

# CIMA Policy Suggestions for UK Economic Recovery

## Introduction

The Chartered Institute of Management Accountants has produced this 20-point plan for UK economic recovery. These 20 points fall under the four following areas:

- providing businesses and consumers with the confidence to invest;
- reducing uncertainty for businesses;
- creating a more sustainable business environment;
- investing in skills to help generate economic growth and improve productivity.

These policy suggestions have been made in consultation and conversation with our members in the UK, looking at global best practice and policy examples and based on evidence on what has previously worked to support economic growth, increase consumer and business confidence and increase productivity.

The International Monetary Fund (IMF) have said that coronavirus pandemic will trigger the biggest hit to global growth since the Great Depression and cost the global economy an estimated £9.6 trillion.<sup>1</sup> The IMF now expect the global economy to shrink by 4.9 per cent in 2020 and the recovery from this pandemic is now projected to be more gradual than first anticipated, with predictions that GDP could be 6.5 percentage points lower than in the pre Covid-19 projections from January 2020.<sup>2</sup>

In the first quarter of 2020, Office of National Statistics data showed UK GDP fell by 2.2% which is the largest fall GDP since 1979.<sup>3</sup> It is reported than in April 2020 the UK economy shrank by 20.4%.<sup>4</sup> It is clear that the pandemic has had a significant negative impact on the UK and global economy.

The Covid-19 crisis has also hit consumer and business confidence with the Bank of England predicting that consumer spending in the UK will fall by around a quarter and Covid-19 will have a significant impact on firms' sales.<sup>5</sup>

UK businesses and the wider economy need a clear plan to help build consumer and business confidence, increase UK productivity and reduce uncertainty to support entrepreneurship and investment.

During the Covid-19 crisis the heroes have been the first responders – the doctors, nurses, paramedics, care workers – in the recovery the heroes will be the business professionals such as accountants driving growth for their companies and helping the economy back to health.

---

<sup>1</sup> [www.cityam.com/imf-global-economy-facing-12-trillion-hit-from-coronavirus/](http://www.cityam.com/imf-global-economy-facing-12-trillion-hit-from-coronavirus/)

<sup>2</sup> [www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020](http://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020)

<sup>3</sup> [www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/januarytomarch2020](http://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/januarytomarch2020)

<sup>4</sup> [www.ft.com/content/f25dc58b-32c9-499d-af66-f677f20c53a2](http://www.ft.com/content/f25dc58b-32c9-499d-af66-f677f20c53a2)

<sup>5</sup> [www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020](http://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020)

## **Providing businesses and consumers with confidence to invest and do business:**

### **1. Lower the rate of VAT temporarily.**

Based on the experience of 2008, lowering the standard rate of VAT would aid economic recovery and give consumers the confidence to spend. According to the Centre for Economics and Business Research (CEBR), the VAT rate cut from 17.5% to 15% that took effect on 1 December 2008 led to extra retail sales before the rate was subsequently raised.<sup>6</sup> Some figures show this gave a significant boost to the economy.<sup>7</sup>

The former UK Chancellor, Sajid Javid MP, has argued that, while costing around £21 billion, lowering the VAT rate to 17% for a year would turbo charge the economy and provide more benefit than it would cost.<sup>8</sup>

The German government has decided to lower its VAT rate to boost spending in their economy following this crisis.<sup>9</sup>

Lowering the rate of VAT by five per cent to a 15% VAT rate would mean for example a TV now costing £1,000 including VAT would cost £950, or a car worth £20,000 would cost £19,000. This reduction in costs of products would help encourage consumers to spend and businesses to buy goods and services from other businesses. If it was known this was a temporary reduction it would especially encourage spending decisions in the short term to help reboot the economy.

Any VAT cut should apply to all businesses and across all sectors.

We recognise any cut in VAT is expensive for HM Treasury and a penny off the main VAT rate costs around £7 billion, but we believe the benefits to kickstarting and rebooting the economy far outweigh this cost.<sup>10</sup>

### **2. Cutting Employers' National Insurance Contributions.**

The Coalition government introduced measures such as employers paying no National Insurance contributions for young employees and an allowance that employers could use to offset their NIC bill. We think this area should be looked at to secure jobs.

Cutting Employers' NIC would not only encourage employers to keep staff, but also to take on new hires.<sup>11</sup>

Research shows that Employers' NICs can add around £2,400 a year on average to the cost of employing someone and, according to research from the Institute for

---

<sup>6</sup> [news.bbc.co.uk/1/hi/business/7995850.stm](https://www.bbc.com/news/business-7995850)

<sup>7</sup> [www.thisismoney.co.uk/money/article-1648042/VAT-cut-to-15-in-12bn-boost-to-economy.html](https://www.thisismoney.co.uk/money/article-1648042/VAT-cut-to-15-in-12bn-boost-to-economy.html)

<sup>8</sup> [www.independent.co.uk/news/uk/home-news/vat-cut-uk-economy-rishi-sunak-sales-tax-coronavirus-treasury-hmrc-a9577746.html](https://www.independent.co.uk/news/uk/home-news/vat-cut-uk-economy-rishi-sunak-sales-tax-coronavirus-treasury-hmrc-a9577746.html)

<sup>9</sup> [www.telegraph.co.uk/business/2020/06/04/germany-launches-130bn-stimulus-kickstart-economy/](https://www.telegraph.co.uk/business/2020/06/04/germany-launches-130bn-stimulus-kickstart-economy/)

<sup>10</sup> [www.theguardian.com/business/2020/mar/16/as-recession-looms-what-can-ministers-do-for-households](https://www.theguardian.com/business/2020/mar/16/as-recession-looms-what-can-ministers-do-for-households)

<sup>11</sup> [www.bbc.com/news/business-53117431](https://www.bbc.com/news/business-53117431)



Employment Studies, NICs are the single largest non-wage employment cost faced by employers.<sup>12</sup>

We believe a cut in Employers' NICs would help. It would encourage UK bosses to keep employed staff and also to look at creating new job opportunities.

### **3. Introduce a Growth Accelerator Scheme for SMEs.**

The previous Growth Accelerator scheme aimed to accelerate the growth of promising start-ups and small businesses in England. The programme aimed to support businesses as they scaled up, offering them access to mentoring, coaching, financial guidance, and expert professional advice. The then Department for Business, Innovation and Skills' (now BEIS) own research at the time showed that the scheme had a significant return on investment.<sup>13</sup>

The Government's own analysis at the time showed this scheme added an economic benefit of at least £1 billion, with the unquantifiable benefit likely to be substantially higher. The scheme had a return on investment of at least 700%.<sup>14</sup>

### **4. Support UK businesses to change business or operating models to adapt to the crisis and potential future economic crisis.**

During a time of economic crisis many businesses of all sizes need to review their business or operating models to adapt to the new reality and survive the immediate danger. We are hearing from our members around the world how they are adapting their businesses to deal with the new threats and opportunities the crisis poses. Successful businesses are those that take advantage of these new threats and opportunities.

Businesses need to look to how they can take advantage of the new needs and opportunities within economies. The Department for Business, Energy and Industrial Strategy should look for ways to make it easier for businesses to create economic growth from the challenges this crisis brings.

We have released a Business Model Toolkit recently which is free to use and all businesses can access. This toolkit has been created to enable business leaders to meet the challenges they have identified, including the following: How will they initially come out of lockdown and ramp-up their businesses? and then, How can they create a more resilient and dynamic business model than they had before this Pandemic crisis hit?<sup>15</sup>

### **5. Reduce red tape and support investment.**

Several countries have made efforts to improve their regulatory environment in support of innovation. Argentina and Chile introduced one-day registration for new businesses.<sup>16</sup> Korea introduced a regulatory sandbox covering all industries— including information and communications technology (ICT), energy, and fintech — whereby no process of

<sup>12</sup> [www.theguardian.com/politics/2020/jun/23/what-can-rishi-sunak-do-to-boost-the-economy](http://www.theguardian.com/politics/2020/jun/23/what-can-rishi-sunak-do-to-boost-the-economy)

<sup>13</sup> [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/375059/bis-14-1204-interim-evaluation-of-growth-accelerator-2014.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/375059/bis-14-1204-interim-evaluation-of-growth-accelerator-2014.pdf)

<sup>14</sup> [www.accountsandlegal.co.uk/small-business-advice/why-did-the-government-put-the-brakes-on-growthaccelerator](http://www.accountsandlegal.co.uk/small-business-advice/why-did-the-government-put-the-brakes-on-growthaccelerator)

<sup>15</sup> [insights.cgma.org/story/business-resilience-tools-for-preparing-to-reopen-businesses/page/2?vngagetrans=z13LM8d5kf](https://insights.cgma.org/story/business-resilience-tools-for-preparing-to-reopen-businesses/page/2?vngagetrans=z13LM8d5kf)

<sup>16</sup> [techcrunch.com/2017/06/21/argentinas-government-is-wooing-entrepreneurs-with-a-new-law/](https://techcrunch.com/2017/06/21/argentinas-government-is-wooing-entrepreneurs-with-a-new-law/)



deliberation or approval is to exceed three months.<sup>17</sup> Weak regulatory environments are barriers, and stringent regulatory environments constrain innovation in both the fintech and life sciences industries.

---

<sup>17</sup>[blog.huawei.com/2019/10/24/innovation-policies-for-a-new-age-what-countries-do-best-worst/](https://blog.huawei.com/2019/10/24/innovation-policies-for-a-new-age-what-countries-do-best-worst/)

## **Reducing uncertainty for businesses:**

### **6. The Government should outline tax plans for businesses for at least the next two years to create a certain tax environment for businesses.**

Businesses need as much certainty as possible from government especially in economically challenging times. One important way government could provide this is to outline their tax plans for the next two years for businesses. This would allow businesses the knowledge of the tax framework they will be operating in for the medium term and mean they can make better investment decisions.

A 2011 Treasury Select Committee report said, “Tax policy is only one of the factors on which businesses and individuals make their decisions, but lack of stability and clarity about the direction of travel in tax policy will, over time, undermine the competitiveness of a tax system and make it impossible for businesses to plan. If tax policy is to support growth, then the direction of travel of tax policy should be clear.”<sup>18</sup>

This shows why tax policy and clarity around it is so important for businesses. In these economically uncertain times, one way the government can create some certainty for business is to be clear on its tax plans for the next few budget cycles.

### **7. The government should put on hold plans for increased business regulation until the economic crisis has passed.**

The government currently has plans for a whole range of changes to business regulation, from changes to environmental rules to plans to reform how company audits and regulation of business take place.

While we support many of the planned reforms, we think that during the economic crisis it would be best for these to be paused to allow time for businesses to recover.

Businesses need to focus on changing their models to cope with the reality of their changed operating environment and on how they can start to recover, and build and grow again. By adding regulatory change on top of this during this already difficult time for businesses, the government will be forcing businesses to put resources elsewhere when they should be solely focussed on recovery.

A pause on additional business regulation plans will support businesses to recover, support jobs and mean Britain is on the pathway to economic recovery sooner.

The recent Centre for Policy Studies report titled, “After the Virus, A Plan for Economic Growth” called for “A moratorium on all new non-urgent regulation on business, and a cross-government review of which regulatory measures could be delayed or waived”. We would support such a policy.<sup>19</sup>

---

<sup>18</sup> [publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/753/75306.htm](https://publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/753/75306.htm)

<sup>19</sup> [www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf](https://www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf)



## 8. Support for businesses to diversify their supply chains.

The government should review what incentives they can create to support businesses to diversify their supply chains. Businesses supply chains should include a range of either domestic or foreign suppliers but not one foreign country or company supplying goods to ensure there is resilience in their supply chain. The Department for Business, Energy and Industrial Strategy should look to how it can educate and provide information to companies of all sizes on what good supply chain resilience looks like.

Studies have shown that supply chains are a business activity that can generate 90% of overall business costs.<sup>20</sup>

A blog by American Express has showed the importance of having multiple suppliers making up part of an organisation's supply chain and how it can help make supply chains more resilient.<sup>21</sup>

Supply chain diversity can add value to businesses. A study by the Hackett Group showed that supply chain diversity can generate 133% greater return on cost of procurement and that companies could add \$3.6 million to their bottom lines with supplier diversity programs.<sup>22</sup>

Supply chains both internationally, regionally, and locally have been interrupted and affected as a result of this crisis with the effects of lockdown disrupting supply chains and countries holding back stock to keep it for domestic use.

This can most acutely be seen with the issue of personal protective equipment where mass orders across the globe were put in for these products and we could see nations in some instances holding supplies back for their own healthcare systems.

Yet it can also be seen with less obvious items such as flour where there has been a huge increase in demand from household customers. This is due to them being indoors with limited activities to undertake, and the food retail shops did not have enough flour in smaller bags for the demand. This is in part due to the fact a lot of flour in the supply system was in bigger bags for commercial bakeries and restaurants who were unable to use it due to them being closed.

Disruptive events can come in all shapes and sizes. In recent years there have been global pandemics, cyber-attacks, floods, and ash clouds to name a few. Every disruption is a test of risk management processes and resilience in supply chains not only for countries but also for businesses big and small.

An increase in spending on SMEs in government supply chains was recognised as important by the Coalition government when it set a 25% target of central government

---

<sup>20</sup> [www.logisticsbureau.com/8-reasons-why-the-supply-chain-matters-to-business-success/](http://www.logisticsbureau.com/8-reasons-why-the-supply-chain-matters-to-business-success/)

<sup>21</sup> [www.americanexpress.com/en-us/business/trends-and-insights/articles/the-case-for-making-multiple-suppliers-part-of-your-supply-chain-strategy/](http://www.americanexpress.com/en-us/business/trends-and-insights/articles/the-case-for-making-multiple-suppliers-part-of-your-supply-chain-strategy/)

<sup>22</sup> [www.industryweek.com/leadership/companies-executives/article/21935298/supplier-diversity-as-new-source-of-revenue](http://www.industryweek.com/leadership/companies-executives/article/21935298/supplier-diversity-as-new-source-of-revenue)



spending on procurement to be with SMEs.<sup>2324</sup> The government should look to have a new target for spending on SMEs in government procurement to help diversify government supply chains and investment in the UK SME community.

If the government were to support businesses to diversify their supply chains, not only could it add value to the bottom line of UK companies, but also help the UK business community manage future economic shocks in whatever guise they come.

#### **9. HM Treasury to consider introducing legislation to create a strategic national stockpile in partnership with businesses to continue delivery of key goods and services.**

In the United States there are considerations under way to introduce Strategic National Stockpile legislation. This legislation would incentivise commercial enterprises, both public and private companies, to produce products and goods in quantities that exceed the company's normal annual level of sales. The production in excess of the level of sales results in excess inventory designated as a component of the legislation and then governmental agencies could draw upon the excess inventory held by the companies at any time of need at prices agreed to in advance by contract. The UK government should consider introducing similar legislation to help secure its supply chain for products and goods of strategic importance in future. This policy would only need to be linked to the most strategically important products and goods, such as oil, PPE, medical equipment, defence equipment and products from similar sectors. It does not need to be for every single product or good - we are not advocating a planned economy.

#### **10. Ensuring the mobility of professionals and the mutual recognition of qualifications in any future trade deals.**

The mobility of professionals is crucial for the UK economy. For example, many accountancy firms provide professional advice and services to clients who operate across a range of jurisdictions. For this work to be carried out it requires mobility of their staff to do so. The same is also true for auditors who are often required to work on audits for many months in different locations across the globe.

With our own members many are responsible for the accounting and finance functions in businesses with operations and premises across a range of countries including in the EU. Our members and other accounting professionals are also responsible for assisting in the managing, accounting, and auditing of business supply chains, and to do this successfully requires movement to conduct work across the EU. If the freedom to move for work purposes was changed this would make our members' jobs much more difficult.

We think the government should look to negotiate an agreement with the EU that allows for professionals to move freely between countries in order to conduct work. Negotiating for freer movement for professionals for work reasons should also form part of other trade deals that the UK is considering. An agreement with Canada, Australia and New Zealand, as part of a CANZUK-style arrangement, should include free movement for professionals as the government has indicated.

---

<sup>23</sup> [www.gov.uk/government/publications/2010-to-2015-government-policy-government-buying/2010-to-2015-government-policy-government-buying](http://www.gov.uk/government/publications/2010-to-2015-government-policy-government-buying/2010-to-2015-government-policy-government-buying)

<sup>24</sup> [www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_procurement\\_WEB\\_4.pdf](http://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_procurement_WEB_4.pdf)



There is a major opportunity with forthcoming trade deals with other nations for the UK to ensure professional services are included within them. If done correctly this could enable more trade with the UK in professional and business services. The UK is already recognized as a global leader in professional and business services and the government in the negotiation of future trade deals should ensure it gets trade agreements that allow the UK professional services to take advantage of new global opportunities.

The UK is a recognised global leader in education and professional education and in forthcoming trade deals mutual recognition of qualifications should be included wherever possible. This will make it easier for businesses to recognise talent and invest in talent and enhance skills in the UK economy.

#### **11. In the long-term ensure business have more reserves to weather economic shocks and create an allowance for corporate equity.**

Most big businesses have around six months of reserves to help weather crises and difficulties, but for SMEs their reserves could be as little as a week or two of cash. In the long term, following this crisis, we would urge all businesses to start building their reserves again to help protect against future disruptions, whether related to this virus or not. Government should also consider what good corporate behaviour for large and small businesses looks like in relation to reserves, and this may be an area they wish to review post this crisis and once the economy is on a better footing and growing again.

A study by the British Chambers of Commerce showed that most UK firms have no more than three months' cash in reserves.<sup>25</sup> The British Chambers of Commerce research also showed that only 6% of UK businesses have enough cash to cover the next 12 months.<sup>26</sup>

Incentivising companies to increase business reserves is an important long-term objective. We understand this may be difficult at this time while businesses are already struggling to survive. However, the possibility of future virus outbreaks and any economic decline means increasing company equity including business reserves will help strengthen companies to withstand any future shocks. The government should consider the long-term incentives to increase company equity within the tax system.

An allowance for new shareholder equity could be considered as a means of achieving this. For example, in Italy this has worked through multiplying net equity increases since a certain date (the start date of the scheme) by a notional rate of interest.<sup>27</sup> The allowance is then deducted from a company's net taxable income or carried forward. Equity increases that qualify for the allowance include cash contributions, undistributed profits, and waivers of amounts the company owes to its shareholders. The equity increases must be net of any decreases and there are anti-avoidance measures in

---

<sup>25</sup> [www.theguardian.com/world/2020/apr/02/coronavirus-six-in-10-british-firms-have-no-more-than-three-months-of-cash-left](http://www.theguardian.com/world/2020/apr/02/coronavirus-six-in-10-british-firms-have-no-more-than-three-months-of-cash-left)

<sup>26</sup> [www.creditstrategy.co.uk/news/news-top-stories/nearly-20-of-uk-firms-have-less-than-a-months-cash-reserves-7067](http://www.creditstrategy.co.uk/news/news-top-stories/nearly-20-of-uk-firms-have-less-than-a-months-cash-reserves-7067)

<sup>27</sup> [www.agenziaentrate.gov.it/portale/web/english/nse/invest-in-italy/allowance-for-corporate-equity-ace-#:~:text=The%20Allowance%20for%20Corporate%20Equity,and%20others%20funded%20with%20equity.](http://www.agenziaentrate.gov.it/portale/web/english/nse/invest-in-italy/allowance-for-corporate-equity-ace-#:~:text=The%20Allowance%20for%20Corporate%20Equity,and%20others%20funded%20with%20equity.)





place. This will help encourage the growth of corporate equity without penalising companies that use debt.<sup>2829</sup>

---

<sup>28</sup> [www.imf.org/external/pubs/ft/wp/2006/wp06259.pdf](http://www.imf.org/external/pubs/ft/wp/2006/wp06259.pdf)

<sup>29</sup> [www.oecd.org/tax/tax-policy/39672005.pdf](http://www.oecd.org/tax/tax-policy/39672005.pdf)

## **Creating a more sustainable business environment:**

### **12. The adoption of integrated reporting should be widely encouraged by businesses across the UK.**

We believe reporting should be wider than just financials and businesses should incorporate integrated reporting structures. Integrated reporting would help businesses and their regulators look wider than just the financial situation of the entity. This in turn would help the business and accountancy sector shape decisions to support moves to net zero and help government and regulators see where positive steps are being taken by industry and where more support and help is needed to move to net zero.

Research by CIMA and the AICPA showed that integrated thinkers performed better than their industry peers who did not incorporate integrated thinking, and their organisations saw fewer failed initiatives due to slow decision making.<sup>30</sup> Our own research has shown integrated reporting is positively associated with stock liquidity and firm value.<sup>31</sup>

Research by Blacksun and the AICPA has shown that 79% of executives agree that longer-term perspective on strategic planning would improve value creation potential.<sup>32</sup> Investors also support more moves to integrated reporting and believe it helps them make more informed investment decisions.<sup>33</sup>

Moves to integrated reporting would not only better help regulators and the move to net zero, but we believe it would mean that UK businesses would have a more financially secure longer-term future and the potential for more investment.

### **13. The UK Government should consider changing insolvency and administration practices in the UK, drawing on experience from the United States and South Africa.**

Reform of the bankruptcy practices for businesses is long overdue in the UK. Both South Africa and the United States have business recovery options in their insolvency procedures that allow for certain viable businesses to re-structure and re-organise in order to save their business. In the wake of the Covid-19 crisis and with many businesses likely to face difficulty and possible insolvency a measure such as this may allow more businesses to survive, secure jobs, allow creditors to be paid and secure tax revenue.

---

<sup>30</sup> [www.cgma.org/resources/reports/joining-the-dots.html](http://www.cgma.org/resources/reports/joining-the-dots.html)

<sup>31</sup> [www.cimaglobal.com/Documents/Thought\\_leadership\\_docs/Academic-research/4398%20Economic%20consequences%20Academic%20research%20report%20FINAL.pdf](http://www.cimaglobal.com/Documents/Thought_leadership_docs/Academic-research/4398%20Economic%20consequences%20Academic%20research%20report%20FINAL.pdf)

<sup>32</sup> [www.cgma.org/content/dam/cgma/resources/reports/downloadabledocuments/purpose-beyond-profit.pdf](http://www.cgma.org/content/dam/cgma/resources/reports/downloadabledocuments/purpose-beyond-profit.pdf)

<sup>33</sup> [integratedreporting.org/wp-content/uploads/2017/09/Investor-statement\\_FinalS..pdf](http://integratedreporting.org/wp-content/uploads/2017/09/Investor-statement_FinalS..pdf)



The UK should look at how the United States Chapter 11 bankruptcy works and how a model such as this could be applied in the UK.<sup>34</sup> Such a move could take away the stigma of business failure, but also balance it with corporate responsibility to ensure that recklessness in business management is not encouraged.

The Centre for Policy Studies has called for such a change and they believe it would support workers to keeping their jobs and make it easier for firms to restructure, and we agree too.<sup>35</sup>

#### **14. Investing in green infrastructure making it easier for businesses and consumers to support a net zero target.**

Low carbon power should be a priority. If your electricity sources are high in emitting carbon then it does not matter if you have more and more electric cars on the road, emissions will still be high due to the source of the energy being dirty.

Infrastructure to support businesses and consumer choices to go low carbon is crucial. Therefore, priority must be given to building energy efficiency and the infrastructure to support greener and cleaner transportation, such as more electric car charging points. This investment in infrastructure would help consumers and businesses make more concise decisions to use cleaner energy goods, products and services.

Electric and hybrid cars need charging points which are more accessible. A more joined up approach from consumer to business decisions which encourages both sides of the market to choose net zero is needed.

The local and regional economies need to be plugged into a broader UK plan to contribute and build the infrastructure needed to support a net zero target.

---

<sup>34</sup> [www.jonesday.com/files/Publication/b0c886bd-6721-4c66-9213-db7f01ddb55f/Presentation/PublicationAttachment/96b1ebf1-2203-4577-bff4-8baf89f4e0d1/Comparison%20of%20Chapter%2011.pdf](http://www.jonesday.com/files/Publication/b0c886bd-6721-4c66-9213-db7f01ddb55f/Presentation/PublicationAttachment/96b1ebf1-2203-4577-bff4-8baf89f4e0d1/Comparison%20of%20Chapter%2011.pdf)

<sup>35</sup> [www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf](http://www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf)

## **Investing in skills to help generate economic growth and improve productivity:**

### **15. The Apprenticeship Levy to be made into an “Apprenticeship and Skills Levy” where levy money can be spent by employers both on apprenticeships, but also on recognised continuing professional development for reskilling of the current workforce.**

We believe that the Apprenticeship Levy could be changed to help support more lifelong learning and improve UK productivity by reducing skills gaps. This could be done by making the levy an “Apprenticeship and Skills Levy” where levy money can be spent by employers both on apprenticeships, but also on recognised continuing professional development to keep their staff’s knowledge current or to upskill or reskill through professional development and education programmes.

The Association in 2018 produced some research into workplace skills and it showed that 26% of the UK workforce admitted to not participating in any in-work learning in the last 12 months.<sup>36</sup> This figure is worrying considering the huge skills gaps in the UK and the fact that UK productivity lags behind many of the G20 nations.

The British Chamber of Commerce and Totaljobs published figures that showed almost 75% of companies in the UK had a shortage of skilled candidates to fill job vacancies.<sup>37</sup>

Worryingly, prior to the pandemic a 2019 report by the Industrial Strategy Council already estimated that 20 percent of the workforce will be significantly under-skilled for their jobs by 2030.<sup>38</sup> In addition, CIMA’s own research in 2019 revealed that 37% of UK workers don’t feel that they need to learn new skills despite a growing awareness of the impact of technology on jobs.<sup>39</sup>

The research referenced above was all conducted before the economic crisis caused by Covid-19. This crisis is only likely to have made the already existing skills and productivity crisis worse.

Figures show that only around 10% of levy funds are being drawn down to create apprenticeships by allowing other training to be funded through the levy, we believe more employers would be able to take advantage and utilise the scheme and this would increase productivity across the UK.<sup>40,41</sup>

---

<sup>36</sup> [www.cimaglobal.com/Press/Press-releases/2018/8-million-UK-workers-at-risk-of-career-complacency/](http://www.cimaglobal.com/Press/Press-releases/2018/8-million-UK-workers-at-risk-of-career-complacency/)

<sup>37</sup> [www.britishchambers.org.uk/news/2019/05/bcctotaljobs-no-business-sector-immune-from-recruitment-difficulties](http://www.britishchambers.org.uk/news/2019/05/bcctotaljobs-no-business-sector-immune-from-recruitment-difficulties)

<sup>38</sup> [industrialstrategyCouncil.org/sites/default/files/UK%20Skills%20Mismatch%202030%20-%20Research%20Paper.pdf](http://industrialstrategyCouncil.org/sites/default/files/UK%20Skills%20Mismatch%202030%20-%20Research%20Paper.pdf)

<sup>39</sup> [www.cimaglobal.com/Press/Mind-the-Skills-Gap/](http://www.cimaglobal.com/Press/Mind-the-Skills-Gap/)

<sup>40</sup> [www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf](http://www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf)

<sup>41</sup> [commonslibrary.parliament.uk/research-briefings/sn03052/](http://commonslibrary.parliament.uk/research-briefings/sn03052/)



## **16. The rules of the apprenticeship scheme to change to allow providers to be end point assessors and tuition providers, reducing complexity and cost.**

We believe that employers, candidates and the government could get more out of the Apprenticeship Programme if changes were made to who can provide both tuition and end point exams.

Currently, training providers provide the tuition for apprentices, a different examination body completes the final end point examination and employers provide the on the job training and funding through the levy for the apprenticeship. In this mix are also professional bodies including CIMA for some apprenticeships, such as accountancy programmes. Bodies such as CIMA help draw up the competencies for apprenticeships and ensure the end point exams offer a route to gaining a professional qualification that is recognised by businesses.

The number of touchpoints with different bodies in the apprenticeship programme can create confusion for businesses and apprenticeships, and has led to inefficiencies in the system, which does not help enhance apprenticeship uptake.

We recommend that there should be changes to who can provide training and end point examinations of apprenticeship standards. Professional bodies should be allowed to both provide tuition and endpoint exams under the apprenticeship scheme.

Professional bodies have a long history of training their members to pass exams and ensuring the qualifications are robust, recognised both by internal UK businesses but also on a global stage. CIMA has been training management accountants for over 100 years in the UK and the CIMA qualification is recognised in 176 countries.

This would mean businesses and apprentices would have fewer contact points regarding their course and that would make it easier for both to engage and understand the apprenticeship system.

This change would drive efficiencies in the system and lead to more apprenticeships being started. It would also make it easier for employers to hire apprentices as they would have fewer interfaces to deal with. Simplifying the process will be useful because business leaders will currently be focused on supporting, stabilising, rescuing and then growing their business. The easier it can be made for employers to be involved and invest in apprenticeships the better because otherwise employers may view apprenticeships as too much trouble.

## **17. Maintain spending on higher level apprenticeships.**

Office for National Statistics (ONS) figures show that labour productivity growth was lower over the past decade than at any time in the 20th century and the ONS said that the UK productivity grew only 0.5% in 2018.<sup>42</sup> Figures from McKinsey state that the UK will be a third less productive than Germany by 2025.<sup>43</sup>

This economic crisis is only likely to have made this situation worse.

---

<sup>42</sup> [www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brexit-uncertainty](http://www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brexit-uncertainty)

<sup>43</sup> [www.ft.com/content/442fb59c-d138-11e8-a9f2-7574db66bcd5](http://www.ft.com/content/442fb59c-d138-11e8-a9f2-7574db66bcd5)



We believe higher level apprenticeships are key to increase skills and productivity in the UK.

Higher-level apprenticeships allow candidates to gain the required knowledge, skills, expertise and qualifications to seek employment in the professions such as accountancy and audit. They also allow a different route into the accountancy and other professions and allow greater access for those who may have never considered a career in accountancy or other professional services before. These apprenticeships are a fantastic way to open up the professions and increase social mobility.

The UK currently has productivity and skills gaps. Higher level apprenticeships give individuals enhanced skills that businesses require and help close both these gaps. Therefore, more investment in higher-level apprenticeships is needed to help to improve UK productivity or improve the skills of the current and future workforce.

The higher-level apprenticeships are also a route to increasing social mobility and act as another access point to higher level education for many students from diverse backgrounds.

### **18. Rebuttable right to retrain.**

Post-crisis the creation of a rebuttable right to retrain as part of any package of recovery measures could increase the investment in UK workers' skills development. It would also fulfil the "ultimate ambition" to establish a "Right to Retrain" that the Conservative Government included in the 2019 manifesto.

It would allow UK workers to increase their skills while maintaining their employment and an income, and boost opportunities to train where employers are currently sceptical about offering this and where employers do not offer schemes themselves.

A right to retrain would make it easier for employees to broach the conversation with their employer. It resets the question by making the default position to be the approval of extra training and skills development.

The right could be rebuttable because there will be cases where the employee is urgently needed for a core business need.

### **19. The government to create and invest in skills clusters across the UK and look at models such as development corporations to help drive both public and private investment into left-behind regions.**

The government should look to create skills clusters across the country. To an extent, this model already operates in the UK. For example, Barrow/wider Cumbria has an economy somewhat focussed on the nuclear submarine and nuclear power industry, London has finance and the professions, South East England has motor sports. This model also works in other countries, for example Silicon Valley in the United States.

This regionalisation of expertise should and could be built upon, so each area of the UK has a highly skilled field in their local economy that can support jobs through their supply chain and wealth generation.

One area the government should look at with this model is linking education to the local economy. So how can schools, colleges and universities support employment in these skilled sectors in their localities.



The No Stone Unturned in pursuit of growth” report commissioned by the Coalition government showed the huge differences and disparities in regional growth and gross value added by different regions in the UK. It showed London and the South East had the highest GVA by some distance compared to other regions of the UK.<sup>44</sup>

Since the time of this report we believe the situation for some regions has likely got worse and the current crisis will be negatively affecting many regional economies within the UK.

Bank of England data from May has showed that more labour-intensive industries have been hardest hit by the lockdown. Sectors that are more knowledge or capital intensive have been least hit by the lockdown, due to many of these roles being able to be done remotely. Many of these jobs are in the South East and London.<sup>45</sup>

The government must focus on driving up regional investment to spread productivity across the UK.

The government should look to see what lessons can be learnt from the London Docklands Development Corporation/Canary Wharf Group that helped transform a very deprived area of London and turned it into a finance and employment hub. These bodies contained both elected officials, local officials and businesses. If development institutions are to work, they need a mix of people from business, industry and government who are steeped in the locality to be involved and not just officials from Whitehall.

Investment in infrastructure and skills in left behind regions is crucial to increasing the productivity and economic growth in the regions. The Centre for Policy Studies recently called for the establishment of a British Infrastructure Bank based outside London with seed capital to fund infrastructure across the UK.<sup>46</sup> We support this aim and believe it will help generate growth and investment in the UK regions.

## **20. Look to what lessons from other countries can be learned on R&D tax incentives.**

Several countries, including Argentina, Canada, Chile, China, Italy, Korea, and Poland, have implemented strong and innovative tax measures, such as more generous R&D tax credits, investment incentives as well as collaborative tax credits.<sup>47</sup>

In contrast, a lack of tax incentives has been identified as a German weakness, and a United States weakness is that its collaborative R&D tax credit applies only to energy-sector collaborations. Beyond taxes, Poland has introduced innovation vouchers and loan programs in an effort to specifically stimulate innovation by small and medium-sized enterprises.<sup>48</sup>

---

<sup>44</sup> [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34648/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-untuned-in-pursuit-of-growth.pdf)

<sup>45</sup> [www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020](https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020)

<sup>46</sup> [www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf](https://www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf)

<sup>47</sup> [itif.org/publications/2019/06/13/national-innovation-policies-what-countries-do-best-and-how-they-can-improve](https://itif.org/publications/2019/06/13/national-innovation-policies-what-countries-do-best-and-how-they-can-improve)

<sup>48</sup> [geneva-network.com/wp-content/uploads/2019/06/2019-national-innovation-policies.pdf](https://geneva-network.com/wp-content/uploads/2019/06/2019-national-innovation-policies.pdf)

## **About CIMA**

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders. Chartered Global Management Accountant (CGMA) is the most widely held management accounting designation in the world. It distinguishes more than 137,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management.

CIMA is a founder member of The Association of International Certified Professional Accountants (the Association) is the most influential body of professional accountants, combining the strengths of the American Institute of CPAs (AICPA) and CIMA to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents over 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. In the UK alone CIMA has over 80,000 members working across all sectors. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CIMA and CGMA designation holders and accounting and finance professionals globally.

One of the core missions of the organisation is to develop research and analytical thinking of the challenges faced by both our management accounting professional but also the wider and global finance sector.

## **Contact**

For further information about CIMA and our submission please contact Ross Archer, Lead Manager – Public Policy on [ross.archer@aicpa-cima.com](mailto:ross.archer@aicpa-cima.com)