

Governments consultation on Invest 2035 the UKs modern industrial strategy Acas response

1 April 2025

This is the Acas Executive response to the [Invest 2035: the UK's modern industrial strategy consultation](#), submitted 21 November 2024.

Note: Given the short consultation window, this response has been prepared by Acas officials and does not necessarily represent the views of the Acas Council.

Acas Council will be consulted on this response in November and will provide any further information direct to the industrial strategy team. Acas would be pleased to welcome a visit from the Director of Industrial Strategy to hear the shared views and insights of the social partners on our Council.

Executive summary

1. Acas (the Advisory, Conciliation and Arbitration Service) welcomes the opportunity to respond to the government's [Invest 2035 green paper](#). We welcome its commitment to social partnership, people and skills to support high quality jobs and sustainable growth.
2. Acas is an independent and impartial non-departmental public body, sponsored by the Department for Business and Trade. Our purpose is to make working life better for everyone in Britain. We work with millions of employers and employees every year to improve workplace relationships. We have statutory duties and powers to provide individual and early conciliation in potential and actual employment tribunal claims, and in collective disputes. We provide free and impartial advice on employment rights, good practice and policies, and preventing and resolving workplace conflict.
3. The in-depth practical insights we gain through the provision of our services mean that Acas is the evidential authority on what does and does not work in the workplace. We have a long-standing interest in and a proven track-record on helping organisations close the 'productivity gap' through a focus on workforce dimensions.
4. In 2023 to 2024 we saw approximately 18 million visits to our website. Of those, 12 million visits were to our advice. We received almost 600,000 calls to the Acas helpline, and Acas advisers delivered over 2,000 training sessions. During a period of industrial unrest, demand for our collective conciliation service rose and we handled over 600 conciliations. We also handled 105,000 early conciliation notifications and 33,500 individual conciliations in employment tribunal cases.
5. An independent [research paper estimating the economic impact of Acas services](#) calculated an overall benefit-cost ratio of £12 for every £1 invested in Acas services delivered during the 2018 to 2019 financial year, with a total net benefit to the economy of Acas services of £644 million.

Summary: key points

6. This consultation is timely: there is significant international competition to re-industrialise and the UK could fall further behind unless we have a coherent long-term plan for industrial strategy. The need is to create a long-term platform for growth that enables investors

inside and outside of the country to have confidence that the policy framework will endure. We welcome that the industrial strategy consultation is being considered concurrently with the government's aim to create a modern industrial relations framework – the former provides important context to the latter and, as we outline in this response, good industrial and workplace relations also provide an important foundation for economic growth.

7. We welcome the strategy's focus on strategic drivers of growth and its recognition of long-standing barriers to growth, including persistently low levels of investment. We also support the focus on macro-level solutions and particularly welcome the prominence of people and skills.

8. In delivering these macro solutions there is opportunity to learn from the UK's recent experience with industrial strategy. We note the learnings from the last Industrial Strategy Council. Their assessment was that previous efforts in the UK faltered because of too little prioritisation, too much centralisation and not enough joining up of the required ecosystem changes – from innovation and skills investment to financing and supply chain stability. We welcome this strategy's focus on the ingredients for success of "scale, longevity and policy co-ordination" which were identified in that assessment (see final [Annual Report of the Industrial Strategy Council in 2021](#)).

9. Acas's insight and wider evidence is clear: the success of macro solutions depend upon workplaces being efficient, responsive and innovative. The way workplaces are organised, the part played by managers and leaders, and the role and involvement of employees and their representatives, provide the means for change. Greater synergy between the industrial strategy and the industrial relations framework is required to clarify the importance of the latter's principles of: collaboration and partnership between unions, businesses, and employees; proportionality; relationships built on trust and accountability; and balancing the interests of all parties.

10. In our annexed response to specific consultation questions we therefore address the question of growth through the prism of the workplace, identifying the challenges and opportunities for workplaces to become more effective and contribute to the economic challenge that the industrial strategy seeks to address.

11. Some of the key factors for success within the Invest 2025 policy interventions include:

- People and skills: driving up investment in the skills, knowledge and systems required for good industrial relations and workplace management.
- Innovation: recognition of the critical importance of people factors – a well-educated, skilled and engaged workforce is better equipped to solve problems, think creatively, adapt to technologies and drive value.
- Energy and infrastructure: recognition of the importance of 'just transitions' to shift to environmentally sustainable economies in a way that is fair, inclusive and is supported by investment in people, skills and good industrial relations, including to address an evidenced risk from high levels of conflict.
- The regulatory environment: a proportionate and balanced approach to regulation which balances the interests of all parties. A regulatory framework for improving business productivity and innovation through fair workplace practices and worker voice, wellbeing and opportunity. Corporate governance that simplifies reporting for the investor community and matures understanding of social sustainability factors in organisations.

12. Across each of these factors, co-ordination is critical with as much focus on the roles of regions and hubs as there is on centralisation to design the ecosystem conditions for success.

13. Transformations take a collaborative effort to get right. Acas welcomes the strategy's focus on creating ongoing dialogue and partnership between business, experts and policy makers, and on working collaboratively with delivery partners. Genuine social partnership will be required to ensure that interventions deliver against ambitions. We recommend that social partnership working is embedded firmly within the constitutional structure and approach of the Industrial Strategy Council.

Summary: key recommendations

Acas recommends that:

- The strategy focuses on the strategic drivers of growth and addressing persistent barriers, including too little prioritisation, too much centralisation and not enough joining up of the required ecosystem changes – from innovation and skills investment to financing and supply chain stability.
- The strategy recognises good industrial relations as a key dependence within its macro solutions, in particular:
 - investment in the skills, knowledge and systems required for developing good industrial relations and delivering good workplace management
 - recognition of the critical importance of people factors to innovation
 - the need for 'just transitions'
 - a proportionate and balanced approach to regulation which balances the interests of all parties and responsible corporate governance
- Industrial relations be identified explicitly as part of the core framework for long term stability, strengthening the current drafting and ensuring the strategy is more closely linked to the government's creation of a modern industrial relations framework and its Make Work Pay agenda – including clarifying the importance of: collaboration and partnership between unions, businesses, and employees; proportionality; relationships built on trust and accountability; and balancing the interests of all parties.
- The strategy recognises good industrial relations and broader good work practices as critical enablers of growth and these form part of the underlying theory of change to broaden its current narrow focus on just leadership and management.
- The strategy notes a particular risk from poor conflict management capability and systems in Great Britain within the more generic category of 'leadership and management' and recognises the need to build both collective industrial relations and individual conflict management and dispute resolution skills and systems.
- Within the 8 "growth-driving sectors" prioritised in the strategy, a particular focus is put on addressing workplace relations in advanced manufacturing and manufacturing aspects of clean energy industries and defence to address potential barriers to growth in those sectors; and a focus put on small and medium-sized enterprises (SMEs) where these risks may be higher and opportunity significant.
- The strategy is supported by the government's approach to ensuring responsible corporate governance which should support standard setters and regulators to simplify and align social sustainability reporting to support the growth agenda.

We also recommend a suite of policy interventions to maximise the potential of people to build growth, including:

- building the business case for investment by identifying and advocating for people as a key factor for growth
- driving up investment in the skills and knowledge needed for good workforce management and organisational 'conflict competence'
- putting in place wider 'system capability' for the promotion of good industrial relations
- investment in information and communications to small and medium-sized enterprises to be 'ready for growth'
- reviewing options to provide subsidised or free HR advice to small and medium-sized enterprises

Annex: responses to specific consultation questions

Creating a pro-business environment

Question 6 – What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

Key enablers – across all sectors

14. We support the industrial strategy's focus on the strategic drivers of growth and support the proposed 4 central factors that the strategy can particularly address, comprising: persistently low levels of investment; city region underperformance; weak diffusion and adoption of technologies, ideas, and processes and slowing market dynamism.

15. We also support the following macro-level solutions identified in Invest 2025: people and skills, innovation, energy and infrastructure, the regulatory environment, crowding-in investment and international partnerships and trade.

Acas's insight and wider evidence is clear: the success of each of the macro solutions above depends upon workplaces being efficient, responsive and innovative. The way workplaces are organised, the part played by managers and leaders, and the role and involvement of employees and their representatives provide the means for change.

The key factors for success comprise:

- People and skills: investment in the skills, knowledge and systems required for good industrial relations and workplace management.
- Innovation: recognition of the critical importance of people factors – a well-educated, skilled and engaged workforce is better equipped to solve problems, think creatively, adapt to technologies and drive value.
- Energy and infrastructure: recognition of the importance of 'just transitions' to shift to environmentally sustainable economies in a way that is fair, inclusive and is supported by investment in people, skills and good industrial relations to address an evidenced risk from high levels of conflict.
- The regulatory environment: a proportionate and balanced approach to regulation which balances the interests of all parties. A regulatory framework for improving business productivity and innovation through fair workplace practices and worker voice, wellbeing and opportunity. Corporate governance that simplifies reporting for the investor community and matures understanding of social sustainability factors in organisations.

We support the green paper's recognition of people and skills as success factors for growth, and specifically the focus on leadership and management skills. As the government's [Next Steps to Make Work Pay](#) document rightly states, investing in staff and good workplace relations "makes good business sense" and is critical both to business start-up growth and to long-term sustainability. This is true across all sectors and sub-sectors.

16. There is additionally a wealth of evidence that well-managed workplaces, offering "good work" with high levels of trust and engagement, are more productive, more profitable, more resilient, and more likely to contribute to economic growth (data on the links between investment in people, productivity, innovation and growth is included in the [Acas Consultation response to DBT on non-financial reporting \(2023\)](#)).

This evidence demonstrates a positive link between productivity, growth and a range of workplace factors, including: management practices; employee engagement; skills; and a range of dimensions of "good work", including satisfactory pay and benefits, and employees' health, safety and wellbeing.

17. How these factors enable growth varies by sector according to how material each element is. Our work on social sustainability finds value coming from reducing legal, regulatory or reputational risk and from improving employee productivity and retention alongside customer loyalty and community cohesion, while increasing the potential for innovation. There is further value to be gained from growing investor confidence, enhanced brand and market opportunity and meeting standards.

Question 7 – What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

Key barriers – across all sectors

Leadership and management skills – and particularly conflict management skills and systems

18. As the green paper recognises, there are current weaknesses in management and leadership skills in Great Britain, and there is longstanding evidence that the quality of UK leadership and people management in the workplace lags behind international competitors (see for example, [HM Government \(2019\), Business Productivity Review, November](#) and [CIPD \(2023\) Improving UK management capability](#)).

19. Within leadership and management skills, there is a specific gap in terms of effective conflict management skills and systems. Poorly handled workplace conflict harms people, organisations and the economy. Acas research on the costs of individual-level conflict for UK organisations estimates the total cost to organisations at around £28.5 billion each year, equating to £1,000 for every employee and just under £3,000 for each person involved in conflict (see [Acas \(2021\) Estimating the costs of workplace conflict](#)).

This creates opportunity costs within organisations in terms of time that could be spent on innovation, quality enhancement or market expansion, and the experience can act as a deterrent to expansion via recruitment.

20. With skills and confidence in practicing good individual and collective employment relations, employers can resolve disagreements at the earliest opportunity before they escalate to more costly formal stages and through to early conciliation (EC) cases and employment tribunal (ET) claims.

21. A body of Acas research (see for example, recent Acas research on [Managing conflict at work](#), which explored managers' roles in handling formal disciplinary and grievance procedures; and more generally [Workplace conflict: Acas research and commentary](#)) exploring approaches to conflict management in workplaces highlights 2 significant barriers:

- Collective industrial relations, both as a concept and a practice, have diminished over successive years, to the extent that the skills, knowledge and confidence required to underpin effective collective relationships in the workplace are in many cases weak or absent. There is a pressing need to address this gap so that industrial tensions and potential collective conflict are managed effectively and at an early point, reducing the risk of escalation to industrial action where possible.
- There is likewise a clear shortfall in individual conflict management and dispute resolution skills among key actors in the workplace, in particular in the 'conflict competence' of line managers, which hampers the early resolution of conflict at work. Greater investment in this area is needed so that there is earlier informal intervention where appropriate, and avoidance of unnecessary escalation to formal procedures (further details on these challenges and Acas's recommendations on addressing them will be set out in Acas's response to the [government's consultation on creating a modern industrial relations framework](#).)

"Good work" practices

22. Acas has conducted research on the barriers employers experience when trying to implement the types of "good work" practices that are conducive to workplace productivity. Findings show that, from the perspective of employers, these barriers can relate to: building the business case for investment in good work; management attitudes; and organisational culture and practice (Unpublished Acas research (2024). Please contact Acas for further information).

23. Identifying and advocating for people as a key factor for growth would show that the government understands that long-term company sustainability often significantly enhances long-term value, which would strengthen the business case for investment in people.

Good corporate governance

24. Social factors are less well developed, understood or consistently reported upon than other elements of sustainability. Definitions and metrics – which help with benchmarking and can help accelerate improvement – are far more mature, and widely used with much more facility, for environmental and governance than for social factors. Leaders often struggle to identify the material sources of value within reach for their specific company. Companies receive mixed signals from rating agencies about which actions are expected and will be valued by the market (see [Call for evidence on the non-financial reporting review – Acas response](#)).

Sector-specific barriers

25. Of the 8 growth-driving sectors prioritised in the strategy, there are particular barriers relating to workplace relations in the manufacturing sector and in some aspects of the other sectors. Analysis by public sector consultants for Acas in January 2024 identified the following sectors as priorities based on (a) the number of employment tribunal claims per employee in the sector, and (b)

low pay, agency work, zero-hour contracts, industry volatility and redundancy rates in the sector:

- administrative and support services
- accommodation and food
- transportation and storage
- manufacturing
- health and social work
- education
- real estate

26. We therefore recommend that a particular focus is put on addressing workplace relations in advanced manufacturing and manufacturing aspects of clean energy industries and defence to address potential barriers to growth.

27. There is also specific evidence that subject matter experts, in particular, are not focusing on the people issues that are most material to productivity and growth. This ranges from pay and contracts through to workplace relations, motivation, morale, poor performance and conflict in the workplace, which materially affect productivity and measures such as sickness absence, recruitment and retention costs (further data and insight on small businesses is included in the [Business, Energy and Industrial Strategy Committee report](#)). We therefore recommend that the strategy puts a focus on small and medium-sized enterprises within the 8 growth sectors identified.

People and skills

Question 8 – Where you identified barriers in response to Question 7 which relate to people and skills, what UK government policy solutions could best address these?

Question 9 – What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

Building the business case

28. To address the barriers noted above, we recommend that the government works with partners including businesses, academics and delivery providers such as Acas, to continue to build a robust evidence base demonstrating the value of leadership and management skills, and of good workplace practices, to organisational growth and sustainability.

Recognising the centrality of industrial relations to growth

29. The high-level outcomes under 'People and Skills' in the green paper are currently too narrow and should be widened to include good industrial relations. The industrial strategy should be more closely linked to the government's policy on creating a modern industrial relations framework.

30. As will be outlined further in the Acas Council's response to the government's consultation on the industrial relations framework, the key elements for policy focus here include:

- driving up investment in the skills and knowledge needed for good workforce management and organisational conflict competence
- putting in place wider system capability for the promotion of good industrial relations – this requires considering what framework elements are needed at national, regional, sector and local levels

31. These key ingredients are as vital to securing sustainable, inclusive economic growth through the industrial strategy as they are to both a modern industrial relations framework and the government's wider reform programme aimed at "making work pay".

Investing in readiness for growth among SMEs

32. We recommend investment in information and communications to small and medium enterprises to help them become ready for growth. This would ensure that more firms (both in target sectors and clusters, and more widely) have the essential HR information they need to get employment relations issues right at key moments as they grow (for example, rapid scale), including preventing and successfully resolving workplace conflict.

33. We also recommend reviewing options to provide subsidised or free HR advice to small and medium enterprises to ensure they have the tailored skills and knowledge – material to their sector and organisation – that they need for growth. This could be targeted at specific pinch points, for example taking on their first employee, growing to the point of needing middle-management or encountering their first workplace issue.

Responsible corporate governance

34. We recommend that the industrial strategy is supported by the government's approach to corporate governance. This should support standard setters and regulators to collaborate on the development of common reporting approaches that demystify social sustainability and form the basis of sound social sustainability metrics. The government should use its own significant convening powers to: bring together stakeholders to foster open dialogue and knowledge exchange across the investor community to further mature understanding of social sustainability impacts; and simplify 'S' (social) definition across national and international boundaries to enable companies to best focus on clear material factors linked to the creation of long-term value.

Innovation

Question 10 – Where you identified barriers in response to question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

Question 11 – What are the barriers to R&D commercialisation that the UK government should be considering?

35. We support the industrial strategy's focus on innovation and recommend that this section of the strategy recognises the critical importance of people factors. The Office of National Statistics (ONS) reports that better managed firms are more likely to invest in innovation and reap its benefits for productivity ([ONS 2021](#)): if a well-educated, skilled and engaged workforce is better equipped to solve problems and adapt to technologies, there is also potential to drive greater value through innovation.

Analysis of the [2017 Skills and Employment Survey](#) by Cardiff University, University of Oxford and University College London also found evidence for the links between employee engagement and innovation at work: "Our evidence also suggests that training and learning, which encourages creative thinking, has a strong link to innovation." (Irvine,G. The Carnegie UK Trust, RSA Future Work Centre. (2020, January). [Collected essays: Can Good Work Solve the Productivity Puzzle?](#)).

Partnerships and Institutions

Question 30 – How can the Industrial Strategy Council best support the UK government to deliver and monitor the industrial strategy

Question 31 – How should the Industrial Strategy Council interact with key non-government institutions and organisations?

Question 32 – How can we improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

36. Acas welcomes the government's focus in Invest 2035 on creating ongoing dialogue and partnership between business, experts and policy makers, and on working collaboratively with delivery partners.

37. Given the evidence outlined in this response, we recommend that social partnership working should be embedded firmly within both the constitutional structure and approach of the Industrial Strategy Council.

38. Acas has significant expertise in the principles and practice of effective social partnership working in a range of contexts. These include the delivery of our services, in which we facilitate joint working between employers and employee representatives, and the tripartite nature of the Acas Council. We would be pleased to share our insights in this area with the government to support its ambition to deliver its modern industrial strategy through partnership.

39. We also welcome the specific proposition in Invest 2035 to create a new business academy for government with a targeted learning and development offer. Further to the evidence outlined in this response, in Acas's view this should be taken as an opportunity to drive up industrial relations skills and knowledge among civil servants. We recommend that this academy should include a strong focus on:

- good employment relations and conflict management skills – to ensure that business education for civil servants covers the full suite of key skills that modern businesses need
- effective working with social partners and relevant expert bodies such as Acas – to ensure that government policymaking is well-informed, rounded and positioned well to be implemented and delivered successfully

Theory of change

Question 33 – How could the analytical framework (for example, identifying intermediate outcomes) for the industrial strategy be strengthened?

Question 34 – What are the key risks and assumptions we should embed in the logical model underpinning the theory of change

40. Our analysis above identifies several gaps in the analytical framework and logic model in the green paper, notably: a gap in understanding the importance of industrial relations; and a too-narrow focus on leadership and management at the expense of wider "good work" factors.

41. Accordingly, we recommend that the theory of change recognises improving the understanding and practice of good industrial relations and of broader "good work practices" as critical enablers of growth.