt on her Diploma, she tasked herself with an objective to understand and improve the delivery schedule. She found there were some valid and easily remediable reasons for lateness, such as time restrictions on the first drop of the day, which set everything else out, so she worked with the Planning Department to reschedule these.

As a consequence of her project, deliveries are rarely late at Wincanton and schedule adherence targets are largely met. The approach to reporting has been rolled-out across the organisation and is now the standard way of reporting.

### **Andy Almey, SLMDA apprentice at SME, North West England**

As a result of their degree apprenticeship, the Head of Research and Development at an SME in the North West identified that the company had never had a defined process of recording and addressing quality issues, resulting in £100's of quality costs and no visibility of recurring quality issues. The apprenticeship introduced him to tools and resources that helped the company to address these issues by implementing a new process to record quality issues which were able to log and report on a day-to-day basis.

The new process immediately highlighted the problem and as a result, changes were made to the process that reduced costs from £15k a month to less than 2% of this amount at a cost of £270. His dissertation for his apprenticeship will build on this project by looking at how to apply continuous improvement to reduce quality cost.

### **Mike Green, Managing Director, SLMDA apprentice at the same SME**

As a result of the apprenticeship and being able to identify and implement improvements, the Managing Director has seen a doubling in company turnover from 2017/18 - 2018/19 - which will involve the company doubling the corporation tax it pays. The growth in the business has also enabled the company to take on 7 new staff into brand new roles with plans to grow further.

### **Henley Business School and the NHS, Chartered Manager Degree Apprenticeships**

In 2016 Henley Business School, part of the University of Reading (UoR), began supporting one of the UK's largest NHS hospital trusts to respond to a 'requires improvement' CQC rating.

The Trust's needs suggested new forms of training would be required. Its past experience of apprenticeship frameworks was mixed and while short courses minimised service disruption, the Trust was keen to explore how apprenticeship standards could make a lasting impact on its HR and Organisational Development strategy objectives.

Design workshops with Trust managers enabled a draft programme based on the Chartered Manager Degree Apprenticeship to be developed in early 2017, with on- and off-the-job training mapped to the standard and contextualised to the Trust's needs. After the launch in late 2017, apprentice data captured by UoR systems came together with the Trust's HR KPIs to analyse the progress of learners and the whole programme in delivering its objectives. Feedback from apprentices and managers is excellent, with the CQC highlighting the programme in its most recent inspection report. This report, which found the Trust's main hospital – where all apprentices are based – to now be 'outstanding'.

### **Level 5 Management Apprentice, Corndel**

A Food Operations Manager at Planet Organic embarked on the Corndel Level 5 Diploma in Leadership and Management. Part of this role was to ensure the profitability of the business through competitive pricing strategies. The Diploma teaches tools and frameworks to perform comprehensive competitive reviews, so he decided to apply these new-found skills to reviewing the coffee marketplace. As a consumer, he had noticed that competitor brands offered limited milk choices that were not organic and they charged considerably more than Planet Organic. It had been several years since Planet Organic had implemented a price increase and there was a reticence to do so because of the risk of customer attrition.

Initially, using frameworks taught on the Diploma, he ran a competitor cost/profitability analysis, a price sensitivity analysis and a business impact report. He found there was scope to retain the quality and variety of the product by increasing prices, which would significantly increase profits whilst retaining its competitive costing model.

He presented his proposal to revise the menus and change the pricing of all coffee products across the brand to the CEO of Planet Organic.

The CEO felt the pricing proposed would risk customer attrition, so he revised his proposal and put a customer attrition contingency and communications plan in place. The proposal was accepted and implemented.

Profitability has increased across all stores. Customers were clearly communicated to and understood that to maintain the quality and diversity of the product, prices needed to rise. They fed back that they still consider the product to be great value and superior to competitor brands. To date, there has been no customer attrition, so the contingency plan hasn't been required.