



# **A Budget for Adult Learners**

**and**

# **All Young People**

# **Autumn Budget 2017 Representation**

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# A BUDGET FOR ALL

## KEY MESSAGES

1. The Autumn Budget is the first fiscal event since the General Election and the first autumn budget in a generation. Reports indicate that the Chancellor intends to deliver a Budget for Young People. HOLEX welcomes this intention but calls upon the Chancellor go even further in his Budget Statement on 22 November.
2. We need **A Budget for Adult Learners** to assist all adults who aspire to train and retrain. And a **Budget for All Young People** and not just a budget for the 33% that enter full-time higher education at age 18 and graduate with perceived debts who aspire to live independently as soon as possible.
3. Our departure from the European Union implies a more restrictive immigration policy towards EU migration and the need to **develop our own resident population** rather than recruiting labour from EU member states. In parallel, the planned increase in the State Pension Age to 66 by the end of decade and 67 in the late 2020s implies **longer working lives for many of our resident population**.
4. HOLEX looks forward to working with the Government to develop many of the education, skills and employment policy ideas contained in the *Conservative Party Manifesto* as well as fresh ideas proposed in our Budget Representation to meet the short, medium and long-term challenges presented by BREXIT and longer working lives.

## ABOUT HOLEX

**5.** 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 quality and for customer satisfaction.

**6.** 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.

**7.** 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.

**8.** 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.

## CENTRAL RECOMMENDATION

9. To meet the twin challenges of developing our own resident workforce in the context of a tighter EU immigration policy and increases in the State Pension Age to reflect longer working lives, we recommend the Government prepares a **Post-16 Education, Skills and Employment Strategy**. This strategy should:

- reflect the period leading up to our withdrawal from the European Union by March 2019, a potential transition phase between April 2019 and March 2021, and the new strategic partnership with the EU which the UK wishes to form from April 2021;
- take into account the Raising of the Participation Age in England to the 18th birthday; young adults aged 18-24; adults aged 25 and over until they reach State Pension Age and the needs of older residents who have reached post-State Pension Age;
- be jointly developed by the Treasury, the Department for Education, the Department for Work and Pensions, and the Home Office, and
- have equal status to that of the **Industrial Strategy**.

10. HOLEX believes a segmented and nuanced strategic framework will be required to meet the education, skills and employment needs of Britain. Government should set out a framework for each group of learners.

## WHAT 18+ EDUCATION CAN DO FOR BRITAIN

11 With an increased level of resource, **18+ adult education** can:

- raise productivity through improving employee's basic skills - we still have the situation where 1 in 5 of our workforce has low English and maths skills.
- strengthen community cohesion by providing guidance, support and a place for communities to learn new skills together.
- increase social mobility through providing induction and first rung programmes that lead to qualifications and a progression route to further study and improved job prospects.
- reduce unemployment and inactivity by identifying and supporting people back into education as a pathway to work.
- enhance progression into well-paid jobs through providing retraining schemes when and where people need them.
- extend working lives by allowing the older person to learn new skills such as IT.
- tackle health and mental health issues through providing a protected environment to gain confidence, self-esteem and new skills.
- attract future inward investment - adult education can provide the skilled workforce, which in turn encourages international businesses to set up here.

# RECOMMENDATIONS

## **In the Autumn Budget on 22 November 2017 the Chancellor should:**

1. Announce the preparation of an Adult Education, Skills and Employment Strategy with equal status to the Industrial Strategy.
2. Create an Adult Basic Skills BREXIT Fund for low-skilled sectors so they can recruit staff from the resident UK population.
3. Pledge additional new funding for an adult-led National Retraining Scheme linked to an extended Right to Request Time off to Train.
4. Resource the enhanced role of adult education, including additional resource to fund:
  - the Digital Skills Entitlement so that adults and young people can embrace the digital revolution;
  - English language provision linked to formalised local action plans;
  - Induction and first rung provision across the skills and employment sector so more people can return to the labour market;
  - Tackling mental health through education programmes.
5. Commit to reviewing the way adult education funding is allocated and inspected and announce a government review of different options for Personal Learning Accounts combined with Individual Learner Records.
6. Expand loans - support the National Retraining scheme
  - allow the existing adult-fee loans programme to fund units of qualifications
  - promote adult level 3 and 4 students by providing maintenance loans
7. Recognise the importance of education to the older person.
8. Provide resources to promote the fact that employers paying the apprenticeship levy can use payments to train older workers as apprentices.
9. Promote and resource family learning.
10. Invest resources in the adult education workforce so that the sector can deliver the provision needed to meet the challenge of getting more of the resident workforce into work following BREXIT, and longer working lives.

# RATIONALE

## 1. Announce the preparation of an Education, Skills and Employment Strategy with equal status to the Industrial Strategy;

1.1 Skills play an important role in raising productivity. On the one hand, increasing the supply of skilled labour can encourage inward investment from overseas and domestic businesses to invest in regions and localities. On the other hand, increases in technology – such as automation – research and development, product innovation and capital investment can drive-up skills demand by employers.

1.2 Our central recommendation in this Budget Representation is the development an Education, Skills and Employment Strategy to meet the challenges of the phased withdrawal from the European Union. The Chancellor should endorse the development of an Education, Skills and Employment Strategy which demonstrates the UK will have the skilled workers to attract inward investment.

## 2. Create an Adult Basic Skills BREXIT Fund for low-skilled sectors so they can recruit staff from the resident UK population;

2.1 A key aim of our withdrawal from the European Union according to the Government is for Britain to introduce a **managed immigration system** with a specific aim of reducing the ability of employers to recruit EU labour into low-skilled jobs. The Immigration Bill is due to be published before the end of 2017 with a white paper setting out a sector approach to EU immigration. It is critical that the resident population has the basic skills needed to take low-skilled jobs especially where there is a concentration of EU migrant workers at present. HOLEX recommends that the Chancellor announces an **Adult Basic Skills BREXIT Fund** to support to English, Maths and Digital IT training for the resident adult population to facilitate recruitment into low-skilled sectors.

2.2 The Immigration Skills Charge came into effect from April 2017. The charge applies to employers recruiting skilled workers from non-EU countries. HOLEX recommends that the **Immigration Skills Charge is used to fund the training of low skilled non-EU migrant workers, especially English courses for those who gain the right to reside in the UK.** We also ask the Chancellor to clarify in the Autumn Budget whether the main charge to employers will be doubled to £1,000 from April 2019.

2.3 We welcome the Chancellor's decision before the Autumn Statement 2016 to guarantee EU structural funds, including ESF monies, until 2020. We now ask the Chancellor to **guarantee ESF level funding during any transition phase until March 2020 and from April 2021 post-transition phase** of our withdrawal from the European Union.

### 3. Pledge additional new funding for an adult-led National Retraining Scheme linked to an extended Right to Request Time Off to Train.

3.1 The Conservative Party manifesto proposed the introduction of a radical National Retraining Scheme and a new right to request leave for training to all employees (which we take to mean extending the existing right to employees in organisations of 250 employees or less). HOLEX wholeheartedly endorses both measures and view them as intrinsically linked and crucial to meeting the challenge of retraining in an era of longer working lives.

3.2 HOLEX recommends that the Autumn Budget announces that the National Retraining Scheme is an **adult-led programme** to complement the employer-led apprenticeship programme to extend working lives linked to an extended right to request time-off to train. More specifically, we call upon the Government to ensure that:

- the National Retraining Scheme is open to atypical workers – including the self-employed, agency workers and those on zero-hour contracts as well as employees;
- the National Retraining Scheme is fully operational by no later than April 2021 when the ‘transition phase’ of our leaving the European Union comes to an end;
- funding for the National Retraining Scheme will be separate from and in addition to the Adult Education Budget;
- the funding rules for the National Retraining Scheme link to existing and future entitlements to fee-remission, up-front fees, fee and maintenance loans operating in the adult further and higher education system;
- free provision for a first or second Level 2 qualification if taken as a vocational Level 2 qualification up to state pension age in-built within the National Retraining Scheme;
- funding incentives linked to the National Retraining Scheme over and above existing adult FE/HE funding entitlements should include vocational tax relief, discounts, career and professional development loans;

### 4. Resource the enhanced role of adult education, including additional resource to fund:

- the Digital Skills Entitlement so that adults and young people can embrace the digital revolution;
- English language provision linked to formalised local action plans;
- Induction and first rung provision across the skills and

**employment sector so more people can return to the labour market;**

- **Tackling mental health through education programmes.**

4.1 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 fund the digital skills entitlement adequately.**

4.2 Too much of adult education is qualification bearing and even entry to basic skills is a challenge for many. **HOLEX recommends that the Chancellor finds resources to fund induction and stepping stones provision across DfE and DWP programmes, especially as we seek to encourage an increasing proportion of the resident adult population to join the labour market.**

4.3 HOLEX supports 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) improve English language provision through funding for community-based classes and appropriate prioritisation of adult skills budgets.

4.4 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 the Autumn Budget by earmarking funds to provide targeted funding for English language provision linked to formalised local action plans**

## **5. Commit to reviewing the way adult education funding is allocated and inspected and announce a government review of different options for Personal Learning Accounts combined with Individual Learner Records;**

5.1 The recent issue with the adult education budget being under spent demonstrates that something has gone wrong with the way the funding is allocated. The funding does not work for the learner and the Ofsted frameworks are becoming a deterrent to offer learning to an adult who may not achieve in the expected fashion. We need to find a system that encourages and supports the resistant learner back into learning. Therefore, we should look at what other countries are doing and review whether the new National Retraining Scheme could be a vehicle to re-introduce Adult Learning Accounts as a retraining scheme (which is in line with the recommendation of the *Review of Modern Working Practices* led by Matthew Taylor published in July 2017), and the extension of the Right to Request Time Off for Study comes into effect by no later than April 2021 in line with the full functionality of the NSR.

5.2 People without second pensions are automatically enrolled into workplace

pensions. If adult workers aged 21 and over agree to contribute to their workplace pension, their contribution is matched by their employer and the taxpayer. The introduction of the UK Apprenticeship Levy mitigates against compulsory employer contributions to a Personal Learning Account but the principle of soft-compulsion – where if adults decide to save for learning the taxpayer makes a matching contribution – could still apply. **HOLEX calls upon the Chancellor to commission an inquiry into the Funding of Adult Learning and Personal Learning Accounts** with the same status as the inquiry into the state pension age led by John Cridland and the inquiry into the so-called gig-economy led by Matthew Taylor (*Good Work: The Taylor Review of Modern Working Practices*. July 2017).

5.3 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).

## 6. Expand loans to support the National Retraining scheme

- **allow the existing adult-fee loans programme to fund units of qualifications**
- **promote adult level 3 and 4 students by providing maintenance loans**

6.1 Participation in self-employment increases with age. It is critical that those in the resident population who are self-employed have access to relevant training and retraining opportunities to continue to do so up to and beyond State Pension Age. Self-employment is only one form of atypical working but by far and away the most significant in the UK labour market. The Taylor Review stated that, although atypical workers have a strong sense of individual responsibility for retraining, barriers persist including inflexible qualification models and the fact that existing Advanced Learner Loans are only open to support full qualifications.

6.2 The commitment by the Government to review the funding of post-16 tertiary education is extremely welcome. In addition to promoting the new earnings threshold of £25,000 per year for fee-loans, the Autumn Budget should task the Department for Education with reviewing whether the take-up of 19+ fee loans for Level 3-6 non-technical education is being held back by the lack of maintenance loans

6.3 HOLEX agrees with these insights but wishes to raise with the Treasury the fact that in terms of financial barriers the cost of fees is not necessarily the main concern for the self-employed needing to retrain to remain in self-employment. Often, it is the loss of earnings on the days the self-employed are training that is the main financial barrier to training and retraining. To facilitate retraining by the self-employed, the Chancellor should announce in the Autumn Budget a **wage-reimbursement income contingent loan pilot** to mitigate against as some of the loss of earnings for days when the self-employed are training.

6.4 Participation in full-time 18+ higher education (Level 4-6) and technical education (Level 4-6) is not a zero-sum game. We need to expand both. Participation in full-time

18+ education, however, is often driven by the availability of maintenance support than the level of fee-loans. Students in full-time higher education have access to maintenance loans in addition to fee-loans but students in full-time 18+ further education do not have access to them.

6.5 Participation in part-time 18+ higher education (Levels 4-6) and technical education should also not be seen as a zero-sum game. We need to expand both, especially if adults are already in employment. Workers are suffering the deepest and longest squeeze in real wages for a lifetime. Participation in part-time higher education has declined in part, with the need to increase working hours to increase earnings and meet the costs associated with part-time learning, especially travel.

6.6 HOLEX warmly applauded the decision announced in the Autumn Statement 2015 to extend maintenance loans to part-time higher education students.

6.7 HOLEX is also supportive that the Chancellor in his Spring Budget announced the introduction of maintenance loans for Levels 4-6 technical education qualifications from 2019/20 which we trust will apply to full-time as well as part-time students.

6.8 There is a danger, however, that Level 3 technical education will stop at 19. Creating a separate Adult Technical Education Budget and a separate Adult Fee-Loans Technical Education Budget will guarantee grant and loan funding for the cost of provision but there is a gap in terms of **maintenance loans**. About 250,000 19 year olds in England do not achieve a first Level 3, nearly 40% of the cohort (*Level 2 and Level 3 Attainment in England: Attainment by Age 19 – DfE, April 2016*). Not all will wish to study full-time or part-time Level 3 technical education programmes but some will. Lack of maintenance should not be barrier to their participation. To ensure that 18-24 year olds can access the technical education they deserve, we recommend that the Chancellor commits to extending maintenance loans to 19-24 year olds studying full-time and part-time who are seeking a first Level 3 as a Level 3 technical education qualification.

6.9 There are a number of changes to income contingent loans that currently operate and planned extensions to different areas of the post-18 education system and new areas – some of which are set out this submission – where they could be extended still further. HOLEX supports the recommendation of the Taylor Review for adult fee-loans to fund units of qualifications to meet the needs of atypical workers given a more significant cost is the loss of pay whilst training. This reform needs to be backed up with a wage reimbursement loan scheme.

## **7. Recognise the importance of education to the older person.**

7.1 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.

7.2 A national strategy to support older people through learning is needed if we are to improve the wellbeing of older people before and after reaching State Pension Age.

7.3 HOLEX calls on the Chancellor to provide funding to local authorities to support older people of working age and older people of state pension age with health and mental health problems to engage in learning to improve their wellbeing.

7.4 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 entitlements to adult education** – fee remission, fee-loans and maintenance loans – taking into account the planned increases in the State Pension Age.

7.5 The State Pension Age will increase to 66 for men and women by 2020 and to 67 by 2028. Many of our resident population will need to earn an income from paid employment - as employees or self-employed - before they can access their State Pension as well as having sufficient income over and above the SPA to have a reasonable income in retirement. As the *Independent Review of the State Pension Age* chaired by John Cridland demonstrates, from age 54 full-time and part-time self-employment increases relative to full-time and part-time employment. Apprenticeship training for older workers - existing employees or new entrants - is an excellent way to extend working lives up to and beyond State Pension Age. The Chancellor should announce a **Levy Payer Older Apprenticeship Promotion Fund** to encourage levy-paying employers to use their levy to offer apprenticeships to older employees if it meets their business and workforce development needs to extend working lives. In addition, however, the Autumn Budget should set out measures to ensure how apprenticeships remain on offer to groups and at levels not required by levy paying employees.

## 8. Support All Young People and not just the most able;

8.1 The Autumn Budget has been billed in the media as a 'Budget for Young People'. HOLEX recognises the case for increasing education, skills and employment opportunities for all young people under 25. Bearing in mind tighter EU immigration and longer working lives, participation in education, skills and employment must be maximised. We cannot afford to have 16-17 year olds and 18-24 year olds not participating in education and skills or being unemployed and inactive. Our focus at HOLEX is on adults who need access to training and retraining and this includes 18-24 year olds. But HOLEX acknowledges that the starting point for extending opportunities for young adults aged 18-24 is the 16-17 age cohort.

### 16-17 Year Olds

8.2 The participation age was raised to the 18th birthday in England in September 2015. Latest evidence suggests that 9% of 16 and 17 year olds in England fail 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*). In addition, system changes to apprenticeship funding and vocational education could ratchet-up the proportion failing to meet the duty to participate even further (see below). The Autumn Budget should announce a **Review of the Participation Age** in England and make recommendations to maximise participation from April 2019, the start of the potential transition phase of our withdrawal from the European Union.

### Ring-Fenced Apprenticeship Funding for 16-17 Year Olds

8.3 Whilst welcoming the introduction of the Apprenticeship Levy, HOLEX is under no illusion about the unintended consequences of this large organisation-centred workforce development measure. 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 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.

8.4 HOLEX believes recruitment for 16-17 year olds by the 19,000 organisations due to pay the Apprenticeship Levy could decline from the present small numbers. Levy-paying employers will decide to use their funds to train workers aged 18+ who are primarily existing employees rather than new entrants and on Level 3-6 apprenticeships rather than Level 2 apprenticeships. 16-17 year olds who traditionally take Level 2-3 apprenticeships could lose out.

8.5 Critically, however, a fall in the absolute number of 16-17 year olds on apprenticeships – other things being equal – by definition will increase the number failing to meet the duty to participate. We recommend that the Chancellor set aside **additional ring-fenced funding to all employers – large, medium and small – for Level 2 and 3 apprenticeships started by young people before reaching their 18th birthday.**

### Alternative Full-Time Vocational Education to T-Levels for 16-17 Year Olds

8.6 HOLEX overwhelmingly supports the aim to create a world class technical education pathway for young people in England alongside a world class apprenticeship and academic pathways. Our understanding is that T-Levels will primarily suit 16-18 year olds and, although designed by employers, the emphasis will be on young people who are able to progress and achieve a Level 3 by age 18/19. If this is the case, T-Levels might not be suitable for a significant proportion of 16-17 year olds as for many achieving a Level 2 by age 18/19 will be a major achievement. Once again, if the standards set within T-Levels are too high and they replace vast swathes of existing Level 2 vocational education – other things being equal – participation in full-time education could fall and the number failing to meet the duty to participate might increase. The Autumn Budget should signal support for **alternative full-time vocational education to T-Levels** for 16-17 year olds seeking to achieve a Level 2 by age 18/19.

### Offer Discounted travel Initially to Young People Starting an Apprenticeship before their 18th Birthday

8.7 HOLEX was pleased that the Conservative manifesto included a pledge to introduce discounted travel for young apprentices. Apprentices aged 16-18 are not entitled to subsidised travel from local authorities compared to those in full-time further education at school, college or with an independent provider. Parents of 16-18 year olds in full-time education are eligible for means-tested child benefit and child tax credit which for the poorest families - i.e. those with incomes of less than £25,000 - which could be worth £74.16 per week. Parents of 16-18 year olds on apprenticeships are

not eligible for Child Benefit and Child Tax Credit. In addition, full-time students aged 16-19 are eligible themselves for Discretionary Bursary Grants from providers from the 16-19 Bursary Fund. By contrast, 16-18 year olds on apprenticeships are not eligible for bursary grants. Of course, apprentices must be employed for at least 30 hours, the minimum wage rate for apprentices is £3.50 per hour which - assuming it is paid by the employer - delivers **minimum apprenticeship earnings** of £105.00 per week. Transport costs must be paid by the apprentice out of this minimum level of earnings.

8.8 As an initial step, HOLEX recommends that the Chancellor provides additional funding for **subsidised travel to apprentices starting an apprenticeship before their 18th birthday**. This would have the benefit of targeting scarce resources, reducing one of the financial barriers from those aged under 18 from joining minimum-wage apprenticeships at £105.00 per week and encouraging greater participation which - other things being equal - will reduce the number failing to meet the duty to participate.

8.9 It is vital, however, that discounted travel for under 18 apprentices is introduced simultaneously with a guarantee of apprenticeship funding for the under 18s. Placing a duty on secondary schools to promote apprenticeships at 16 and introducing subsidised travel for under 18 apprentices will stoke up demand that cannot be met as levy paying employers potentially turn their backs on 16-17 year olds.

8.10 For this reason, HOLEX is supportive but cautious about creating a level playing field for entitlements to Child Benefit and Child Tax Credit for parents on low incomes with 16-18 year olds on apprenticeships compared to those in full-time education. Again, the danger is that demand for apprenticeships will be stoked up from those families and young people who could most benefit of access to Child Benefit and Child Tax Credit but who are left frustrated as apprenticeship opportunities from levy-paying employers are not available. The priority for the Autumn Budget for the Chancellor must be to guarantee an apprenticeship place for all 16-17 year olds who want one.

## 18-24 Year Olds

8.11 There are 5.688m 18-24 year olds in the UK (*UK Labour Market: September – ONS, September 2017*). They fall into the following categories:

- 0.313m unemployed – who have looked for work in the past 4 weeks – but are **not** in full-time education;
- 0.536m economically inactive – who have **not** looked for work in the past 4 weeks or are employed – and are not in full-time education;
- 2.963m in employment but **not** in full-time education – although some will be in part-time further and higher education, and apprenticeships;
- 1.875m in full-time education – of which 0.612m are also employed, 0.11m are unemployed and 1.152m are economically inactive.

8.12 A key objective in the context of BREXIT is to reduce the 0.85m unemployed and economically inactive 18-24 year olds into either **full-time further and higher education** or **employment** (although preferably employment combined with part-time further and higher education or apprenticeships). BREXIT creates an imperative for

the Chancellor to announce a comprehensive education, skills and employment strategy for 18-24 year olds (see *Central Recommendation*). A strategy for 18-24 year olds fit to meet the challenges of BREXIT will require careful analysis of:

- full-time and part-time higher and technical education at Levels 2-6 in terms of fee remission, fee-loans and maintenance loans;
- employment combined with part-time higher and technical education and apprenticeships, and
- moving out of unemployment and economic inactivity into full-time education or employment.

8.13 The Adult Education Budget includes education funding for 19-24 year olds as well as the over 25s. Free provision is available for those aged 19 seeking to achieve a first full Level 2 and 19-24 year olds seeking to achieve a first full Level 3.

8.14 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. HOLEX recommends that the Chancellor makes clear in the Autumn Budget that **AEB budget in England will be ring-fenced for adult education and not form part of local single pots.**

### **A Separate Adult Technical Education Budget**

8.15 The AEB includes funding for academic and vocational education for 19-24 year olds and the over 25s at Level 2 and 3. HOLEX warmly welcomes the decision to create a world class technical education pathway. The AEB is cash protected at £1.5bn. On the grounds of transparency and creating a world class technical education pathway, however, the Chancellor should commit resources to fund a separate **Adult Technical Education Budget** with the same entitlements for 19-24 year olds.

- adults aged 19-24 considering taking out a fee-loan for a second Level 3 qualification;
- adults aged 24 and over considering taking out a fee-loan for a Level 3-6 qualifications;
- adults aged 18 and over eligible for maintenance loans for future full-time and part-time Level 4-6 technical education programmes, and
- 19-24 year olds who should be in a position to access maintenance loans to support full-time and part-time study towards Level 3 technical education programmes.

### **Clarifying the Commitment to 'Targeted Support for Unemployed 18-24 Year Olds'**

8.16 HOLEX welcomes the commitment in the Conservative Party Manifesto to extend targeted support for unemployed 18-24 year olds. We ask the Chancellor to **clarify this commitment in the Autumn Budget** and whether it implies extending the Youth Obligation framework from 18-21 year olds to 22-24 year olds. In addition, however,

we look to Autumn Budget to set out a comprehensive and radical back-to-work strategy for 850,000 18-24 year olds who are not in full-time education or employment.

### Expand 'Traineeships' for 18-24 Year Olds as a Pathway into Jobs

8.17 There are nearly 3m 18-24 year olds in employment, the vast majority of whom are employees rather than self-employed. As stated above, the Apprenticeship Levy is likely to lead to apprenticeships being made available to existing employees rather than new entrants – especially new entrants who are unemployed or economic inactive. To this extent, **apprenticeships will no longer be a pathway to employment for 18-24 year olds**. Rather, unemployed 18-24 year olds will need to obtain a job with a levy-payer and subsequently hope they will be chosen as an apprentice.

8.18 A different pathway must be developed to apprenticeships for unemployed and inactive 18-24 year olds to gain employment if levy-payers concentrate on existing young workers. **The Chancellor should announce a significant expansion of traineeships for unemployed 18-24 year olds to enter the jobs market.**

### Enable 18-24 year olds to turn Universal Credit into Benefit Loans to support Level 2 Technical Education

8.19 DWP should offer the opportunity to unemployed 18-24 year olds 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.

8.20 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. **The Chancellor should announce a feasibility study into turning Universal Credit into income contingent loans to support unemployed 18-24 year olds participate in full-time Level 2 technical education programmes.**

### Promote Part-Time Level 2 and 3 Technical Education for 19-24 Year Olds

8.21 There is a danger that new entrants aged 18-24, who are employed or unemployed, will not be able to enter Level 2-3 apprenticeships. As previously explained, levy-payers might focus apprenticeships on employees aged 25 and over for apprenticeships at Levels 2-6 or existing employees aged 18-24 including Level 4-6 thereby offering an alternative to entry into full-time higher education or up-skilling of graduates. Equally important, a large majority of the 3m 18-24 year olds in employment will not be employed by the 19,000 levy-payers.

8.23 There are a number of potential negative impacts of the apprenticeship levy on Level 2 and 3 apprenticeships for 18-24 year olds:

- 18-24 year olds who are already employed with levy-payers or gain basic

jobs with them and would benefit from Level 2 and 3 apprenticeships might not be able to progress onto them as resources are diverted to Level 4-6;

- 18-24 year olds who are employed by small and medium sized businesses and who would benefit from apprenticeships at Level 2 and 3 would not be able to enter an apprenticeship since no long-term funding is available other than via supply chains, and
- the productivity of small and medium-sized enterprises and in turn their contribution to the aims and objectives of the **Industrial Strategy** could be put at risk as they have no funds to pay for Level 2-3 (or Levels 4-6) apprenticeships for 18-24 year olds and older workers.

8.24 HOLEX shares these concerns about the negative consequences of the Apprenticeship Levy on social inclusion and productivity. Possible solutions include:

- a ring-fenced Level 2-3 apprenticeship budget for 18-24 year olds, and
- a ring-fenced Level 2-6 apprenticeship budget for high-growth SMEs (see below).

8.25 The Government will certainly need to monitor the impact of the levy on apprenticeship opportunities at Level 2 and 3 for 18-24 year olds very closely. For now, HOLEX recommends that the Chancellor **promotes Level 2-3 part-time technical education as a pathway for 19-24 year olds to obtain the training they need if apprenticeships are not available** backed-up by access to fee remission and maintenance loans.

## **9. Promote and resource family learning**

9.1 Family learning encourages family members to learn together as and within a family, with a focus on intergenerational learning. Family learning activities can also be specifically designed to enable parents to learn how to support their children's learning.

9.2 'Family learning is a powerful method of engagement and learning which can foster positive attitudes towards life-long learning, promote socio-economic resilience and challenge educational disadvantage.' Family learning programmes are designed to engage adults and children to learn together, as and within a family, through quality formal or informal programmes. These programmes may comprise family literacy, language and numeracy and wider family learning outcomes. They may also include family learning for health and wellbeing, science, and parenting skills which can 'equate to capacity building in its purest sense'

9.3 For many adults a family learning programme can be the first step to taking up further adult learning and training opportunities, gaining a job or developing new skills. For children, this can have a positive impact on their individual attainment and learning journey. This is a powerful delivery method that has impact on families. In recent years there has been less activity and with the change to academy status many schools do not feel they are resourced or able to offer programmes. We urge the Government to provide resource for this proven method of educating the most disadvantaged.

**10. Invest resources in the adult education workforce so that the sector can deliver the provision needed to meet the challenges of getting more of the resident workforce into work following BREXIT, and longer working lives.**

10.1 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. The 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 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.

10.2 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.