To: Growth Fund Consultation  
St Mary's House 9-11  
London Road  
Sheffield S2 4LA  

2nd September 2010  

Re: Acas response to the Consultation on the Regional Growth Fund, July 2010

Acas welcomes the opportunity to respond to this consultation on the Regional Growth Fund, which we believe has the potential to stimulate growth across the country. One of the most cost effective ways in which it can achieve this is by supporting initiatives aimed at improving management and leadership skills, especially at supervisor and front line manager level.

A range of studies suggest that the UK’s management capability lags behind that of other EU countries. UK firms tend to under-invest in management and leadership skills, spending less per person on manager development than any other country in Europe (Leitch Review of Skills 2006). This is a problem because research consistently shows a strong correlation between good management practice, high levels of employee engagement and hence productivity. A recent LSE study concluded that companies which consistently apply accepted management practices perform significantly better than those that do not (Dowdy et al 2007).

Good management practice has been shown to increase employee engagement and performance, which also helps to drive innovation. It is key to ensuring that the skills of the workforce are utilised effectively. UKCES’ 2009 report ‘The Value of Skills: An Evidence
Review’ shows that, while we do relatively well on skills acquisition, the UK’s skills utilisation is poor in comparison with the rest of the EU. The UK has the lowest rate of job-matching in the EU, with approximately 2 in every 5 workers over-qualified for their jobs. This suggests that the challenge for UK employers is to ensure that the skills of the workforce are being put to use. Good management practice, as well of course as good job design, is crucial to achieving this aim.

UKCES’ report concludes that action targeted at improving management capability and skills development in the UK could bring ‘substantial benefits to organisational and economic performance’. We therefore recommend that the Regional Growth Fund supports activities which aim to develop leadership and management skills.

Simple reliance on command and control is no longer enough in today’s sophisticated workplaces, where employees have considerable freedom and where discretionary effort needs to be channelled to the benefit of the organisation. We would therefore welcome support for initiatives aimed at improving practical people management skills, as Acas believes that a lack of these skills constitutes a large part of the UK’s people management deficit. Practical management skills include skills such as effective communication, the ability to handle difficult situations and manage conflict, and the ability to support learning and development. We believe that it is particularly important to equip front line managers with these skills because the role of the line manager is becoming increasingly important and challenging in the modern workplace. The survey Essential Learning: the employee perspective revealed that 78% of UK employees identified line management as the function in most of need of additional training, a considerably higher proportion than in the USA or the rest of Europe.
While many policy initiatives aimed at improving management skills are focused on the attainment of formal qualifications, Acas believes that the UK’s practical management skills gap can be addressed effectively through workplace training, coaching and on-the-job learning, not necessarily leading to a qualification or accreditation. Currently, there is significant underinvestment in this area: in 2008 just 3% of the Government’s Train to Gain budget was allocated to the development of generic management and leadership skills.

We see the Regional Growth Fund as an opportunity to correct this underinvestment. In supporting activities aimed at improving the country’s management and leadership capability, with particular emphasis on improving practical management skills among front line managers, the fund has the potential to significantly increase productivity and create sustainable regional growth.

Yours sincerely,

John Taylor
Chief Executive, Acas