

Written evidence submitted by The Chartered Institute of Management Accountants (CIMA)

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). 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.

Executive Summary:

CIMA wishes to convey the following points and recommendations regarding the measures taken to address the pandemic and its economic impact:

- We support the job support schemes and their extension but have a recognition that they must be phased out at the right time and in the right way and this will be difficult.
- Explore making training and participation in professional development schemes mandatory for those on the Coronavirus Job Retention Scheme and receiving furlough payments.

- Support the Lifetime Skills Guarantee but regret that it is only available from April 2021.
- Agree with the government's release of its economic analysis of the latest tiering system but feel it did not go far enough and in future more information on the economic cost and impact of measures should be released.
- Government support to the self employed and company directors has been limited.
- Businesses that have had their customer base severely affected by the restrictions but not been forced to close require further support.
- We believe that government needs to try as hard as possible to avoid future lockdowns as they have a devastating impact on the economy, jobs, and businesses future.
- The rise in home working and the increased use and need to use digital technology are likely to be permanent changes to the UK economy.
- Review employment laws and regulations to ensure they are suitable for a new era of increased home working and support productivity.
- Create a City Centre Economy Strategy to help revitalise city centres and their economic well-being.
- An Allowance for Corporate Equity should be introduced, to provide an incentive for equity-based finance without complicated changes to the tax system to discourage debt.
- The Government should encourage companies to maintain a significant level of reserves to increase resilience and reduce dependence on Government support going forward.
- A State Investment Bank should focus on areas where the UK Government has a policy preference not met by current market demand as in the net zero commitment and the Government support for green economy.
- A State Investment Bank could also fund infrastructure development in areas where a variety of infrastructure improvements could make a big difference, but no individual project may justify the private investment.
- The level of National Debt is a concern as demographic changes will increase demands on the public purse and the current low interest rate environment will not continue indefinitely and high debt slows economic growth.
- Raising taxes could reduce economic growth and dampen consumer confidence at a time when we need to grow our way out of this crisis. The national debt will need to be reduced over the long-term.
- A coronavirus bond would be a good way of crystalising the cost of the pandemic and financing it on a long-term low interest rate basis.
- A review of national assets and liabilities should be conducted to see where the value in them can be realised to reduce the national debt and ensure state funds are used efficiently.
- The Government should outline tax plans for businesses for at least the next two years to create a less uncertain tax environment for businesses.
- The Government should put on hold plans for changed business regulation until the economic crisis has passed.

- 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.
- The rules of the apprenticeship scheme to change to allow providers to be end-point assessors and tuition providers, reducing complexity and cost.
- Maintain spending on higher-level apprenticeships.
- Introduce a rebuttable right to retrain.
- Look at what lessons from other countries can be learned on R&D tax incentives.
- The government should 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.
- A new push on digital skills to make the UK post-pandemic ready will help the economy grow.
- A rise in home working may cause a decline in social capital and make it harder for those without social and professional connections to make progress in their careers.
- The rise in home working may also impact commuter patterns and affect the viability of transport links which may affect the overall public transport networks on which many people rely.

Many of these measures are derived from our recent report “Budgeting for Recovery and a Long-Term Economic Future for the UK”, which we have attached for reference.

Responses to the relevant topics listed in the Terms of Reference for this Inquiry:

To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?

1. We welcome the range of measures the government have introduced to protect employment such as the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme. We also supported these schemes extensions during the November 2020 lockdown and believe the extension through to March 2021 is the right approach.
 - 1.1 It is undoubted these schemes have helped to support employment and have stopped mass unemployment in some sectors of the UK economy. Figures from the government show during the height of the first lockdown it supported 30% of the UK workforce and helped support more than 9 million jobs.¹ We think the Coronavirus Job Retention Scheme alongside the Self-Employed Income support scheme has been vital in stopping mass unemployment.

¹ <https://www.gov.uk/government/news/official-figures-show-that-the-furlough-scheme-has-worked-saving-jobs-and-helping-more-than-half-of-employees-back-to-work-already>

- 1.2 However, there needs to be the right approach when these schemes come to their eventual end to support jobs and maintain employment. The viability of business relies on many factors beyond their control including social distancing restrictions, sector restrictions, consumer confidence and behaviour and where we are in the health fight against COVID-19. Many long-term viable businesses and sectors may still be struggling and could need further support and help to secure employment.
- 1.3 The government needs to ensure that businesses know in advance what its plan around this is so they can start to prepare and help secure and maintain as much employment as possible. If jobs are genuinely viable and its COVID-19 restrictions that are limiting their capacity to be so, then there should be supported to ensure employment is maintained.
- 1.4 Yet, there is a difficult balancing act here we recognise for the government as some jobs and businesses in difficulty will not be viable going forwards and may have been struggling even before the pandemic hit the UK. The government needs to ensure that when the social distancing and public health restrictions start to lift its focus is on maintain and securing viable jobs.
- 1.5 We believe there is a missed opportunity from the government within the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme. This missed opportunity is that training was not mandatory to workers receiving this employment support. CIMA has called for such a measure and in a report released in November 2020 titled 'Budgeting for Recovery and a Long-Term Economic Future for the UK' it highlighted why such action within these schemes was needed to support long-term employment.²
- 1.6 One report from before the pandemic suggested that around a third of vacancies across the UK were hard to fill, mainly due to a lack of skilled candidates.³ This crisis is likely to have exacerbated that problem. A recent report by the Confederation of British Industry (CBI) highlights this point with the report stating that 90% of the UK workforce will need new skills by 2030.⁴
- 1.7 The figures above show the need for action to increase the UK's workforce skills to help both maintain current employment and for workers to gain new and more productive job opportunities. The government have missed an opportunity to address this challenge in the job support measures they have introduced.
- 1.8 We believe that there should be a mandated requirement to complete recognised skills and professional development training while receiving job

² https://www.cimaglobal.com/Documents/Advocacy/Budget%20for%20Recovery_Final_Final.pdf

³ <https://www.prospects.ac.uk/careers-advice/getting-a-job/skills-shortages-and-covid-19>

⁴ <https://www.cbi.org.uk/media/5723/learning-for-life-report.pdf>

support payments such as furlough payments. The extended Coronavirus Job Retention Scheme should mandate skills training as part of the support package.

1.9 The Lifetime Skills Guarantee is a good policy that we support, but it is only available from April 2021. It doesn't deal with this immediate challenge now. If mandated skills training was part of these job support measures than that would have meant that employees would have returned to work with new and more developed skills that could help their employer on their path to recovery and helped create a more productive workforce in the UK.

2.0 For more information on this proposal please look at the [CIMA Budgeting for Recovery and a Long-Term Economic Future](#) for the UK report.

To what extent are Government measures value for money for the taxpayer?

3. We welcomed the government's release of its economic analysis of the latest tiering system but feel it did not go far enough and in future more information on the economic cost and impact of measures should be released. We have previously called for such measures.

3.1 The government on other policies often releases economic analysis to support policy proposals or to explain why they are not a viable route forward. Measures to help in the fight against COVID-19 should be no different. Even if detailed economic analysis cannot be brought forward at the time of a measure it should be done very soon afterwards.

3.2 This kind of analysis is needed to help to see to what extent are government measures in the fight against the pandemic and those that are designed to help secure employment and economic recovery have been value for money.

3.3 Key to the CIMA in all policy areas is that policymakers have the right information to make informed decisions and, where possible, that information is publicly available to allow informed debate. An impact analysis would show where investment can make a real difference in the fight against this virus at the lowest cost.

3.4 This kind of information would also help to inform the government about how much this pandemic is costing financially and then what measures are needed to help fund and pay back debt that has accumulated due to the public health fight against the virus.

How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?

4. The Government support has clearly tried to achieve a balance between providing a wide-ranging support package and recognising that all groups can't be funded, and that support will have to be wound down at some point. Nevertheless, the support provided has been substantial even if some groups have regrettably been absent

from particularly the early support schemes and received little support, including Company Directors and the self-employed.

4.1 When an entire area is placed in a tier of restrictions that severely restricts a company's viability by reducing customer footfall, but the business has not been ordered to close the government support is less than if it were forced to close. This means that businesses in these regions will be severely weakened the longer the restrictions continue, they require support too and the government should consider how to help in such cases beyond the provision of fresh loans.

What lessons can be learnt from the different approaches undertaken by the nations in the UK to combatting the coronavirus?

5. There needs to be a more thorough analysis of the lockdowns and their effectiveness given the economic costs they impose. This should include the development of clear criteria to assess restrictions that includes a fair assessment of the economic costs involved.

What impact will a second lockdown have on the economy? How should the Government best support the economy if intermittent lockdowns become a feature over the next year?

6. We are yet to see the full effects the second lockdown introduced in England in November 2020 and the different lockdowns and restrictions introduced by the devolved governments this Autumn has had on the economy.

6.1 The latest economic analysis shows that economic recovery flatlined in October 2020 before the second lockdown in England in November, with growth in GDP of just 0.4% according to the Office of National Statistics (ONS).⁵

6.2 The second lockdown in England and the other lockdowns that took place in the devolved nations is likely to have had a negative impact on UK growth and economic recovery.

6.3 We believe that government needs to try as hard as possible to avoid future lockdowns as they have a devastating impact on the economy, jobs and businesses future. This impact affects livelihoods and in the long-term if there is less employment and businesses operating and generating economic activity it makes it harder for public services to be funded.

6.4 If any lockdown is introduced in future the government must ensure that upfront businesses know and get the support they need to stay in operation and support employment.

What changes to the economy are now permanent?

7. This is a difficult question to answer as it is impossible to know and say with certainty. However, we believe there are two areas of change to the economy that were happening before the pandemic, but which have now been speeded up. They

⁵ <https://www.cityam.com/economic-recovery-slowed-in-october-as-uk-gdp-hit-0-4-per-cent/>

are the rise in home working and the increased use and need to use digital technology.

7.1 The pandemic has increased the trend towards home working. The proportion of employees expected to work from home on a regular basis is predicted to more than double from 18% pre-crisis to 37% post-pandemic and the percentage working exclusively from home will increase from 9% to 22%, according to a Chartered Institute of Personnel and Development survey of UK employers.⁶ It also found that of employers increasing their support for homeworking, 66% were making changes to their policies to reflect a move to homeworking.

7.2 The increased amount of home working presents both challenges and opportunities for the UK economy.

7.3 One of the biggest challenges is the future of city-based economies. Many businesses in city centres rely on the commuter and tourist footfall and both have been hampered due to the pandemic because of the rise in home working and travel restrictions. We expect tourism to return once restrictions and the public health fight against the virus has turned the corner, but commuter footfall could be less than pre-pandemic levels due to the rise in home working.

7.4 In recognition of this challenge and the potential opportunities increased home working could present, in our recent Budgeting for Recovery and a Long-Term Economic Future for the UK report we have called on the government to review employment laws and regulations to ensure they are suitable for a new era of increased home working and support productivity and create a City Centre Economy Strategy to help revitalise city centres and their economic well-being.⁷

7.5 From conversations with our members we learnt this year that those who had invested in technology and made themselves more digitally prepared often fared better during the pandemic than those who did not. We believe that more companies will be investing in technology and online presences following this crisis as during lockdown those who had online platforms were still able to trade.

7.6 The government should look to support SMEs move online with a Digital Voucher Scheme. Often SMEs find the move to online the hardest due to having a small workforce, not having the expertise to do so and having a focus elsewhere. We have made such a call for this Voucher Scheme in our Budgeting for Recovery and a Long-Term Economic Future of the UK report.

7.7 A new digital voucher scheme to part-fund SMEs going online and to pay for promotion activity for their products would boost demand and allow SMEs to sell globally, not just locally, to help them through the crisis. The voucher could be for up to £2,000 per business and would require a matching investment of at least £1,000 by the business. It could be from a designated fund and delivered on a first-come, first-served basis up to the level of the money allocated to the fund.

⁶ <https://www.peoplemanagement.co.uk/news/articles/home-working-set-to-double-post-coronavirus-crisis>

⁷ https://www.cimaglobal.com/Documents/Advocacy/Budget%20for%20Recovery_Final_Final.pdf

7.8 The scheme could be administered along the lines of previous voucher scheme offers such as the Gigabit Broadband Voucher Scheme to help SMEs access broadband. The scheme could also be administered through the taxation system through a rebate at the end of the tax year for businesses that apply to the scheme

What difference will the discovery of a vaccine and/or treatment make?

8. A vaccine has now been granted approval and more are in the process of being approved. These should be targeted at the most vulnerable. If possible, this should allow the economy to open-up more rapidly.

Will behavioural changes such as working from home necessitate structural changes, whether or not a vaccine is discovered?

9. We believe there will be increased home working post an effective vaccination programme and as answered in an above question the government should review employment laws and regulations to support both employers and employees alike with this increased new way of working.

How large a problem is corporate indebtedness? How effectively did the financial sector give assistance to businesses?

10. The provision of loans at speed to businesses was the right move. Clearly, this increased the risk of fraud and lending standards were not as thorough as would be the case in normal economic times. A greater issue though is the long-term benefits of funding a business through debt rather than equity and the low level of reserves most businesses hold, this was true before the pandemic and is even more so now.

10.1 We believe an Allowance for Corporate Equity should be introduced, to provide an incentive for equity-based finance without complicated changes to the tax system to discourage debt. The Government should also encourage companies to maintain a significant level of reserves to increase resilience and reduce dependence on Government support going forward.

Is there a need for a new state sponsored investment bank? If so, what should it do?

11. An investment bank would be a good move that we could support. It should focus on areas where the UK Government has a policy preference not met by current market demand as in the net zero commitment and the Government support for green economy. It could also fund infrastructure development in areas where a variety of infrastructure improvements could make a big difference, but no individual project may justify the private investment.

What improvements can be made to institutions to ensure that responses to crises like these are more robust in the future and policy makers have the data they need? What further analysis should the Government do and make transparent?

12. Every measure should have economic analysis attached and researched. In normal times proposed measures include a look at the economic impact on people's lives and it should be no different in a crisis. In answer to a previous question, we

have explained in more detail why we think this is important to policy makers and the public.

What are the consequences of high national debt? What should the new fiscal rules be?

13. High national debt can slow economic growth. It is also particularly worrying at a time when the demands on the UK Government are likely to grow as unfunded public pensions and an ageing society with increased health and care costs increases costs. It should not be assumed that the current low interest rate environment will continue forever or that inflation will not return given the scale of Government spending.

13.1 At the same time, raising taxes could reduce economic growth and dampen consumer confidence at a time when we need to grow our way out of this crisis. The national debt will need to be reduced over the long-term and we believe a coronavirus bond would be a good way of crystallising the cost of the pandemic and financing it on a long-term low interest rate basis.

13.2 A review of national assets and liabilities should also be conducted to see where the value in them can be realised to reduce the national debt and ensure state funds are used efficiently.

The Spending Review was originally due in the Autumn 2019 but has now been postponed for more than a year. How robust is it in times of crisis?

14. It was not only the Spending Review that was postponed, but also the Budget. One clear thing we keep hearing from our members is that businesses need certainty and the postponing of fiscal events can harm that certainty.

14.1 We recognise that government cannot provide certainty everywhere and especially with COVID-19 and Brexit which we have some but not complete control over. However, there are some things that are very much in the UK government's control such as tax and regulatory landscape.

14.2 We believe the government could help support businesses through this difficult time by providing as much certainty as possible. Two measures that the government could introduce that would help increase certainty in these uncertain times for businesses are:

1. The Government should outline tax plans for businesses for at least the next two years to create a less uncertain tax environment for businesses.
2. The government should put on hold plans for changed business regulation until the economic crisis has passed.

14.3 We have made calls for both in our recent Budgeting for Recovery and a Long-Term Economic Future for the UK report.

14.4 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’.⁸

14.5 This shows why tax policy and clarity around it is so important for businesses and why providing tax plans for two years can help businesses plan to grow and recover out of this crisis. This would then help generate more economic growth in the UK and help the government with the wider economic recovery and paying back the debt incurred in the public health fight against COVID-19.

14.6 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. While we support many of the proposed and planned regulatory reforms, businesses have had to focus on both the pandemic and Brexit, and this has taken up a lot of their bandwidth. They need time to be able to recover and grow their businesses out of the crisis, a pause on new regulations would help support this.

14.7 The recent Centre for Policy Studies report titled, *After the Virus: A Plan for Restoring 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.

How effectively did the Government work with the Bank of England? Was fiscal and monetary policy well-co-ordinated? Do there need to be changes to the monetary and fiscal framework?

N/A

What are the productivity challenges in the wake of the coronavirus crisis?

15. Poor productivity growth is a long-term structural issue in the UK economy that has existed for many years and the coronavirus crisis is likely to have exacerbated.

15.1 Deputy Chief Economist for the ONS stated in April 2019 that it has taken the UK ten years to achieve 2% productivity growth which historically would have been achieved in a single year.⁹ Nobel Prize winner Paul Krugman stated, ‘Productivity isn’t everything, but in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker’.¹⁰

15.2 An article by the Institute for Fiscal Studies in 2017 highlighted the importance of productivity to wage growth and wider public finances by saying, ‘Slower productivity growth means, on average, slower wage growth, which in turn depresses government revenues.’¹¹ This shows how important tackling the UK’s

⁸ <http://publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/753/75306.htm>

⁹ <https://www.bbc.co.uk/news/business-47826195>

¹⁰ <https://www.businessleader.co.uk/productivity-crisis-is-the-uks-lost-decade-at-an-end/93507/>

¹¹ <https://www.ifs.org.uk/publications/10243>

sluggish productivity growth is not only to the individual companies, but also to increase real wage growth, support economic growth and public finances.

15.3 The virus will likely have had a negative effect on the productivity of many workers as their skills become obsolete or decline while they are on limited hours and for those that experience unemployment. This will also have an effect on companies' productivity and therefore the UK's national productivity.

15.4 The decline in the availability of many low skill roles as the retail and restaurant sector see businesses collapse and companies shed jobs may reduce the long tail of less productive firms. As weaker firms fold, it provides an opportunity for capital and labour to transfer to the more productive firms. The challenge is to ensure that low skill workers do not become unemployed or underemployed. If this occurs, they will not be developing their skills and increasing their productivity.

15.5 There is an opportunity as the UK comes out of this crisis and rebuilds for the government to put a renewed emphasis on tackling structural problems in the UK economy to support growth-enhancing productivity in support of providing real wage growth and the levelling up agenda should be a number one priority.

15.6 In our recent Budgeting for Recovery and a Long-Term Economic Future for the UK we put forward several policy suggestions to help tackle the UK's productivity puzzle. They include:

- 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.
- The rules of the apprenticeship scheme to change to allow providers to be end-point assessors and tuition providers, reducing complexity and cost.
- Maintain spending on higher-level apprenticeships.
- Introduce a rebuttable right to retrain.
- Look at what lessons from other countries can be learned on R&D tax incentives.
- 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.
- Review employment regulations to ensure they are suitable for a new era of increased home working and support productivity.
- Create a City Centre Economy Strategy to help revitalise city centres and their economic well-being.
- A new push on digital skills to make the UK post-pandemic ready.

15.7 We believe these measures will help drive and increase UK productivity out of this crisis and help create more sustainable productivity and growth going forwards.

15.8 The recent focus on R&D in the Chancellor's November 2020 Spending Review is welcomed, especially the measures to support SMEs access and use R&D. However, this alone won't solve the UK's poor productivity and a focus on increasing

skills and dealing with new economic challenges that relate to productivity such as increased home working and the need for better infrastructure is also needed.

**How has the crisis impacted on innovation and technological development?
What problems could technology solve and what problems will it cause?**

16. A rise in home working may cause a decline in social capital and make it harder for those without social and professional connections to make progress in their careers. The rise in home working may also impact commuter patterns and affect the viability of transport links which may affect the overall public transport networks on which many people rely.

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