

Raising the Productive Potential of the Economy – Summer Budget 2015

NIACE has closely examined the Conservative Party's manifesto commitments. This submission sets out our advice, ahead of more detailed proposals for the spending review, on how rapid progress can be made against these despite the further pressures on unprotected Departmental budgets:

- **Achieving 3 million Apprenticeship starts in this Parliament**
- **Increasing productivity and living standards**
- **Halving the disability employment gap**
- **Rebalancing the economy**

Skills investment and participation in learning is vital to achieving these high profile Government objectives. However, there are one million fewer adults in learning than in 2010 due to budget reductions so far. One-third of the £3.07 billion reduction in in-year Departmental spending announced by the Chancellor on 4 June 2015 will directly impact on key departments required to deliver these objectives: DfE, BIS and DWP. Further reductions to the adult skills budget, 16-19 education, the student opportunities fund and DWP skills programmes would seriously undermine these core Government objectives and jeopardise delivery in this Parliament.

NIACE supports the Government's ambition to raise the productive potential of the economy. Multiple studies show that increasing the overall skills levels of the workforce through higher levels of participation in training increases productivity. Currently, however, our skills levels lag behind our competitors; out of 34 countries in the OECD the UK is:

- 15th for literacy and 17th for numeracy with nearly one in five adults lacking these skills;
- 19th for low skills, with one in five adults lacking GCSE equivalent qualifications;
- 24th for intermediate skills and 11th for high skills

There is growing evidence that skills gaps and shortages are holding back key growth industries (UKCES, 2014) and the Government has a vital role both as an investor as well as an enabler to help fill those gaps.

NIACE has identified four areas for the emergency Budget where progress can be made.

1. Access and quality in education, training and employment

We need to improve access to Apprenticeships, particularly for disabled people and people from black and minority ethnic backgrounds, to achieve 3 million starts in this Parliament. ***The Summer Budget should expand the scope of the student opportunities fund and the remit of the Office for Fair Access to include Apprenticeships. This delivers parity of opportunity between academic and vocational routes and enhance the status of Apprenticeships.***

Securing pathways for people with no or low skills is fundamental to the success of all Government employment and skills programmes. ***The Summer Budget should protect funding for basic English and maths, Traineeships and English for Speakers of Other Languages (ESOL).***

Closer alignment between further and higher education funding will support the ambition for all 18-21 year olds to be earning or learning. Merging 24+ Advanced Learning Loans and HE tuition and maintenance loans systems could deliver efficiencies and parity between academic and vocational routes for post compulsory learning and could help to reverse declining numbers of adults in training, particularly part-time. ***In advance of the Spending Review the Summer Budget should set in motion the launch of a universal post-19 learning loans system; aligning loans and grants across further and higher education.***

Community Learning can play a vital role in helping people furthest away from labour market and social inclusion access routes to more formal learning and employment opportunities. ***The Government should undertake radical re-commissioning of the adult safeguarded learning budget with a clear specification which delivers better outcomes for public and mental health, family learning, digital skills and citizenship; delivered through local partnerships; and securing more investment locally to enhance the national budget.***

Partners across the sector recognise that to improve both understanding and take-up of skills training, from employers and individuals alike, we need to strive for greater simplification of the structures, funding streams and qualifications levels underpinning both FE and HE. Our recommendations provide opportunities for savings. ***We propose that Government creates a single funding agency for all post 19 funding, merging the functions of the Skills Funding Agency and HEFCE. Further, the remit of Ofsted could be refocused to pre-18 compulsory education, with destinations and earnings playing a greater role in informing employer and learning choice.***

2. Improving employment outcomes and progression

NIACE believes that employment and skills systems often operate too independently of each other. Local areas should be empowered to drive demand in their areas based on the skills needs of the local economy. For those not in work, ***the Government should ensure local areas are involved in the commissioning of the Work Programme*** to better integrate provision to deliver more sustainable job outcomes.

Further, the UK has five million people in low pay, one million more than the OECD average. To give people the best chance of getting on in work, NIACE has proposed a Careers Advancement Service¹ which would be measured by clients' higher earnings and would provide a vehicle for local areas. ***The Government's Productivity Plan should offer Britain's five million low paid workers a route to progression through more integrated support systems in the form of NIACE's proposed Careers Advancement Service.***

The Work Programme has shown that funding through payment-by-results models can have an overall positive impact, although there is also evidence that many people with higher needs miss out. ***The Government should examine other areas where a payment-by-results funding model could improve employment services through earnings measures and skills programmes through job outcomes. For example, measuring Apprenticeships through job outcomes and focusing the successor to Work Programme on earnings as well as sustained employment, in line with Universal Credit.***

¹ [http://www.niace.org.uk/sites/default/files/files/niace_policy_solutions_progression\(1\).pdf](http://www.niace.org.uk/sites/default/files/files/niace_policy_solutions_progression(1).pdf)

3. Halving the disability employment gap

There are very strong social and economic imperatives behind the Government's objective to half the disability employment gap and NIACE has proposals which will improve outcomes for disabled people participating in Government employment programmes and improve access to skills and training provision. *Government should fund new locally-designed pilots for distinct employment programmes for disabled people, merging Employment and Support Allowance support currently within Work Choice and the Work Programme.*

4. Rebalancing the economy

NIACE has worked closely with the Humber Local Enterprise Partnership to use Traineeships to get more young people in to careers in STEM locally through a sector-based approach. *The Government should help develop effective pathways through sector based Traineeships with a focus on identified sectors such as food, farming and agri-tech in addition to key areas of jobs growth such as retail, hospitality and STEM.*

Analyses by CIPD and UKCES suggest an hour-glass shaped labour market, suggesting that effective skills utilisation in local economies remains an issue. *The Government should investigate the use of the Regional Growth Fund as a way to secure improvements to skills utilisation in local areas. In addition, the Government should announce a new competition among Core Cities to drive demand for advanced and higher level learning through 24+ Advanced Learning Loans.*

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