



House of Commons Education and Skills Select Committee

Inquiry into Post-16 Training

Memorandum from the Chartered Management Institute

11 January 2007

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1 EXECUTIVE SUMMARY

- 1.1 The Chartered Management Institute welcomes the opportunity to submit written evidence to the Committee as part of its inquiry into Post-16 Skills. Following the publication of the Leitch Report in December 2006, the Institute believes that this inquiry will make an important and timely contribution to Government policy.
- 1.2 The challenges of global competition, demographic imperatives and moves towards a demand-led system as described in the Leitch Report, provide a new context for the UK's skills policy where a greater focus is now on adult skills with targets for higher level skills that will drive our national competitiveness.
- 1.3 Despite a move in the right direction, unless Government prioritises management skills for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is, after all, the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.
- 1.4 This memorandum presents some of the key evidence to demonstrate how management skills have a significant impact on productivity and competitiveness; innovation; public sector performance; and the quality of working environments.
- 1.5 Given this strategic importance of management skills, the UK's management population is significantly under qualified: under 40 per cent of managers are qualified to Level 4 or above compared to 80 per cent of those in other professional occupations. This is also reflected in employers reporting deficiencies in management skills and the high failure rate of SMEs.
- 1.6 In reforming the supply side, the professional bodies must be acknowledged and accessed as a source of high quality learning and development, best practice and applied skills as part of the National Employer Training Programme.
- 1.7 In moving towards a demand-led skills system, a key incentive is to ensure that funding streams are re-routed direct through employers and employees. The

proposed New Learner Accounts will help drive individual's learning aspirations. To further create a demand-led environment, the Committee should consider the benefits of recommending new targets for the qualifications of managers.

- 1.8 In order for the Government to better stimulate demand for improved management and leadership skills, the Institute submits the following six policy recommendations for the Education and Skills Select Committee: -

POLICY RECOMMENDATIONS FOR POST-16 SKILLS TRAINING

- By 2020, at least 50 per cent of managers should be qualified in management to level 4 or higher (para 9.1.3)
- Chartered professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme ("Train to Gain") and other Government skills initiatives (para 6.1)
- Chartered Manager should be established by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability (para 5.2.1)
- Funding for individual learners beyond the age of 25 should be used to stimulate greater involvement in adult education. The new Learner Accounts should be implemented to encourage adults to continue to participate in learning (para 7.3)
- The Qualifications and Credit Framework should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning. The new Framework should facilitate progression routes across vocational, academic and professional education and across all sectors and occupations (para 9.2.7)
- A lead partnership should be formally recognised to develop standards on Human Capital Management reporting for inclusion in the Business Review of Annual Reports (para 5.3.1).

2. INTRODUCTION

- 2.1 The Chartered Management Institute is keen to support the new policy focus promised by the Leitch Review of Skills to target the development of higher level and intermediate skills. These will be essential if the UK is to prosper in the face of the combined pressures of international competition, a changing demographic profile and the demands of the knowledge economy.
- 2.2 The productivity gap between the UK and other leading nations has proved an intractable issue for successive governments. Up to 20% of that gap is now attributed to skills provision and up to 15% to management practices. The national skills strategy has led to several significant initiatives: modern apprenticeships, new vocational 14-19 years diplomas together with the support infrastructure of LSCs, RDAs and SSCs. It has however neglected to recognise and harness the considerable resource provided by the professional bodies.
- 2.3 Some of the Chartered Institutes are already working closely with Government Departments and Agencies in the development of the National Occupational Standards for their disciplines. Their access and close working relationship with many thousands of practising executives is invaluable in ensuring that skills development is based on the real challenges of the industry sector and on the needs of employers. It is a model of partnership that should be extended more widely. Instead we see duplication of effort within the new structures and a failure to draw on the knowledge, best practice and expertise that already exists within professional bodies.
- 2.4 We believe that the Government must focus on those higher level professional skills that in their practical application will have the greatest impact on both performance and also on leveraging the rest of the skills agenda. Professional managers play an essential role in developing strategies for workforce development. A great number of highly qualified managers are more likely to ensure that their teams are adequately trained and can help to embed a culture of learning and development that helps drive performance. The evidence provided in this memorandum also reflects on the critical importance of management and leadership in terms of productivity, competitiveness, innovation

levels, the success of business start-ups, the quality of the working environment and delivery of the public sector reforms.

3. BACKGROUND: THE CHARTERED MANAGEMENT INSTITUTE

- 3.1 The Institute strongly supports the Leitch Report's recognition of the high levels of demand for management skills and the growing evidence base demonstrating the strong links between the impact of management skills and increased national competitiveness. We look forward to seeing this fully reflected in the Government's response to the final recommendations.
- 3.2 However, we are concerned that the Leitch analysis does not fully accept the pivotal role of management in driving improved performance. As the Cabinet Office Performance and Innovation Unit's 2001 Report on workforce development concluded, demand for skills is derived from wider management strategies, and these therefore need to change if we are to successfully make the transition to a high skills, high added-value economy.
- 3.3 In developing this Memorandum, the Institute has used the findings of its detailed research programme into management and leadership skills. Our research has been carried out among the Institute's 71,000 members throughout the past two decades and more.
- 3.4 The Institute contributed to the work of the Council for Excellence in Management and Leadership (CEML) between 2000 and 2002, helping to provide a thorough analysis of the multiple factors shaping management capability in the UK. It also presented a comprehensive and useful set of recommendations, many of which have already been implemented. The Institute continues to work with both the DfES and DTI to advise their joint Leadership and Management Programme Board.
- 3.5 Through the Management Standards Centre (MSC), the Institute is appointed by Government (QCA, DfES, SSDA) as the Standards Setting Body for Management and Leadership. The MSC sets and maintains the National Occupational Standards

on Management and Leadership, which is a national source of guidance for all those working in management.

- 3.6 A further significant factor that distinguishes the Institute's submission is our strong engagement with employers across all sectors. Our members are employed at all levels within business and public sector organisations and through the practical application of their management skills have a major impact not only on performance and productivity but also on the development of the skills of others to develop the capabilities for the future.
- 3.7 Our qualifications span all levels of learning from Level 2 through to postgraduate and our membership criteria demands evidence of practical experience, impact in the workplace and a commitment to professional management. Our continuing professional development programme makes lifelong learning a reality for our members.
- 3.8 We believe that it is essential that the next phase of the Government skills strategy addresses the need to improve management capability and upskill managers in the workplace. In this Memorandum, we set out both the evidence base and policy recommendations for management skills to help deliver this ambition.

4 CONTEXT

4.1 Overview of Leitch Recommendations

- 4.1.1 The Chartered Management Institute welcomed the Leitch recommendations for a much greater focus on higher-level "economically valuable skills", but was concerned that the Review failed to recognise the critical value of management and leadership skills. To achieve an economy based on world class skills, UK employers will need to address critical leadership skills across all sectors. A gradual increase in demand-led investment and a further reorganisation of the skills agencies is unlikely to stimulate change at the pace required to respond to global changes.
- 4.1.2 Despite a move in the right direction, unless **Government prioritises management skills** for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.
- 4.1.3 The Leitch Report does recognise the changing demographic drivers. Its **focus on adult skills** reflects that 70 per cent of the workforce in 2020 has already left compulsory education.
- 4.1.4 The report recommended **new targets for higher level skills**, shifting the balance of intermediate skills from Level 2 to Level 3 and improving the esteem, quantity and quality of intermediate skills. This would mean 1.9 million additional Level 3 attainments over the period and boosting the number of Apprentices to 500,000 a year, which would significantly improve future workforce capability.
- 4.1.5 In order to make the impact required, Leitch called for 40 per cent of adults to be qualified to Level 4 and above, up from 29 per cent in 2005, with a commitment to continue progression. We recognise that this goes some way towards the Institute's proposed target that by 2020, at least 50 per cent of managers should be qualified in management to level 4 or higher. It is important that investment

in Level 4 focuses on those skills most needed by employers, and prioritises management skills.

- 4.1.6 The skills system must meet the needs of individuals and employers which will be better achieved through **moves towards a demand-led system**. The Institute had called for funding for individual adult learners to help stimulate a demand-led skills system, and strongly endorses the focus on Learner Accounts and looks forward to further detail on the practical delivery of these Accounts.
- 4.1.7 Despite a move in the right direction, unless **Government prioritises management skills** for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is, after all, the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.

4.2 The importance of management and leadership skills

4.2.1 Impact on productivity and UK competitiveness

Leadership and management is proven as the key to raising financial performance and growing of employment opportunities in all organisations. Good leaders and managers invest in the development of their workforce thus pulling through the skills agenda and embedding a learning culture for future generations and sustaining the UK's competitiveness in the longer term.

- 4.2.2 Research based on longitudinal data and published by the Chartered Management Institute (*Management Development Works: The Evidence*, Dr Chris Mabey, 2005; *Achieving Management Excellence*, Christopher Mabey and Andrew Thomson, 2000) indicates that those employers who take responsibility for management and leadership development experience better overall organisational performance over a four year period. The research shows that companies that provide training which is aligned to the organisation's strategic business needs benefit most strongly.

4.2.3 The Final Leitch Report assessed the productivity gap between the UK and its international competitors and highlighted the UK's shortcomings (Leitch Report: Executive Summary - para 8, p7). Productivity in the UK stills lags behind that of comparator nations: the average French worker produces 20 per cent more per hour than the average UK worker, the average German worker 13 per cent more and the average US worker 18 per cent more. Differences in management practices between the USA and the UK, for example, explain 10 to 15 per cent of the productivity gap in manufacturing between the two countries (LSE-McKinsey, June 2005).

4.2.4 Links to driving innovation

Innovation is identified by the Treasury as “a key catalyst for productivity growth” – and the importance of management and leadership to innovation has long been established. Professor Michael Porter’s review in 2002 of the government’s work on productivity concluded that UK companies will have to compete on “more unique and more innovative products and services”, which will “require changes in management behaviour”. He found that while the returns from deregulation are diminishing, a focus on improvements in management and leadership would produce far greater returns. He concluded:

“To achieve higher prosperity, UK companies will need to upgrade their productivity by competing on more unique and more innovative products and services. This will require changes in management behaviour; targeted investments in the business environment and the development and strengthening of new types of institutions.”

4.2.5 The Department for Education and Skills' research paper, "Managerial Qualifications and Organisational Performance" (Bosworth, Davies and Wilson, 2002), identified the following key findings:

- Highly qualified managers are more innovative. They appear more likely to adopt strategies introducing new, higher quality products and improving the quality of existing products, while less qualified managers are more likely to be engaged in increasing the efficiency of the production of existing products and services;
- Better qualified managers are associated with a better qualified workforce;

- Management proficiency and performance appear to be positively linked (although this is a two-way relationship).

4.2.6 It is disappointing that despite evidence of the links between better qualified managers and higher levels of innovation, research into process innovation in manufacturing, conducted at the ESRC Centre for Organisation and Innovation (COI) and the Institute of Work Psychology (IWP) at the University of Sheffield, and summarised for the TUC-CBI Productivity Challenge (2001), raised concerns about UK managers' skills in that:

- UK companies had a comparatively low rate of adoption of new practices;
- UK companies preferred new practices relating to technology and techniques over 'people practices';
- UK companies had adopted fewer new practices than their counterparts abroad.

4.2.7 Public Sector Efficiency

Professional management and leadership is also essential for improving public sector and efficiency. The Cabinet Office's Professional Skills for Government programme has recognised this. Better skilled managers will be better able to deliver the performance needed from the public sector, in achieving greater outputs and more efficient services.

4.2.8 Reflecting that more needs to be done, Chartered Management Institute research published in 2003 (*Leading Change in the Public Sector*, Charlesworth, Cook and Crozier, May 2003) showed that only about 30 per cent of public sector managers saw key attributes demonstrated by leaders in their organisations. Only 33 per cent viewed their most senior team as offering high quality leadership, and key change management skills were found to be lacking. For instance, under 50 per cent recognised partnership working as a key public leadership skill.

4.2.9 Skilled managers improve quality of working life

Properly qualified, professional managers will be better equipped to respond to growing demands for flexible working and new working arrangements, as the Government continues to introduce reforms and new workplace rights. Recent research published by the Institute (*The Quality of Working Life: Managers'*

health and well-being, Worrall and Cooper, March 2006) demonstrates a link between poor management performance and both low productivity and high reported levels of workplace ill-health. Good management can reduce these stress factors and thereby drive higher productivity, and lower costs and social benefits through decreased absence levels.

4.3 Management and leadership: evidence of a skills gap

4.3.1 Lack of management qualifications

The management population is significantly under-qualified, as recognised in Leitch's Interim Report: "41 per cent of managers hold below a Level 2 qualification" (Box 5.1). Furthermore, Labour Force Survey data (March-May 2002) indicates that just 38.5 per cent of managers and senior officials are qualified at NVQ level 4 or above compared to 80.9 per cent of those in professional occupations. This level should be viewed as untenable given the UK's ambition to shift to a high skills, high added-value economy.

4.3.2 However, the Leitch analysis did not go on to identify the additional point that most managers lack qualifications related to their profession as managers. Too many remain what can be termed 'accidental managers' – highly skilled specialists or technicians who are promoted to management positions on the basis of their technical or specialist skills, not because of their suitability for a management role.

4.3.3 The Final Report of the Council for Excellence in Management and Leadership (2001) concluded that on a "rough estimate ... the proportion of managers with management related qualifications will not get much above 20 per cent in the longer term". This estimated level of only 20 per cent of managers being qualified is unacceptable given that it already takes into account both a strong growth in specific management qualifications, such as a 20 per cent growth in first degrees in business and management studies, and also the fact that the number of management NVQs has remained fairly static.

4.3.4 Employers reporting deficiencies

The Council for Excellence in Management and Leadership between 2000 and 2002 was tasked by the DTI/DfES to develop a strategy for improving future management and leadership performance. CEML's final report, highlighted the need to address management weaknesses that are in part responsible for holding back innovation, productivity and performance.

- 4.3.5 The common estimate is that between 4 and 4.5m individuals in the UK have significant management responsibilities, yet 36 per cent of organisations report that their managers are not proficient. It is noted that the current low level of skills in the workplace is part of the reason for why employers are not moving to higher value added business strategies, but other significant contributing factors are the combination of low employer ambition and management skill deficiency.

4.3.6 Falling behind our competitors

The 2006 UK Productivity and Competitiveness Indicators published by the DTI (March 2006) show that UK managers are perceived to lag their colleagues in France, Germany and the US in terms of "management quality", this is according to the latest survey by the International Institute for Management Development (IMD). These results are consistent with the CEP/McKinsey study (2005) which finds that UK manufacturing firms perform less well in terms of overall management practice, including talent management and performance management, compared to their international counterparts.

4.3.7 High failure rate of SMEs

The need for better management skills is highlighted by the failure of start-ups and SMEs. The Association of Business Recovery Professionals has shown that poor management is the main reason for business failure, behind loss of market. It says there is "an argument" that as many as "six out of ten insolvencies are management's fault". This must be a priority area to address; particularly as small businesses are known to carry out less training. (*Corporate Insolvency in the UK – 12th Survey*, Association of Business Recovery Professionals, 2004). In the UK as a whole SMEs account for over half of employment (58.7 per cent, making this is an important area for tackling the urgent need for a step change in management and leadership capability.

4.4 UK's Management Skills Profile: future demand

4.4.1 Management: a growing profession

There are currently 4.6 million managers in the UK (*Working Futures 2004-2014*). This is a higher number than previously estimated, indicating a larger employment share for managers and senior officials – of 15.3 percent. They now comprise the largest occupational group in the working population, and the management population is forecast to grow by a further 617,000 by 2014 alone. Given the growing recognition of the need for skilled managers and leaders, this growth is expected to be at a greater rate than previously anticipated. Leitch's Report's acknowledged this trend. Current and future skills policy must take account of this and address how this section of the working population can be helped to develop the specific work-oriented management skills necessary for success.

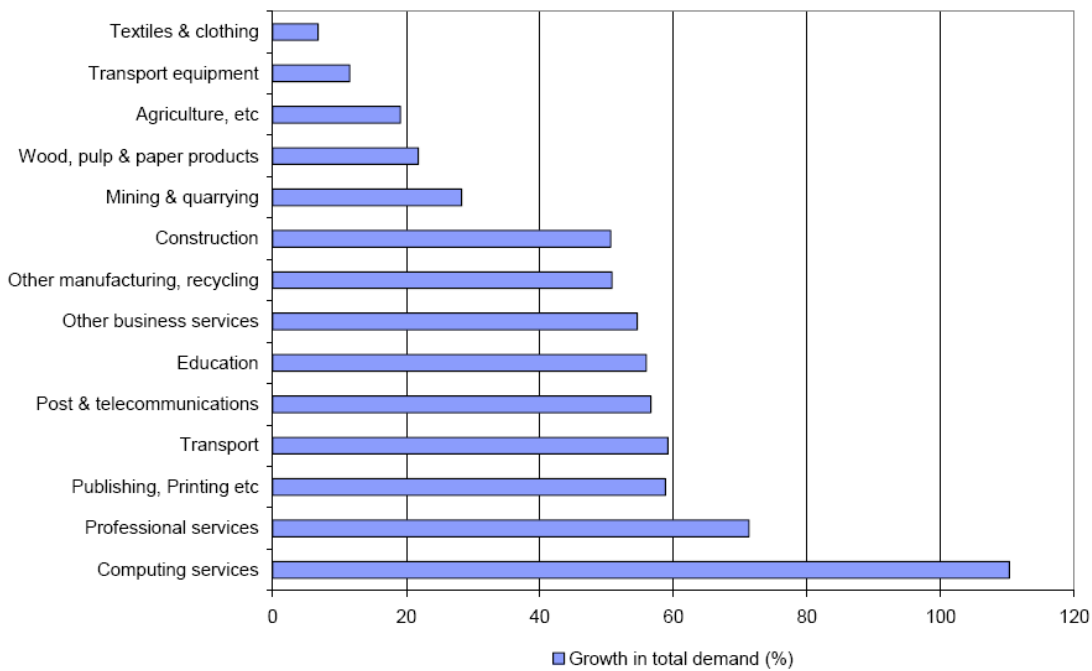
4.4.2 As explored by the Leitch Review in Chapter 3 of the Interim Report, the UK's management population will face major replacement demands due to demographic change. This makes it imperative that skills policy helps develop workplace skills throughout working life. Since around 70 percent of the workforce of 2020 has already completed compulsory education, and high exit levels will be experienced due to factors such as retirement, it is important that people already in employment or in junior management posts are supported to develop their skills and competencies, so that they can progress their management careers.

4.4.3 Sectoral priorities

All the emerging Sector Skills Agreements developed by the Sector Skills Councils highlight the need for management and leadership skills. It is recognised that variations in demand for management skills do exist between sectors, and that those sectors where economic growth is high, also have the highest demand for management skills. A report prepared by Bosworth and Wilson for the SSDA offers the most comprehensive assessment. ("Sectoral Management Priorities: Management Skills and Capabilities", Bosworth & Wilson, January 2005).

4.4.4 Using data from the 2004 *Working Futures* report, they suggest that the most dramatic need for managers will be in the computing services sector, followed by professional services. A total of seven other sectors are expected to see total demand grow by 50 per cent or more, as indicated in the table below. Even in textiles and clothing, the positive replacement demand exceeds the negative net growth of the sector.

Figure 3.5.2 Growth in Total Demand for Managers in Selected Sectors (per cent)



Source: IER/CE estimates based on (Wilson *et al.*, 2004), *Working Futures*.
 Notes: Results for all 27 industries are given in Annex D.

5 MEASURES TO ASSESS SUCCESS OF SKILLS STRATEGY

5.1 Responsibility for labour market intelligence

- 5.1.1 It is important that working across Government departments and agencies, there are clear responsibilities for measurement and evaluation.
- 5.1.2 Sector Skills Councils (SSCs) and other recognised Standard Setting Bodies (SSBs) such as the Management Standards Centre (MSC) are now responsible for ensuring that the skills needs of employers in the sectors they represent are clearly defined. The UK Regulatory Authorities (RAs), QCA, ACCAC, CCEA and SQA, working with these organisations and other strategic partners, have a responsibility to reform and rationalise vocational qualifications to ensure they support workforce development and the needs of individual learners. Sector Qualifications Strategies (SQS) will assist in the reformation and rationalisation of vocational qualifications.
- 5.1.3 The SQS will provide a UK-wide vision or 'blueprint' for the design, development and implementation of qualifications and/or other learning provision in each sector, which is underpinned by robust evidence of sector need and capable of supporting workforce development in years to come. The SQS for Management and Leadership should in turn provide a sound basis for planned, strategic and intensive activity by all stakeholders, to reform and rationalise provision.
- 5.1.4 The Management Standards Centre in partnership with SkillsActive and the Skills for Business Network (SfBN) has set up Steering Groups consisting of key stakeholders with relevant expertise to oversee the work to develop the Management, Leadership and Enterprise Learning and Qualifications Strategy (MLELQS).
- 5.1.5 It is recommended that the Management Standards Centre, as the recognised Standards Setting Body, plays a lead role in developing national measures for management capability that can both influence the development of the MLELQS

and also feed into the incremental development of the National Occupational Standards.

- 5.1.6 The Institute would also support recommendations to expand the remit of current national surveys such as the Workplace Employer Relations Survey and would seek Government support for the continuation of its longitudinal survey (carried out in 1996, 2000 and 2004) tracking the links between management development activities and organisational performance.

5.2 A national measurement of management capability

- 5.2.1 An important measurement of managers' real impact in the workplace that could be used at a national level to assess management capability and performance is the Chartered Manager designation. **The Institute recommends that support for the development of Chartered Manager should establish this by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability.**
- 5.2.2 The designation of "Chartered Manager", introduced by the Chartered Management Institute in 2003, enables individuals with a management qualification and a significant commitment to CPD to gain externally validated recognition of their ability to deliver significant change in their workplace.
- 5.2.3 The six core leadership and management skills areas required to achieve Chartered Manager status are explicitly aligned to the skill areas identified in the National Occupational Standards for Management and Leadership. It therefore provides employers with a benchmark for professional management. As such, it could be promoted more widely by Government to help drive demand for professional managers.
- 5.2.4 In the shorter term, management qualifications that have also been developed using the competencies and behaviours identified by the National Occupational Standards for Management and Leadership should be used as key performance

indicators for those Government departments and agencies responsible for delivering skills.

5.3 Encouraging employer responsibility for people measures

- 5.3.1 The Business Review, which in 2006 replaced the requirements of the Operating and Financial review and will be required alongside listed Companies' Annual Reports, could play a significant role in setting and raising the standard of people management in companies. **The Institute recommends that a lead partnership should be formally recognised to develop standards on Human Capital Management reporting for inclusion within the Business Review.**
- 5.3.2 The development of workforce reporting measures within this new Business Review could help to drive employer understanding of the strategic benefits that can be gained from investing in better people management. There is already good evidence of the process by which HCM reporting combines narrative and hard data about the aspects of people management that most affect business performance.
- 5.3.3 The introduction of comparable and commonly accepted basic standards on HCM reporting could help to focus companies' understanding of the value of measures of workforce capability. Already many leading companies are looking at measures that indicate how they have generated competitive advantage through their strategic management, deployment and development of employees.
- 5.3.4 Currently, the Chartered Management Institute is working with Investors in People UK, the Chartered Institute of Personnel and Development, and a number of other bodies including investor representatives and large employers on a Human Capital Management Standards Group. The aims of the group are to produce and test more unified and supportive guidance on the measures and information that companies should be using to report on their human capital.

- 5.3.5 The outcomes of this work will be shared with Government and disseminated more widely to help develop both the reporting capabilities of UK companies and investor insight into management performance.
- 5.3.6 The Institute has also established an Employer-led Human Capital Reporting Forum to help develop progressive thinking and business measures that focus on value creation by seeking competitive advantage through the strategic management, deployment and development of employees.

6 THE SUPPLY SIDE: THE ROLE OF PROFESSIONAL BODIES

- 6.1 Professional bodies are as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme ("Train to Gain") and other initiatives.**
- 6.2 There are close to 400 professional associations in the UK, with memberships extending to several million learners. They cover the full spectrum of occupations which cut across industry sectors and are critical to the successful management of business and public services. They have a deep understanding of the challenges their members face and of their learning needs.
- 6.3 The Chartered Bodies in particular are instrumental in defining the standards for their professions and the development routes and qualifications that recognise learning and skills. Evidence demonstrates that many more people take professional qualifications, usually paid for by their employer, than take NVQ's or post-graduate academic qualifications in management related fields as evidence of the relevance of what we do.
- 6.4 The medium and longer term prosperity of the nation is dependent upon upskilling, reskilling and updating knowledge within the current workforce. Indeed, the core objective of a professional body is the commitment to raising standards through their codes of conduct, guidance on good practice and the emphasis on continuing professional development (CPD).

- 6.5 Chartered Bodies go well beyond the delivery of professional standards and qualifications to give real public benefit in terms of lifelong learning. Most provide journals and other publications, research and leading edge thinking, best practice and practical advice, contributions to public policy, libraries, websites, courses, conferences, face-to-face and electronic networks and other up-to-the-minute services, all extensively used by members and non-members for the purpose of continuous learning and improving their ability to deliver change in the workplace.
- 6.6 Much workplace development of all skills is led by management professionals. It is an area for which there is little public funding and support beyond Level 2 qualifications or apprenticeships. The Chartered Bodies play a vital role in encouraging CPD amongst their members. They also provide relevant frameworks and support to employers seeking to develop their staff and to transfer newly acquired skills into employment.
- 6.7 The Institute proposes that the Government should include professional training and qualifications within the targets relating to its current initiatives. An example of this is the National Employer Training Programme (NETP). At present the skills brokerage for this scheme signposts LSC accredited provision with an emphasis on Government targets. To achieve the improvements the nation seeks in productivity, in innovation and in public service delivery, it is vital that we encourage individuals and their employers to engage in continuous professional development of those skills which are fundamental to performance. The professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and accessed as part of NETP and other initiatives.

7 THE DEMAND SIDE

- 7.1 The overarching recommendation from the Leitch Report was that vocational skills must be demand-led rather than centrally planned, and all policies to incentivise demand for management skills from both individual managers and also employers are to be welcomed.

- 7.2 A key incentive is to provide funding direct to end users rather than through the supplyside. Proposals for more flexible funding are supported, particularly where funding streams are re-routed through the employers and employees.
- 7.3 Alongside the entitlement approach of the National Employer Training Programme, introduced in the Skills Strategy as a way of raising minimum skills levels and engaging individuals, there is a strong case for reviving Individual Learning Accounts (ILAs) in a more carefully managed form, with a particular focus on training to Level 3 and above. As such **the Institute welcomes the proposals within the Further Education White Paper and the Leitch Report to introduce a new Learner Account.**
- 7.4 The use of the ILAs helped to reveal a strong preference among individuals for training and there is no doubt that learning is highly valued. Expressing the entitlement to learning as a form of empowered choice, with a matched contribution from employees, employers and government, can be a useful vehicle to encourage an intelligent discussion of co-financing. Both employers and employees have a very clear understanding of the idea of a 'government match', and might be more inclined to invest in their own learning if they believed that the government would contribute a similar amount.
- 7.5 The Institute will continue to work with the Government's Advisory Panel on Leadership and Management and others both to look at how we support individuals' aspirations to improve as managers and leaders and to help develop innovative approaches of engagement supported by using proposals for Learner Accounts to specifically incentivise management qualifications for adults.
- 7.6 The Leitch Report also recommended that a portion of HE funding for vocational courses, currently administered by HEFCE, be delivered through a similar demand-led mechanism as Train to Gain. This should use Government funding to lever in greater investment by employers at Level 4 and Level 5. **The Institute strongly supports this proposal as it would potentially open up new access routes for professional qualifications across the HE sector.**

- 7.7 The Institute already successfully engages and raises demand for better management among both individual managers and employers: this is evidenced through its membership and high customer satisfaction levels. The Institute will be actively continuing to support the Government's Advisory Panel for Management and Leadership, chaired by Ian Smith of Oracle, in its proposals to help raise demand which include:
- The development of a national award which raises the profile of those employers who offer truly outstanding leadership and has real currency to prospective employees;
 - The identification of leading employers to help promote best practice in leadership and management development;
 - And working with Sector Skills Councils to help understand the leadership and management needs of each sector and ensuring that training provision and qualifications are tailored relevant to sector needs.

8 APPRENTICESHIPS

- 8.1 In 2006, the Management Standards Centre was commissioned by the QCA to produce a summary report advising DfES on the practicality of designing and implementing a self-standing "qualification" for management apprentices. This report included an investigation and evaluation into the benefits and risks of implementing a management apprenticeship "qualification" based on primary and secondary research carried out with training providers and employers.
- 8.2 The MSC apprenticeship in team leading (level 2) and the advanced apprenticeship in management (level 3) rank in the top 25 most popular frameworks in England (in terms of numbers of learners enrolled). They are well established frameworks having been in operation for 7 to 8 years, with a new framework recently approved and live since the 1 May 2006. According to LSC data there were a total of 1,603 people engaged in learning on management apprenticeships across England in 2005.
- 8.3 The key conclusion from this report based on the MSC's employer and provider consultations was that the majority of respondents seemed to view the proposal of converting the current apprenticeship into a formal qualification with relative

optimism. However, this enthusiasm was tinged with caution that the current structure and content of the framework should not be radically transformed. Stakeholders were adamant that issues such as completion, take-up and status of the apprenticeships would all be more likely to rise, if efforts were focused on improving the delivery of the current framework.

8.4 The report called for the LSC to lift the barrier to post 25 funding for apprenticeships: this is a key factor restricting take-up as management is an occupation that is found higher up the career ladder. In addition, most potential managers are likely to be older.

8.5 Another key area that will improve the flexibility and management of the apprenticeship framework would be to increase cooperation between the various stakeholders who are engaged in delivering the learning package; as one employer put it:

"My experience as an employer in trying to set up an apprenticeship scheme has been very difficult. I have had to battle to co-ordinate SSCs, LSC and colleges. This could be a barrier to many employers - there must be an easier way."

9 QUALIFICATIONS

9.1 New targets for management qualifications

9.1.1 As detailed in section 4.3 above on the current low levels of management qualifications, the estimated level of only 20 per cent of managers being qualified in a management discipline by 2020, should be a priority area for tackling in a future Government skills policies.

9.1.2 To drive management capability, we recommend that the Education and Skills Select Committee considers the benefits of new targets for the qualification of managers in the current workforce, going beyond the generic targets of the Leitch Report.

9.1.3 The Institute recommends that by 2020, at least 50 per cent of managers should be qualified in a management discipline to level 4 or higher. This would include Level 4 S/NVQ in Management; management degrees, professional Diplomas in Management and higher level qualifications such as Masters or MBA programmes.

9.1.4 Evidence from a Chartered Management Institute survey into skills (2002/3) demonstrated that employers welcome a plurality of options for work-based qualifications with a more practical content. Employers have also strongly indicated that assessed qualifications are often more appropriate than examined qualifications. Professional qualifications were generally rated as more relevant than academic and vocational qualifications.

9.1.5 While a qualification may be able to assess competence and knowledge at a given point in time, it does not always provide evidence of the application of management skills and an individual's impact in the workplace. Professional qualifications can combine evidence of impact with evidence of relevance through continuing professional development programmes.

9.1.6 Therefore, in the same way that public services are beginning to demand management qualifications for those responsible for delivering change, more

could be done to help employers in other sectors demand management qualifications. Examples of good practice in this area include the Cabinet Office's Professional Skills for Government programme and the DfES's current proposals for qualification requirements for newly appointed Principals of FE colleges. Raising employer demand for management qualifications could be achieved by creating "Licences to Practice" on a sector basis. For example, the care industry already requires NVQs in management.

- 9.1.7 Public procurement processes could also demand that an appropriate proportion of their suppliers' or contractors hold a recognised management qualification.

9.2 The Qualifications and Credit Framework

- 9.2.1 The Qualification and Credit Framework being established by the Qualifications and Curriculum Authority should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning.
- 9.2.2 The new Framework should facilitate progression routes and links across vocational, academic and professional education and across all sectors and occupations.
- 9.2.3 The Government must give a clear signal that its current commitments to implement credit-based learning for adults through the new Framework for Achievement will be integrated with similar commitments for 14–19 years olds into a simple, well-understood system of comprehensive lifelong learning.
- 9.2.4 Learners need to be able to navigate their way with ease through the qualifications system. They must see qualifications as relevant, believe that achievement is properly recognised and be confident that the returns from learning – both economically and in terms of meeting their own potential – are high. It is vital that on and off the job learning can be united by a system of interchangeable, mutually recognisable credits. From the employers' perspective, it is essential that the qualifications framework is credible and offers an adequate guarantee of competence.

9.2.5 There must be parity of esteem between the academic, professional and vocational routes. The UK has always been reluctant to grant vocational qualifications the same respect that academic qualifications – honours degrees, A Levels, O Levels and latterly GCSEs – have been accorded.

9.2.6 The new Framework for Achievement should facilitate progression in a number of different directions:

- Across educational stages – requiring alignment with the 14–19 curriculum and the Higher Education Qualifications Framework.
- Across geographical boundaries – requiring alignment with the Scottish, Wales and Northern Ireland Frameworks and eventually extending beyond the UK.
- Across occupations and sectors – requiring alignment with national occupational standards, sector skills strategies, professional body qualifications and CPD frameworks.

9.2.7 The Institute recommends that there is also a need for the regulatory bodies, such as QCA, HEFCE and QAA, to seek greater alignment of their qualifications and funding mechanisms to provide the desired progression routes across all levels of education.

For more information contact:

Petra Wilton
Head of Public Affairs
Chartered Management Institute
2 Savoy Court
Strand, London WC2R 0EZ
Tel: 020 7421 2708
Fax 020 7797 0463

E-mail: petra.wilton@managers.org.uk

Website: www.managers.org.uk