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GE23
Ymateb gan: The Chartered Management Institute (CMI)

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Green Economy
GE23
Evidence from: The Chartered Management Institute (CMI)



CMI Response: Green Economy

Economy, Trade and Rural Affairs Committee

Within its devolved powers, what should be the Welsh Government's key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?

The UK is undergoing a triple transition involving an ageing and diversifying workforce, a long term shift towards knowledge-based industries and the just transition to a green economy. Wales needs to increase its focus on human capital investment in order to successfully transition to a green economy. For example, the energy and manufacturing sectors are highly productive in the Welsh economy but also require high levels of physical capital. The energy sector in Wales contributes 40% and manufacturing contributes 13% of its respective net zero economy, whilst this is 15% and 2% for London. Deeper development of human capital alongside appropriate investment in physical capital will help these sectors to continue to thrive going forward. Although only one part of a complex economic jigsaw, the value of management and leadership skills in delivering green economic growth – and enabling the just transition – is often overlooked. Management and leadership skills are far from generic and are at the core of every job, particularly in the transition to a green economy - they encompass a specific skill set which leads to tangible growth and needs to be taught and nurtured.

There are 312,000 managers based in Wales out of a working population of 1.4 million; this means that 1 in 5 people in the workforce are managers¹. Yet CMI research suggests that 82% of these managers are 'accidental managers' - those who have entered management roles without the appropriate skills and training to perform their role effectively. Therefore, investment in the core skills employers need the most, particularly at higher levels, are vital irrespective of the sector or job to ensure the skills supply is there to meet the growing demands of the green economy. Based on current evidence and trends, CMI analysis predicts that 1.6 million managers in the UK will need at least one green skill by 2030.

The restricted availability of management training and upskilling in Wales will hinder Wales' ability to successfully transition to a green economy. Evidence from UCAS shows that Wales has the lowest percentage of overall degree-level management training across all four UK nations.²

The Welsh Government should prioritise investing in managers and leaders to maximise the potential economic opportunities from green economy sectors. This is because managers will:

- Set, and operationalise the strategies needed at macro (national/international), meso (regional) and micro (organisational) levels
- Provide the opportunity and frameworks for the innovation required to meet net-zero targets

¹ CMI analysis for Labour Force Survey data (2023)

² Calculated from UK Government data using the proportion of SMEs offering training for managers in management and leadership in the UK and the number of SMEs in the UK

- Be agents of change whilst recognising the complexities of navigating the net zero landscape
- Provide purpose driven and ethical leadership - ensuring this is a just transition

Better management leads to improved firm and individual productivity. With appropriately skilled managers, and those with green management skills, businesses will be better equipped to take advantage of the opportunities that will come from a greener economy, leading to increased economic growth and productivity, in Wales.

What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?

In order for Wales to succeed in the face of pressing challenges, the current and future workforce will need the right skills at the right level in the right places across all ages. The transition to a green economy will require a range of different skills that go beyond what many would consider to be 'green skills'. In addition to industry specialists and technical skills, a successful transition will require people with broader skills, such as management and people skills³. As Wales transitions to a green economy, there will be a need to equip managers and leaders with green management skills to facilitate this shift. CMI defines these skills as competencies managers need to effectively deliver organisational and business outcomes in a way that meets legal requirements and wider economic, political and social stakeholder expectations, that we will reduce and reverse our negative impacts on our environment.

Skill gaps in the Welsh economy are significant, regardless of type, as they are often found in SMEs or microbusinesses. The majority of Welsh businesses are very small with 95% of enterprises being microbusinesses. The latest data from the PWC Green Barometer, highlights that in Wales there was a decline in green jobs of 25.2% which although could be considered quite high, it is to be expected in a cooling labour market⁴. As well as Wales, most regions of the UK saw a decrease in the total number of green jobs being advertised compared to last year. Having said this, the demand for green skills remained resilient in the cooling labour market compared to non-green jobs. It is manufacturing that was contributing the most in terms of jobs to the Welsh net zero economy, with 15% of jobs supported by the net zero economy in Wales estimated to be in manufacturing.

It is important that any skills challenges in Wales are met as the productivity gains and subsequent economic benefits of transitioning to a green economy are vast. Recent research from CBI Economics demonstrates the current strength of the Welsh green economy with 4.6% of the country's GVA and 2.8% of its employment is supported by the green economy⁵. Nearly 40% of this GVA was attributed to the energy supply (electricity, gas, steam and air conditioning) sector, which is significant because this was the highest concentration of a specific sector out of any regional net zero economies in the UK. The same research also found that in Wales, the West Midlands and Yorkshire and The Humber these net zero businesses are twice as productive as respective regions' average productivity. Management skills are pivotal in harnessing the opportunities presented by economic transitions. Strong management and leadership are essential for accelerating the adoption of new technologies and preparing for a sustainable, post-carbon future. Small and medium-sized enterprises (SMEs), in particular, need good management to navigate economic changes with limited resources.

³ https://www.worldskillsuk.org/wp-content/uploads/2022/06/GreenSkillsReport-2022_v3b.pdf

⁴ <https://www.pwc.co.uk/who-we-are/purpose/green-jobs-barometer-2023.pdf>

⁵ <https://ca1-eci.edcdn.com/cbi-eci-netzeroec-February2024.pdf?v=1709026812>

What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?

Stable and consistent policy on net zero from policy makers is the first step in achieving a just transition. More importantly clarity in the way this policy is communicated with businesses and therefore their workers will significantly impact Wales' progress in achieving a Net Zero economy. This quote from Lord Deben, the former Chair of the Climate Change Committee, emphasises the role of good communication in this transition:

“The way we talk about climate change will make a difference to how others act, so those of us working on this topic have a responsibility to get it right. Analysis and science are only half of the battle – the language we use to explain it is just as important. There’s no success in being right if we aren’t being understood.”

This sentiment is further reinforced by the Shevaun Haviland, Director General of the British Chambers of Commerce⁶:

“Firms are calling out for a consistent net-zero framework that is clearly explained to them. The transition to Net Zero provides businesses with huge opportunities to grow and diversify. But awareness is key.”

People-centred change management is crucial for the just transition for both workers and employers in order for the ambitions of the net zero economy to be achieved⁷. A just transition requires changing core business practices for the future which requires employers to engage their workers in their future, guided by science. A shared vision or common understanding of what the employer is trying to achieve centred within the wider context of Wales' net zero ambitions by their workforce will help Welsh businesses to transition successfully to net zero.

Workers will also need a better understanding of what the pathways are to accessing a green job or career. For young people a key barrier is the lack of access to additional information and support on green jobs and careers. According to World Skills UK, around 6 in 10 young people would find information on green career options (61%) or information on what green skills are (59%) to be most helpful. Just 7% said they would like no information or support at all. For those already in the workforce, especially those in sunset jobs or industries, it will be important for employers to have an understanding of retraining and upskilling opportunities in order to help workers transition to a Net Zero economy.

How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?

Rather than creating new bodies and institutions to deliver on skills for the green economy, we would suggest that the Welsh Government builds on existing policy and delivery mechanisms in order to realise the potential of the green economy and deliver a just transition.

⁶ <https://www.britishchambers.org.uk/news/2023/11/businesses-still-struggling-to-understand-net-zero-target/>

⁷ <https://www.lse.ac.uk/granthaminstitute/news/net-zero-transition-planning-as-a-change-management-process/>

Chartered bodies have a key role in partnership working to deliver a just transition as UK Chartered bodies are the closest thing that the UK has to Germany's 'Chambers of Industry & Commerce' model, a model that is internationally recognised for its ability to meet employer needs, plug skills gaps, boost firm-level productivity and secure private sector investment in training. This is a model that would help to realise the potential of the green economy. The key principle from the Chartered model is ensuring training provision for the green economy is truly employer-led, and designed in collaboration with employers, to align with professions and be as job-specific as possible.

The Chartered Management Institute, as a chartered body, sets high quality standards, which we ensure by accrediting only a limited set of qualifications, consistently refining qualification frameworks to maintain relevance with professional standards and delivering them in different and flexible ways.

It is worth noting that CMI and other Chartered bodies are not usually involved with the delivery of qualifications - instead, we set the standards, and work with local education providers and employers to support the delivery of programmes that meet these standards. This means that delivery is plugged into local economic needs and we can play a useful role in supporting local skills provision to be high quality and support progression.

The Chartered Management Institute is the professional body for managers and leaders. We have a membership community of over 200,000 aspiring and practising managers and more than 150,000 individuals are currently studying on a CMI-accredited course, our mission is to elevate the quality and quantity of professionally qualified managers in the UK.