

Comprehensive Spending Review

Submission to HM Treasury

Chartered Institute of Personnel and Development (CIPD)

September 2020



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work and working lives*

Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 155,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Summary of recommendations

Continue to support workers

Reform Statutory Sick Pay:

- Extend Statutory Sick Pay (SSP) to include employees earning below the lower earnings limit (LEL)
- Increase statutory sick pay: The Government should raise the level of SSP (currently £95.85 a week) to be significantly closer to the equivalent of someone earning the National Living Wage (£327 for a 37.5 hour working week). We urge Government to undertake a further public consultation on longer-term reform of the rate of SSP and how a significant increase in the rate should be shared by the state and employers.

Support for employers on training and people management

- The Apprenticeship levy should be made more flexible to enable levy paying firms to use their levy funds to invest in other forms of accredited training and skills development, as well as apprenticeships. This would also help firms participating in the Job Support Scheme to invest in training for staff working reduced hours and support other levy paying employers to invest in training linked to their business needs, as well as to provide appropriate training for staff being made redundant to boost their employability.
- Government should invest £15.4m a year to fund locally delivered professional HR support services for micro and small firms to help them manage through the pandemic, support job quality, invest in skills and boost workplace productivity.
- Government should double Acas's budget to £100m. Investing to boost Acas's capability and improve the availability and quality of accessible HR support to small firms at a local level would help increase the level of employer compliance with employment law, help protect individuals' employment rights and support Government's ambition to improve labour market enforcement.

Skill development and back to work support for individuals

- Government should invest £20m in a Skills Innovation Fund to help develop a wider range of digital learning courses and qualifications which could be delivered through the National Retraining Scheme.
- Government should invest £1bn in enhancing its Rapid Response service to support organisations making large-scale redundancies by providing more bespoke employability and training support for up to 250,000 workers who have lost their jobs, or will lose their jobs, in the next four months as a result of the pandemic to help them move into new sectors.

Introduction

The decisions made by the Government over the next few months will have a huge impact on the resilience of the UK's labour market and economy, as well of course on people's health and livelihoods. The exceptional and fluid nature of the pandemic crisis the country is facing requires very flexible decision making to adapt to fast-changing circumstances. The Government has taken bold steps to protect the economy and jobs to date and it is crucial that it continues to do so on a number of fronts to protect existing jobs in hardest hit sectors, to increase investment in training and enhance the support available for the unemployed to find new jobs.

Continue to support workers

The Government has just announced bold action to continue to protect viable jobs and people's incomes over the winter through the Job Support Scheme. However, there is another area where further urgent action is required to support workers both during the pandemic and for the long-term, which is raising the level of Statutory Sick Pay. The very low level of SSP currently means many people cannot afford to take time off when they are ill, which is a major problem during normal times but even more so during a pandemic. The low level of SSP also contributes to many people with longer-term health problems falling out of employment completely.

Reform of Statutory Sick Pay (SSP)

Another aspect of supporting people in employment which requires urgent Government attention is Statutory Sick Pay Reform, so that it's available in a flexible form to all who need it, as recognised in the Government's [Health is everyone's business](#) consultation. Covid-19 has highlighted the shortfall in the existing SSP system. Reform is needed across a number of areas but urgent regulatory change is needed now to both widen

eligibility for SSP and increase the rate of SSP. Office for National Statistics' figures show over six million UK workers don't qualify for SSP: around 4.75 million because they're [self-employed](#) and 1.7 million because they don't [meet the earnings threshold](#) for SSP.

At £95.85 per week the SSP rate is the [second lowest](#) sickness benefit replacement benefit level compared to other European states. Neither is it linked to earnings level. The Government's own consultation acknowledges the low rate by international standards and notes 'a fall in earnings when receiving SSP may pose a significant risk to an individual's financial security and ability to recover from serious illness.'

We are concerned that many individuals with a health condition or disability requiring them to take a longer period off work face financial hardship because the current flat rate of SSP is so much lower than many people's earnings, especially if they don't receive enhanced income via occupational sick pay. This could encourage some people to come back to work much earlier than they are ready to, possibly making their condition worse whilst not adding value to the organisation in terms of their productivity.

This threat has now been heightened because of the impact of COVID-19 pandemic, particularly the low-paid. We welcome the COVID-19 related reforms implemented so far, but Government needs to go further. There is a real risk that many people will fall into genuine financial hardship unless the Government takes further action to reform SSP to support all workers during this critical time, and beyond the current health crisis as well. [CIPD research](#) shows a quarter of workers (23%) who would receive either SSP or no pay in the event of sickness absence due to Coronavirus said that they would struggle to pay bills or buy food within just one week, rising to 33% for a two-week period of sickness absence.

Evidence for the Government's [Multidisciplinary Task and Finish Group on Mass Testing](#) shows that just 20% of those reporting symptoms of COVID-19 in England report fully self-isolating by staying at home. It flags financial support as one of the key factors influencing adherence to this critical public health measure to help control the spread of the virus: self-reported ability to self-isolate or quarantine is three times lower in those with incomes less than £20,000 or savings less than £100.

We urge the Government to:

Extend SSP to include employees earning below the lower earnings limit (LEL)

We share the Government's concern set out in its consultation paper that employees on lower incomes are missing out on the protection offered by SSP because they fall below the earnings threshold (£120 per week) for eligibility. Every worker should have access to a basic level of income replacement when they are unable to work due to illness. This should be a fundamental part of their employment protection in a modern economy, but is now a public policy imperative given the need for all workers, including the lowest-paid, to self-isolate when necessary. We therefore recommend that the proposal to remove the LEL for SSP put forward in the [Health is everyone's business](#) consultation. Government

should also consider longer-term reform to extend eligibility for SSP to all working people including the millions of self-employed.

Increase statutory sick pay

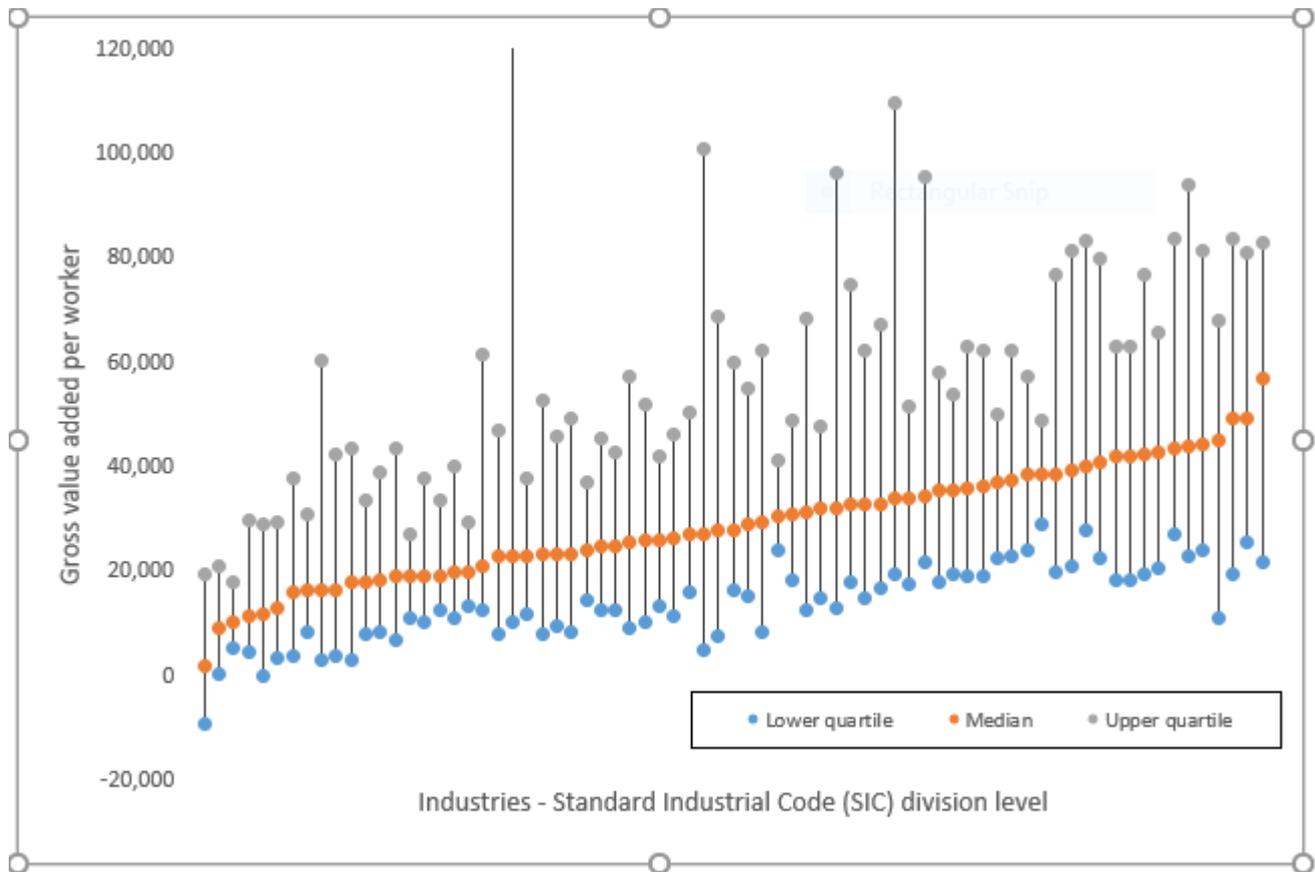
The Government should raise the level of SSP (currently £95.85 a week) to be significantly closer to the equivalent of someone earning the National Living Wage (£327 for a 37.5 hour working week).

Although reforms to SSP would be beneficial in the long term, specific action and compensation in relation to the test and trace system should be implemented in the short-term to encourage the right behaviour and people to self-isolate when necessary, as a vital part of the UK's response to COVID-19. We urge the Government to undertake a further public consultation on longer-term reform of the rate of SSP and how this responsibility should be shared by the state and employers.

Further support for employers on training and people management

A critical area where employers require more support to boost their resilience during the pandemic and growth potential when conditions improve is workforce skills development and people management. Boosting employers' capacity to train and manage their workforce is also crucial to support efforts to increase workplace productivity to increase UK competitiveness and living standards for the long-term. Research by the ONS² suggests the presence of more formal management practices has a clear link to higher productivity firms. It also found that people management practices, such as those linked to training, performance review, managing under performance and promotion were most correlated with productivity.

CIPD analysis of firm level ONS data below (see figure 1) shows that across all sectors there is a wide variation in productivity performance for firms within each industry. In fact, there is a great degree of overlap between productive and unproductive industries to the extent that there are productive firms in non-productive industries that perform better than unproductive firms in productive industries. Taken together we conclude that there is ample room for productivity improvement at the firm level across the distribution and in all industries.



Source: CIPD analysis of ONS data - Firm-level labour productivity estimates from the Annual Business Survey (ABS) 2016¹⁴

CIPD believes there are some significant actions Government can take to significantly boost investment in skills and improve how they are utilised in workplaces to improve how people are managed, job quality and workplace productivity.

Employer investment in skills and training

Employer training volume and investment has been in long-term decline in UK, with employers now providing and spending less on training their workforces than [they were 20 years ago](#). The Covid-19 pandemic is likely to further negatively impact on the level of training volume and investment by UK firms. Data from our recent, unpublished survey (June 2020), based on a YouGov representative panel of over 1,000 employers, found that just 22% of organisations expected to increase the amount that they spend on training over the next 12 months, while 16% expected a decline and 48% that it would remain the same. The same survey also found that: just 54% of organisations reported that they had continued to train staff remotely through digital/online learning during the pandemic; and just 39% provided retraining to staff who had been furloughed.



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Firstly, in order to support employers to invest in training for their workforce at a time when all workforce costs are under scrutiny and pressure, CIPD believes the Apprenticeship Levy should be made more flexible to enable employers to use their levy funding for other forms of accredited training and skills development, as well as apprenticeships.

This would mean employers could use their levy funding for the different types of training and development their workforce needs, allow them to rapidly retrain and redeploy staff to new growing areas of the business, as well as allow them to support re-training opportunities for employees who are being made redundant. In fact when we surveyed a representative sample of over 1,000 employers in June 2020, and asked about the effectiveness of a range of mechanisms to help them dealing with the impacts of the Covid-19 pandemic, amending the apprenticeship levy to a flexible training levy (along the lines set out above) was considered the most effective measure, with 42% of employers reporting that it would be effective or very effective, compared to just 10% of respondents who reported that it would be ineffective/very ineffective.

However micro and small employers with fewer than 50 members of staff need additional support both during the pandemic as well during more normal times to help them improve their ability to recruit, manage and develop people and their productivity and growth potential. The Government has created and invested in the business improvement organisation *Be the Business* as a way of providing some organisations with generic management support to try and help boost workplace productivity but welcome while this is, much more substantive support is required to materially enable small firms across the UK to improve their people management and development capability.

Small employers with no in-house HR support are facing a perfect storm with many having to deal with a cash flow crisis while dealing with a range of complex employment relations issues including the furlough scheme, making the workplace Covid-19 secure, managing home workers, a rise in mental health issues and redundancies to name just a few.

[CIPD research](#), which evaluated three local *People Skills* pilot initiatives providing a day of free professional face-to-face support to small firms via CIPD qualified HR consultants, found that the level of people management capability is typically very low in micro and small firms, with many struggling to meet even the basic requirements on employment rights even in normal times. The type of support provided was often quite basic for example ensuring there were employment contracts, job descriptions and objectives and objectives in place for example. However the research showed participating owner managers were more likely to report their business was better or much better than similar firms in their sector on measures of workplace relations, labour productivity and financial performance after using the *People Skills* service than they were prior to using it.

In light of both the pandemic crisis and acute productivity challenge facing the UK, there is a strong case for the Government to support a national roll-out of the *People Skills* scheme.



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This would be part of a renewed focus in the Government's Industrial Strategy on enhancing workplace productivity by boosting managerial quality, increasing investment in skills and strengthening the quality of business support through local-level institutions.

The CIPD's provisional estimate is that if the *People Skills* model were adopted by all Local Enterprise Partnerships in England it would require initial funding of around £13 million per year (including evaluation costs). Consequential funding for Scotland (£1.3m a year), Wales (£0.7m a year) and Northern Ireland (£0.4m a year) to provide dedicated HR support for small firms delivered locally across the UK would come to a further £2.4m a year.

CIPD believe it would make sense to fund the initiative for an initial period of three years in order to evaluate its impact, bringing the total investment to £46.2m which could be funded via an allocation from the £3bn National Skills Fund.

We estimate that once the *People Skills* programme is properly embedded and marketed in a locality, the resource model would enable the programme to provide up to one day's HR support for about 600 businesses per year, which in England, for example, would mean actively supporting more than 20,000 small businesses across the LEP network on an annual basis.

The three-year time period would allow for the anticipated changes to take root and for the development (through independent evaluation) of a sound evidence base for future government policy. If, as we anticipate, the overall results are positive, the reach and range of the support offered could be steadily expanded as local and national resources became available.

It is vital that independent evaluation is built into the initiative so that at the end of three years the Government has a sound evidence base on whether the positive findings from the pilots have been replicated in all areas. This would allow those areas where the approach has proved successful to scale up, and those areas where it was less successful to address the underlying structural weaknesses around effective engagement with SMEs.

Finally, CIPD believes there is a strong case for Government to double the budget assigned to Acas from about £50m to £100m a year to enable it to increase its capacity to support individuals and small firms. Increasing Acas's resources to boost its ability to provide free and impartial advice to employers, employees and their representatives on employment rights, people management best practice and policies and on resolving workplace conflict would support the Government's ambition of making the UK the best place in the world to work.

Investing to boost Acas's capability and improve the availability and quality of accessible HR support to small firms at a local level, would also help increase the level of employer compliance with employment law, help protect individuals' employment rights and support Government's attempt to improve labour market enforcement.

Skills development and back to work support for individuals

The other key priority for Government is helping individuals new to the labour market and those who have lost their jobs access training and employability support to find work and if necessary, re-skill or up-skill.

While it is welcome that the Government has prioritised the digital learning and reskilling/upskilling agenda through the National Retraining Scheme it is small in scale and is limited in terms of the range of learning content. To meet the needs of learners' digital learning the scheme must provide access to bite-sized learning, potentially certificated through micro-qualifications or credits, and which can be package up over time into more substantive learning journeys. Government has rightly recognised the need to stimulate the market to develop new digital learning solutions, through the Ed Tech Innovation Fund (NESTA, DfE partnership), however we believe that this needs to go further and be more ambitious. To support the development and design of these types of courses, Government should seek to incentivise providers through a £20m skills innovation fund to rapidly develop high quality digital learning content.

Many learners face barriers to accessing learning opportunities including lack of awareness, motivation, time constraints, as well as access to finance. To raise awareness the government should consider launching a nationwide campaign that promotes the benefits of digital learning and should consider engaging through the provision of access to funding via a "Skills Wallet", along the lines of the Skills Credit in Singapore or a revamped version of Individual Learning Account, to improve motivation and address barriers to finance. Access to funds in individual's "Skills Wallet" would be dependent on undertaking a skills audit and gap analysis and career advice and guidance interview.

A Plan for Jobs set out a welcome increase in funding for Jobcentre Plus's Rapid Response service to support organisations making large scale redundancies. However, to support those being made redundant in sectors and occupation which have been heavily impacted by social distancing restrictions – and likely suffer decline in the medium- to long-term – the Government should consider further developing and boosting investment in its enhanced Rapid Response service.

This could be modelled along the lines of [WorkAdvance](#), a successful US programme aimed at helping low-income adults move into new careers in growth sectors (for instance health and care) which offer opportunities for progression, and includes formal training that takes into account employers' skills requirements and results in industry-recognised certifications. Support would include intensive screening of applicants to assess level of career interest in sector, skills assessment to identify transferable skills and identify gaps, sector-specific career readiness training and occupational skills training to meet employer needs, as well as employer engagement and job brokerage to 'open the door' to job opportunities to participants. Participants would also be provided with post-employment retention and advancement support – including ongoing coaching and training. The



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WorkAdvance programme was estimated to cost \$5,700 per participant (equivalent to around £4,000), so if 100,000 people accessed the service it would cost approximately 400million.

In recognition of the urgent need to support those workers who have already lost their jobs as a result of the pandemic or who will lose their jobs over the winter and need help to re-train, we believe Government should invest £1bn in enhancing its Rapid Response offer to provide WorkAdvance type support to 250,000 workers who have recently been made redundant or who will be made redundant between November and end of January 2021.

Finally, we believe more action needs to be taken to support young people whose employment prospects will be disproportionately damaged by the pandemic. Although measures set out in *A Plan for jobs* to support young people access education, training or employment opportunities were welcome, we agree with the Youth Employment Group (YEP) that these do not go far enough given the scale of the challenge. The YEP set out recommendations to strengthen support available for young people, providers and employers a number of which we believe should urgently implemented: more generous employer apprenticeship incentives for hiring an apprentice under the age of 25 and a waiving of SME co-investment requirement; waiving NICs contributions for employees under the age of 25 years; and implementing an 'Opportunity Guarantee' of a high-quality education, training or apprenticeship place by Autumn 2020 for all young people aged 16-24 who want one.

CIPD

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