



**A  
'PEOPLE'  
BUDGET**

**Spring Budget  
2017  
Representation**

**Dr. Sue Pember OBE**

T: 07585958953

E: [sue.pember@holex.org.uk](mailto:sue.pember@holex.org.uk)

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# A 'PEOPLE' BUDGET

## Spring Budget 2017 - Representation

### SUMMARY

1. This document describes eight of the challenges this country faces and demonstrates how adult education can help resolve these issues. The Autumn Statement 2016 was a mini-budget for infrastructure. The Spring Budget 2017 should be a budget for people. In the Autumn Statement, the Chancellor borrowed to invest in physical capital. In the Spring Budget, the Chancellor should borrow to invest in human capital. HOLEX sets out here 26 recommendations which if adopted would substantially improve the life chances of millions of adults in England and improve productivity and wellbeing.

### ABOUT HOLEX

2. HOLEX represents a network of 120+ adult and community learning providers and is the sector membership body for Local Authority Community Learning (ACL) services, Institutes for Adult Learning (IAL) and independent third sector providers. HOLEX members have the largest geographical reach of all providers of post-19 education and work with those often furthest away from employment and society. They educate, train and retrain 700,000+ adult learners annually and provide quality provision - judged by Ofsted as having good overall performance with outstanding features and top of the league table for customer satisfaction.
3. All members share a joint mission to provide education, skills and learning that give adults a second chance and supports their employment prospects and wellbeing, which in turn improves productivity and creates the circumstances for economic success. They have the capacity to support those most disadvantaged and are cost effective and entrepreneurial, using their state funding to lever in alternative forms of funding. They are also innovative and adaptive and have responded well to successive governments' directions and policy nudges, such as in the last three years developing the Government's 2013 concept of Community Learning Trusts and prioritising local need.
4. They all provide a unique service and many have national reputations as leaders in their field. They have been at the forefront of working with partners on difficult issues, such as securing employment for the long term unemployed, supporting community cohesion, troubled families, family learning, refugees and improving mental health through education.
5. HOLEX recognises that education and skills policies are devolved to Scotland, Wales and Northern Ireland, and so too are key aspects of employment policy. Recommendations made in this representation refer to England-only unless otherwise stated.

## A 'PEOPLE' BUDGET

6. The Autumn Statement 2016 was a mini-budget for infrastructure. **Spring Budget 2017 should be a budget for people.** In the Autumn Statement, the Chancellor borrowed to invest in physical capital. **In the Spring Budget, the Chancellor should borrow to invest in human capital.**
7. People are our greatest asset. HOLEX does not underestimate the importance of the next Budget. We now know the UK will not be seeking to remain the Single Market as it leaves the European Union which would imply the continuation of the free movement of people will end. Therefore, the Government needs to invest in human capital now to equip the resident UK population with the skills to confront the post-Brexit world with confidence.

## A 'GROW OUR OWN' STRATEGY

8. In light of tighter inward migration following the UK's formal departure from the EU by April 2019, the Chancellor should use the Spring Budget to set out a comprehensive adult education, skills and employment funding plan designed to *grow our own* resident workforce, whoever they are and whichever country they originate from.
9. Adult education must be central to a *growing our own* strategy. Even so, adult education must not be solely defined in terms of apprenticeships and technical education, important though the UK Apprenticeship Levy and reform of technical education undoubtedly are.

## CHALLENGES IN A POST-BREXIT WORLD

10. Brexit is the greatest challenge facing our country since 1945. This, coupled with the legacy of a workforce with poor skills, provides the context for eight specific challenges facing the UK:
  - raising productivity
  - strengthening community cohesion
  - increasing social mobility
  - reducing unemployment and inactivity
  - enhancing progression into well-paid jobs
  - extending working lives
  - tackling health and mental health issues
  - attracting inward investment

## Challenge 1: Raising Productivity

11. In the Autumn Statement, the Chancellor specifically identified our poor productivity performance as a matter of national concern. The productivity gap is large and has persisted throughout a period of strong comparative labour market performance. It can and must be closed through greatly improved infrastructure. But part of the productivity gap lies with skills, especially adult skills. Over two thirds of the workforce in 2030 are already adults of working age today. The Autumn Statement was a skills-free zone. Budget 2017 must be an education and skills budget. And, the forthcoming Industrial Strategy must have a strong human as well as physical capital component. The nation continues to have a legacy of poor basic skills. One in five adult employees do not have the basic English and maths skills required in the workplace and so labour productivity is lower than it should otherwise be. **Adult education can help to raise productivity if the Chancellor invests more resources in adult basic skills.**

## Challenge 2: Strengthening Community Cohesion

12. The EU referendum has raised tensions over the place of migrants in our society and local communities, whether they have come to the UK to work or study, have relatives in the UK or are seeking asylum. It is vital that all people in England - and throughout the UK - whatever their status post-Brexit are given the chance to learn English, not just for themselves and their future educational attainment, but for their children's and grandchildren's welfare and to achieve stronger community cohesion in the post-Brexit world. **Adult education can strengthen community cohesion if the Chancellor invests more resources in adult basic skills and family learning including language training and ESOL, and directs these new resources into the hearts of communities and to harder to reach families and individuals through educational organisations with local expertise.**

## Challenge 3: Increasing Social Mobility

13. The Government is committed to increasing social mobility. All too often, however, the challenge is framed in terms of assisting children from poorer backgrounds to access high quality academic education by going to selective secondary schools, high performing school sixth forms and onto full-time higher education at age 18, preferably at a Russell Group university and hopefully at Oxford or Cambridge. We will never achieve more extensive social mobility through such a narrowly defined route. Social mobility can be increased by developing alternative high quality pathways. Access to higher and degree level apprenticeships is one pathway but so too is higher level technical education at 18 and over. And yet, if we are to encourage more 18 year olds to study higher level technical education courses (which are so vital to boosting our productivity performance) on a full-time basis they need access to maintenance support like traditional full-time HE students. **Adult education can increase social mobility if the Chancellor invests resources in maintenance support**

linked to higher level technical education.

## Challenge 4: Reducing Unemployment and Inactivity

14. Unemployment is set to increase by 90,000 by the time the Government invokes Article 50. Young people suffer most from economic uncertainty and slower employment growth, but unemployment for older people can be frightening and daunting too. **Adult education can reduce youth unemployment and adult unemployment if the Chancellor invests resources to expand provision and maintenance support, and make Universal Credit more flexible to support full-time longer duration skills training.**

## Challenge 5: Enhancing Progression into Well-Paid Jobs

15. The real wages of workers above the national living wage are set to be no higher by the time the UK leaves the European Union than at the start of the economic crisis. To earn higher wages requires workers to progress into better-paid and higher-skilled jobs and, obtaining a better paid job in the external labour market, requires access to skills training and living cost support. **Adult education can help workers to secure better paid jobs if the Chancellor invests additional resources to expand provision, including incentivising colleges and providers to reintroduce evening and weekend classes and provide living cost support through loans.**

## Challenge 6: Extending Working Lives

16. People face longer working lives as life expectancy increases. By 2020, the state pension age for men and women will be 66. We need to maximise the number of men and women under state pension age to be in employment. In addition, older citizens are seeking to work beyond state pension age either because they need to supplement their retirement income or because working improves the quality of their lives. Many older workers will not be able to do the tasks for which they originally trained. If we are going to ensure those employees remain productive, we need to create the circumstances where mid-life career change training is accepted and supported. **Adult education can help to extend working lives if the Chancellor invests resources into adult training and retraining.**

## Challenge 7: Tackling Health and Mental Health Issues

17. Mental health is now recognised as a critical policy challenge, affecting adults in work – pre-and-post state pension age – the unemployed, those with caring responsibilities, and the retired. **Adult education can improve the quality of**

**life of mental health sufferers if the Chancellor invests resources in lifetime learning in local communities.**

## Challenge 8: Attracting inward investment

18. A principal challenge in post-Brexit Britain will be to ensure that we provide an attractive and favourable environment for inward investment if we are trading wholly or partially outside the single market. A significant factor which figures in international investment decisions is availability of well-skilled labour. The highest qualified section of the workforce is the most mobile – including internationally – and so the quality and skills of the local labour force at technical, support and intermediate skill levels is of paramount importance. This may be especially true if the UK is operating a tighter inward migration regime. This strongly enhances the case for investment in the indigenous labour force at Levels 2 to 5, where investors will typically be looking to the local labour market to fulfil their business needs. **Adult Education can help but it needs resources now.**

## RECOMMENDATIONS FOR BUDGET 2017

### Increasing Investment

#### **Recommendation 1: An Investment Strategy for Adult Education**

19. HOLEX recommends that the Chancellor sets out a comprehensive investment strategy for adult education, skills and employment for 18 year olds and over to develop a robust ‘grow our own’ strategy from April 2017. The plan should have the same status as the Industrial Strategy.

#### **Recommendation 2: Borrow to Invest in Human Capital**

20. HOLEX recommends that the Chancellor increases investment in adult education, skills and employment in the 2017 Spring Budget by borrowing to invest in human capital.

#### **Recommendation 3: Reprioritising funding for Adult Basic Skills**

21. HOLEX recommends that the Chancellor funds basic skills in local communities so that the Casey Review on ESOL including family learning proposals are implemented.

#### **Recommendation 4: Increased Resources to Fund the Digital Skills Entitlement**

22. The digital revolution is upon us. The recent announcement to provide free provision for those without digital skills is welcomed. But, the decision to fund this entitlement within existing funding for the Adult Education Budget could lead to cuts in other forms of provision, including basic skills. We urge the Chancellor to borrow to invest in human capital to fund the digital skills entitlement adequately.

#### **Recommendation 5: Adult Education Budget ring-fenced for Adult Education**

23. Budget 2016 stated that the Adult Education Budget would be included in local

single pots from 2018/19 for areas with devolved adult skills arrangements (*Paragraph 1.280*). HOLEX recommends that the Chancellor uses Budget 2017 to make clear that the devolution of the AEB budget in England will be ring-fenced for adult education and not form part of local single pots.

### **Recommendation 6: Additional Investment above Guaranteed ESF Funding**

24. We welcome the Chancellor's decision before the Autumn Statement 2016 to guarantee EU structural funds, including ESF monies, until 2020. (<https://www.gov.uk/government/news/chancellor-philip-hammond-guarantees-eu-funding-beyond-date-uk-leaves-the-eu>). We now ask the Chancellor to guarantee that domestic funding from 2020 will be at least equivalent to the ESF funding it replaces.

## **Improving Productivity**

### **Recommendation 7: Expand Participation in Level 3+ Technical Education**

25. To boost productivity, HOLEX recommends that the Chancellor increases resources to expand participation in technical education by:

- ensuring there is sufficient funding for 19-24 year olds using their entitlement to free education to achieve a first Level 3 by participating in full-time or part-time technical education programmes;
- create a fee-loan Adult Technical Education budget – separate from fee-based Adult Learner Loans – for adults on Level 3+ technical education programmes, and
- introduce FE maintenance income contingent loans to enable adults from age 18 to study full-time and part-time Level 3-5 technical education courses in line with students on full-time and part-time prescribed HE courses.

### **Recommendation 8: Apprenticeship Fund for Non-Levy Paying Employers**

26. HOLEX supports the introduction of the Apprenticeship Levy. As currently designed, the levy is a workforce development measure for large organisations. The history of levy systems is that levy payers seek to recoup their levy in full. We believe this will happen when the Apprenticeship Levy settles down. The consequence is that many employers currently involved in apprenticeships who are non-levy payers because they have pay-bills of less than £3m – primarily small and medium enterprises – will not receive public funding to support apprenticeships. By definition, the Apprenticeship Levy is a business tax. Revenue from the levy will vary according to the state of the economy, nominal wage growth and employment levels in levy-paying organisations. We note that the OBR has downgraded what the levy will raise by 2019/20 to £2.8bn (see *Table 4.6 and 4.7, EFO, November 2016*).

27. HOLEX calculates that the margin between the allocations to England and the devolved nations and the estimated revenue from the levy between 2017/18 and 2019/20 is so small that it cannot be a source of apprenticeship funding for non-levy paying employers. Skills training is critical to the survival and growth of SMEs. HOLEX, therefore, recommends that the Chancellor creates a ring-

fenced apprenticeship fund for non-levy paying small and medium-sized employers in England.

## Strengthening Social Cohesion

### **Recommendation 9: New Targeted Funding for English Language Provision**

28. We support the findings of the Casey Review into integration published in December 2016 (*A Review of Opportunity and Integration, 5th December 2016*). HOLEX endorses the Casey Review's recommendations to: -

- (i) provide additional funding for area-based plans and projects to address integration issues including the promotion of English language skills, and
- (ii) improving English language provision through funding for community-based classes and appropriate prioritisation of adult skills budgets.

29. HOLEX will continue to work with the Department for Local Government and Communities to take forward these proposals but we recommend that the Chancellor goes further in Budget 2017 by earmarking funds to provide targeted funding for English language provision linked to formalised local action plans.

### **Recommendation 10: Use the Immigration Skills Charge to Train Migrants with Residency Rights**

30. From April 2017, the Immigration Skills Charge will come into effect. The charge applies to employers recruiting skilled workers from non-EU countries with the proceeds used to increase skills investment for British workers. HOLEX recommends that the Immigration Skills Charge is used to fund the training of low skilled migrant workers – including English courses - who gain the right to reside in the UK.

## Increasing Social Mobility

31. The Social Mobility Commission's *State of the Nation 2016 Report* published in November 2016 paints a depressing picture of barriers preventing social mobility in 21st century Britain. HOLEX supports many of the recommendations the SMC proposes to reform 16-24 education and training to increase social mobility. Nevertheless, we do not believe increased social mobility will be achieved by a focus on one route – the academic route – or by supplementing this by the apprenticeship route. HOLEX believes that in addition to the academic and apprenticeship routes, social mobility can be widened and deepened by development a strong high level technical education route.

### **Recommendation 11: Introduce FE Maintenance Loans for Full-Time Level 4-5 Technical Education Programmes**

32. We welcomed the consultation on maintenance loans as part of the reform of technical education (*BIS March 2016*) which is now closed. HOLEX recommends that the Chancellor introduces FE maintenance loans for 18 year olds and over for those participating on full-time and part-time Level 4-6 non-

prescribed HE technical education courses. Access to maintenance loans would ensure vocational education is an alternative pathway to increasing social mobility from age 18 compared to full-time higher education. The policy would also create equity in maintenance support between full-time HE and full-time technical education students, recognising that full-time FE students are faced with living costs as well as full-time HE students.

### **Recommendation 12: Introduce FE Maintenance Loans for Part-Time Level 4-5 Technical Education Programmes**

33. The Government is already committed to introducing maintenance loans to part-time HE students from 2018/19 at a cash cost of £570m by 2020/21. Participation in part-time undergraduate HE has fallen significantly since the financial crash in 2008. Part of the rationale for extending maintenance loans to part-time HE students is that individuals cannot afford the costs of participating in part-time higher education bearing in mind that fees are covered by income contingent loans.
34. HOLEX believes maintenance loans on part-time prescribed HE courses should be available to Level 4-5 programmes as well as Level 6. This was the key message in our response to the DfE consultation on part-time maintenance loans (*closing date 16th December 2016*). HOLEX recommends that FE maintenance loans should be available to part-time students on Level 4-5 technical education programmes with similar levels of cash investment as maintenance loans for part-time HE students. In addition to creating fairness between part-time HE and part-time technical education students, the policy could enhance social mobility in later life.

### **Recommendation 13: Introduce FE Maintenance Loans for Level 3 Technical Education Programmes**

35. Level 3 is a stepping stone to Level 4, 5 and 6. HOLEX recommends that maintenance loans are available to adults aged 19 and over to study full-time and part-time technical education programmes. Not only will this facilitate progression but will enhance the prospects of increased social mobility in later life, especially by 19-24 year olds.

## **Reducing Unemployment and Inactivity**

36. The participation age was raised to the 18th birthday in England in September 2015. The Youth Obligation for 18-21 year olds comes into effect from April 2017. The Government is committed to ensuring every 16-24 year old is earning or learning, and the 'earn or learn' agenda is overseen by a Cabinet Committee chaired by the Secretary of State for Education.

### **Recommendation 14: A Review to Strengthen the Participation Age**

37. Budget 2017 should announce a review to strengthen the operation and effectiveness of raising the participation age to the 18th birthday. Latest evidence suggests that 9% of 16 and 17 year olds in England are failing to meet the duty to participate (*Table 2, Duty to Participate – June 2016, Proportion of 16-17 Year Olds Recorded in Education and Training, DfE 2016*).

### **Recommendation 15: Funding for Alternative Provision for 16-17 Year Olds**

38. Whilst welcoming the introduction of the Apprenticeship Levy, we are under no illusion about unintended consequences of this workforce development measure for large organisations. Data for 2013 shows that age 18 is the peak year for apprenticeship starts in England: higher than at age 19 and higher than age 17 and age 16 (*Individual Learner Record 2013/14*). Furthermore, the number of apprenticeship starts under the current provider system at 16 (24,600) and 17 (47,100) represents only 6.3% of the 16-17 age cohort. Employers do not recruit significant numbers of 16 and 17 year olds into apprenticeships.
39. HOLEX believes recruitment for 16-17 year olds by the 19,000 organisations due to pay the apprenticeship levy will decline further as they use levy funds to train existing workers aged 18 and over rather than new entrants, new entrants aged 18 and over rather than 16-17 year olds, and to offer apprenticeships at Level 4-6 rather than Level 2-3, the traditional levels for 16-17 year olds. Lower recruitment of 16-17 year olds on apprenticeships will increase the number failing to meet the duty to participate in England. We recommend that the Chancellor provides funding for:
- non-levy paying employers to specifically recruit 16-17 apprentices, and/or
  - alternative vocational provision to apprenticeships including full-time places in colleges and traineeships.

**Recommendation 16: Reduce 18-21 Unemployment by Offering Maintenance Loans for Full-Time Technical Education Programmes**

40. The rationale for dividing the 18-24 year old age group into 18-21 year olds and 22-24 year olds is that participation in full-time education remains a key choice for 18-21 year olds but less so for 22-24 year olds. About 40% of 18-21 year olds are in full-time education compared with 10% for 22-24 year olds.
41. Policy makers are primarily concerned about 18-21 year olds who are unemployed or inactive and not in full-time education. In the period October 2014 to September 2015, there was an average of 196,000 18-21 year olds who were unemployed and not in full-time education, and 240,000 18-21 year olds who were inactive and not in full-time education.
42. Given that full-time education remains an important pathway for this age group it might be possible to reduce youth unemployment amongst 18-21 year olds through increasing participation in full-time education including full-time technical education at Level 3-6. In his foreword to the *Report of the Independent Panel on Technical Education* (April 2016), Lord Sainsbury stated “*We have today a serious shortage of technicians in industry at a time when over 400,000 16-24 year olds are unemployed. It is hard to believe that none of these young people have the ability and motivation to train as technicians if given good opportunities to do so.*”
43. Crucially, however, unemployed 18-21 year olds and indeed unemployed 22-24 year olds would not be able study full-time technical education courses if they are claiming Universal Credit and, unlike full-time higher education, no maintenance loans are available for FE students. HOLEX reinforces its

recommendation to the Chancellor to extend maintenance loans to at least 18/19-21 year olds on full-time Level 3-5 technical education programmes.

#### **Recommendation 17: A Bespoke 22-24 Unemployment Strategy**

44. Full-time education is not seen as an option for the vast majority of 22-24 year olds. Labour market rather than full-time education measures need to do the heavy lifting to reduce unemployment amongst the 22-24 age group. HOLEX calls upon the Government to develop a bespoke unemployment strategy for the 22-24 year olds group to complement the 18-21 earn or learn approach.

#### **Recommendation 18: A Refreshed 16-24 Participation Plan**

45. HOLEX recommends Budget 2017 should announce the start of a review to refresh policies on increasing participation in full-time education and employment with or without apprenticeships, and part-time further and higher education. The plan should differentiate between the 16-17, 18-21 and 22-24 age groups. It is vital in the context of Brexit that young people and young adults are contributing to the skills and employment base of the economy.

#### **Recommendation 19: Turn Universal Credit into Benefit Loans to Support Longer Duration Skills Training**

46. DWP should offer the opportunity to unemployed adults out of work for 3 months or more to study full-time to achieve technical education qualifications at Level 2 and Level 3 without having to actively seek work if they agree to turn their grant-based Universal Credit payment into a loan-based Universal Credit payment. Loans would be income contingent. The cost of the training would be funded by DfE either through fully-funded entitlements or fee-loans.

47. This proposal is radical but offers an opportunity to break down the apartheid between welfare benefits and maintenance loans, achieve a compromise between the work-first principle held by DWP and skills development held by DfE, and would require close working between DWP and the Student Loans Company. It could also form the basis of a new strategy for training and retraining unemployed people in the context of Brexit. HOLEX calls upon the Chancellor to announce a feasibility study into turning Universal Credit into income contingent loans to support skills training.

## **Enhancing Progression into Better Paid Jobs**

48. The Institute for Fiscal Studies calculates that average real term wages will be no higher in 2020 for workers on average earnings compared to 2008, the start of the financial crash (*Andrew Hood, The Outlook for Living Standards, IFS Post-Autumn Statement 2016 Briefing, 24th November 2016*). The IFS project that whilst workers on the National Living Wage will be better off in real terms by 2020/21 compared to 2008/09, those on average earnings and JSA will be worse off. We are also witnessing the emergence of the gig-economy. Increasing zero-hour contracts and self-employment are cited as evidence of insecure earnings from intermittent paid employment.

49. More than 15% of people in employment are self-employed. Of the 4.786m in self-employment, nearly 1 in 6 are in part-time self-employment (*Table 3, UK Labour Market, ONS, 16th November 2016*). Once again, self-employment,

full-time or part-time, is not necessarily a bad feature of the labour market where people have access – or know they will have access in the near future - to income from occupational and state pensions. Self-employment can be more problematic where it is a career choice early on in working lives, with income dependent upon business conditions rather than the number of hours worked.

50. HOLEX welcomes the decision by the Government to ask Matthew Taylor of the RSA to lead an independent review in employment practices in the UK economy (<https://www.thersa.org/about-us/media/2016/matthew-taylor-to-lead-independent-review-of-employment-practices-in-the-modern-economy>). The review offers a vehicle for discussing progression and training in a modern economy (Theme 2). In advance of the Taylor Review, we ask the Chancellor to take forward the recommendations set out below.

### **Recommendation 20: An Individual-Centred Training Strategy**

51. Progression into better paid jobs can be within existing organisations or by switching employers. The employer-driven apprenticeship levy will assist career progression, especially within the c19,000 levy payers and their potential suppliers. The Government, however, is in danger of over relying on an employer-driven training strategy. The Chancellor should use Budget 2017 to announce the development of an individual-centred training plan to assist workers to progress into better paid jobs. The individual training plans could be incentivised and targeted at participation on to high quality academic qualifications - such as A levels especially in STEM subjects – and vocational qualifications in addition to technical education programmes.

### **Recommendation 21: New Entitlements for Adult Vocational Education**

52. Level 2 is the platform for progression in the labour market. The ideal combination is two qualifications at Level 2, an academic Level 2 based on 5 good GCSEs including English and Maths, and a vocational Level 2 to work in a particular sector. In the current system, adults without a first Level 2 – academic or vocational – are entitled to free provision, and so too are 19-24 year olds seeking a first Level 3 as either an academic or vocational level 3. HOLEX proposes a new set of entitlements for adult vocational education as part of an individual-centred training and retraining strategy:

- free provision for second Level 2 qualifications if taken as vocational Level 2 qualifications up to state pension age;
- expansion of the current adult learner fee-loan budget to fund Level 3-5 academic and vocational qualifications alongside a separate adult technical education fee-loan budget, and
- maintenance loans for full-time and part-time FE students on non-technical Level 3-5 programmes to contribute towards living costs in the context of subdued real term wages until 2020.

### **Recommendation 22: Wage Compensation Income Contingent Loans for Self-Employed wanting to Train**

53. HOLEX is looking to the Taylor Review to outline an adult training system fit for the gig-economy. We believe, however, that action can be taken now to assist people who are currently self-employed to meet their training needs and remain in self-employment. Assisting self-employed people to meet their training needs has always been a knotty-issue. Policy interventions have tended to concentrate on helping the self-employed to meet the cost of fees. Under individual learning accounts, for example, the self-employed could access a credit worth £150 in return for £25 cash payment by them to pay for courses. And today, the self-employed are eligible to access fee entitlements and fee-loans.
54. The cost of fees, however, is not the main barrier faced by the self-employed wishing to train: it is lack of time and loss of earnings. A possible solution is wage-compensation income contingent loans. The Chancellor should announce in Budget 2017 a pilot of wage-compensation income contingent loans for the self-employed wanting to train.

## Extending Working Lives

55. People are living longer. To reduce pressure on the cost of state pensions to the Exchequer, the state pension age is increasing. By 2020, the state pension age for men and women will be equalised at 66, and will increase to 67 between 2026/28. As a consequence, working lives are being extended. In addition, increasing numbers of people above state pension age continue to work, either to supplement their pension incomes or to improve their quality of life. Currently, there are 11.455m adults aged 65 and over in the UK, and around 11% (1.24m) are in work, mostly concentrated amongst the 65-70 age group. As the state pension age rises to 66 in 2020 and then to 67 between 2026/28, the number of workers above the state pension age might actually fall as 65-66 year olds will be under state pension age.

### **Recommendation 23: An Adult Guidance Service fit for Extended Working Lives**

56. We need an adult guidance service fit to support extended working lives. Strengthening adult guidance and introducing the concept of a career pathway will give all adult basic skills learners a road map and consistent quality offer whichever provider they go to and whichever delivery method they chose (including online).

### **Recommendation 24: A Review into Adult Education Entitlements and Increases in the State Pension Age**

57. Training and retraining in later life will enable workers in their fifties to continue in employment until they reach state pension age. Entitlements to adult education – fee remission, fee loans and maintenance loans – need to reflect each increase in the State Pension Age. The Chancellor and the secretaries of state for education, and work and pensions should commission a review of the pressure on adult education and employment programme spending to assist older workers to remain in work as the state pension age increases - linking entitlements to adult education to the state pension age - and consider the merits of a Personal Learning Account funded through compulsory contributions by adults aged 21 to state pension age to fund adult education in

later life.

## Tackling Health and Mental Health Issues

58. Access to lifelong learning and work are important to tackling health and mental health problems that occur at different stages in life. Lifelong learning strategies to help people with health and mental health problems need to reflect the difference between 'people of working age' and 'people of state pension age', and the planned increases in the state pension age.

### **Recommendation 25: Supporting Older People through Learning**

59. HOLEX calls upon the Chancellor to provide funding to local authorities to support older people of working age and older people of state pension age recognising the link between adult education and wellbeing, and to develop a strategy which brings together community groups with ACL providers to ensure there is a national offer for all older people wishing to participate in learning.

## Investing in our Workforce

### **Recommendation 26: Through ETF, Support the Adult Education Workforce development needs.**

60. To meet these far-reaching recommendations, we will need to invest in our own workforce. The adult education workforce is well qualified and very student/trainee centred. However, the lack of investment in technology needs to be addressed alongside the IT training needs of staff. Staff are experts in improving literacy (including language teaching) and numeracy skills in adults but, with every government required change to curriculum content and delivery methods, there needs to be further investment in retraining the staff to implement those changes. The adult basic skills curriculum and materials are in need of refreshing and this should be done alongside any work on functional skills. The Education and Training Foundation (ETF) should be fully funded to support these development changes. ETF should also be funded to support the development programme that will be necessary to get trainers ready to deliver the new apprenticeship standards and assessors the new end assessments.
61. The adult education workforce is also quite fragmented, typically working on part-time contracts and missing a strong coherent professional home or a single employer who can invest in their professional development. An ambitious programme of workforce reform would begin with a detailed training needs analysis of the sector, and then see it through with a multi-year investment to strengthen our national capacity in adult education, including creating a support fund which could be used to 'back-fill' while teachers take time out of the classroom for professional refreshing, development and research. This programme should be costed, proposed and delivered by ETF on behalf of the sector over a 3 year period.

## SUMMARY OF RECOMMENDATIONS

### Increasing Investment

**1:** The Chancellor should announce an **Adult Education Investment Strategy** – with the same status as the Industrial Strategy – setting out a ‘grow our own’ approach to education, skills and employment from April 2017 to meet the challenges of post-Brexit Britain.

**2:** The Chancellor should borrow to invest in human capital to fund the adult education investment strategy.

**3:** The Chancellor should increase funding for adult basic skills and take forward the proposals on ESOL and Family learning that are set out in the Casey Review.

**4:** The Government should fully fund the digital skills entitlement by borrowing to invest in human capital in the post-Brexit world.

**5:** The Chancellor should use Budget 2017 to make clear that the Adult Education Budget will be ring-fenced for adult education when devolved to regional and local bodies, and will not be put into un-ring-fenced single pots.

**6.** We ask the Chancellor to guarantee that domestic funding from 2020 will at least be equivalent to the level of ESF funding it replaces.

### Improving Productivity

**7:** The Chancellor should increase investment in technical education to boost productivity, especially by

- i. ensuring there is sufficient funding for 19-24 year olds using their free first Level 3 entitlement to study technical education programmes;
- ii. create a separate fee-loan Adult Technical Education budget for Level 3-5 programmes, and
- iii. introduce maintenance income contingent loans to enable adults from age 18 to study Level 3-5 technical education programmes on a full-time or part-time basis.

**8:** The Chancellor should fund a ring-fenced apprenticeship budget for non-levy paying employers to ensure apprenticeship training continues in small and medium-sized enterprises.

### Strengthening Social Cohesion

**9:** New targeted funding should be made available to expand English language provision based on area-based plans and projects in line with the Casey Review.

**10.** Funds from the Immigration Skills Charge due to be introduced from April 2017 should be used to increase skills investment in British workers. Funds from this charge should be used to increase training opportunities – including English courses – to migrants who obtain UK residency rights.

### Increasing Social Mobility

**11.** To widen the pathways to increased social mobility beyond school, school sixth forms and full-time higher education from age 18, maintenance loans should be

available from age 18 to support full-time study of Level 4-5 technical education programmes. This measure will also create equity with full-time HE students.

**12.** To increase social mobility in later life, maintenance loans should be available from age 18 to support part-time study of Level 4-5 technical education programmes. This measure will also create equity with part-time HE students.

**13:** Level 3 is the platform for progression to Level 4-6 qualifications. To facilitate progression and social mobility in later life, maintenance loans should be available from age 19 to support study of Level 3 technical education programmes.

### Reducing Unemployment and Inactivity

**14.** With 9% of 16-17 year olds in England failing to meet the duty to participate in education and training, the Government should commission a review to strengthen the operation and effectiveness of raising the participation age to the 18th birthday.

**15:** There is a significant risk that employers paying the apprenticeship levy will not recruit 16-17 year olds and numbers will fall. The Chancellor should prioritise apprenticeship funding for non-levy payers to recruit 16-17 year olds and/or provide funding for alternative vocational provision including full-time courses at colleges.

**16:** Extending maintenance loans to students on full-time Level 3-5 technical education programmes could attract some of the 200,000 18-21 year olds who are unemployed and 240,000 who are currently inactive into full-time education. As a consequence, unemployment amongst 18-21 year olds could fall and more of this age group would be 'earning or learning'.

**17:** The Treasury and DWP should build on the RPA for 16-17 year olds, and the Youth Obligation for 18-21 year olds with a bespoke unemployment strategy for 22-24 year olds.

**18:** The Government should prepare a refreshed participation plan for 16-24 year olds.

**19:** To radically reform the opportunities for unemployed adults to retrain whilst claiming benefits, the Chancellor should announce a feasibility study to enable unemployed adults on universal credit to participate on longer duration skills training of up to 12 months to achieve Level 3 qualifications without having to actively seek work by turning their universal credit payment into an income contingent loan.

### Enhancing Progression into Better Paid Jobs

**20:** To assist progression into better paid jobs by switching employer, the Chancellor should announce an individual-centred training strategy to complement the employer-centred training strategy based on apprenticeships and the levy. Individuals should be able to gain high quality academic qualifications – especially A levels in STEM subjects - and vocational qualifications other than technical qualifications.

**21:** A new system of entitlements should be introduced for adult vocational education based on: free provision for a second Level 2 if taken as a vocational Level 2, expansion of the current adult learner fee-loan budget to fund Level 3-5

academic and vocational qualifications (operating separately from a fee-loan budget for technical education), and maintenance loans for full-time and part-time FE students on non-technical Level 3-5 programmes.

**22:** The Government should give all necessary support to the Taylor Review into modern employment practices including the formulation of an adult training strategy for the gig-economy. In the Budget meanwhile, the Chancellor should seek to encourage training by self-employed people by offering them wage-compensation income contingent loans to offset loss of earnings whilst training.

### **Extending Working Lives**

**23:** The Chancellor and the Secretary of State should commit funds to develop an adult guidance service to support extended working lives in the context of the equalisation of the state pension age between men and women to 66 by 2020, and to 67 between 2026 and 2028.

**24:** The Chancellor should announce a review of adult education entitlements in the context of increases in the state pension age to assess the pressure on budgets, eligibility changes to fee remission, fee loans and maintenance loans, and consider the merits of a Personal Learning Account funded through compulsory contributions by adults aged 21 to state pension age to fund adult education in later life.

### **Tackling Health and Mental Health Issues**

**25:** Budget 2017 should commit funding to local authorities to support older people of working age and state pension age to recognise the links between adult education and wellbeing, and to develop a national offer for older people wishing to participate in learning.

### **Investing in Our Workforce**

**26:** Through the Education Training Foundation support the adult education workforce development needs.

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