

# Autumn Statement 2016

## Employment and skills services that work for everyone

October 2016

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion  
merged to form Learning and Work Institute*

**Learning and Work Institute**

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Learning and Work Institute is a new independent policy and research organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

We bring together over 90 years of combined history and heritage from the 'National Institute of Adult Continuing Education' and the 'Centre for Economic & Social Inclusion'.

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## Recommendations

The Prime Minister made very clear, both in her inaugural speech at 10 Downing Street and more recently at the Conservative Party Conference, that everyone, regardless of background, has a right to opportunities to succeed.

In Britain today, the income of your parents has a significant influence on your life chances. Learning and Work Institute welcomes the Prime Minister's commitment to social mobility and our submission to the Autumn Statement is all about extending opportunity and improving life chances.

Learning can make a big difference to active citizenship, health, wellbeing and social inclusion, as well as our economy. Investment in people and learning is as important as investment in infrastructure.

In the Autumn Statement, government can introduce and improve policy measures to improve life chances and tackle short and long term challenges facing society and the economy, such as potential rises in unemployment, an ageing workforce and skills gaps.

1. **Education and training opportunities are vital throughout life**, so we've developed proposals that will help people adapt as the labour market around them changes; enable progression from chronic low pay, increase productivity and enable local areas to plan and tackle skills shortages. Learning also helps to engage people as active citizens and help boost health and wellbeing.
2. **Everyone benefits when people furthest away from the labour market get a fair shot and gaining and succeeding in employment.** We warmly welcome government's commitment to halve to the disability employment rate gap by 2020. We've developed proposals which will get more disabled people on better employment support and prepare services for a potential rise in unemployment. We also propose new social investment funds to replace funding for skills and employment programmes currently from the European Union.
3. **Britain's basic skills problems are debilitating and embarrassing, but not inevitable.** Nine million adults struggle with basic literacy, numeracy or both. The latest OECD tables show the UK 2<sup>nd</sup> and 3<sup>rd</sup> lowest in literacy and numeracy respectively. We have developed proposals to remove barriers to basic skills training and eliminate these shocking basic skills deficits by 2030.
4. **Apprenticeship reforms can improve quality as well as quantity.** Young people entering the workforce and working adults in low paid work have a lot to gain from accessible and good quality apprenticeships. We have developed proposals that give

government, employers and individuals the best value from the investment they make in apprenticeships.

# 1. Lifetime learning

The government has committed to increasing employer involvement and investment in education and training through reforms to apprenticeship standards and the introduction of the apprenticeship levy. We welcome measures outlined in Budget 2016 to examine gaps in support for lifetime learning, including for flexible and part time study, particularly for people who wouldn't get access to an apprenticeship, such as self-employed people. Lifetime learning goes hand in hand with government's social mobility and industrial strategy agendas, as well as to promote a learning society culture.

## Recommendations:

- Government should continue to **pursue lifetime learning** but make the policy area a higher priority across Government. A well skilled, resilient and flexible workforce would be a strong national asset for international trade negotiations, reduces poverty and reliance on welfare, would improve health outcomes, would strengthen communities and would be a vital part of our industrial strategy.
- Department for Education should launch a green paper on a new system of funding lifetime learning through **Personal Learning Accounts** that would rationalise and incentivise greater investment in learning from individuals, employers and Government.

### Policy Solution: Power to the People: the case for Personal Learning Accounts

Our [policy paper](#) provides Government with a roadmap to increase participation in learning and cutting disparities in participation between groups. Personal Learning Accounts would be an online skills passport of previous learning, information on the local labour market and success of learning providers in helping people get jobs and increasing their earnings, and set out entitlements to public funding. Personal Learning Accounts would help boost individual investment in learning through a new *Help to Learn Bonus*, adding a Government top-up when people invest in learning, starting with a higher top up for tax credit and Universal Credit claimants. Further, a coherent family of *Help to Learn loans* would include more flexible Advanced Learner Loans, reformed Professional and Career Development Loans and a new Lifetime Loan Account for flexible higher education learning throughout life, as recommended by Bright Blue.

Our [proposals](#) would provide all citizens with a Personal Learning Account by 2022, giving five years for full national implementation.

- Advanced Learner Loans, introduced in 2013, are under-performing. While take-up has grown, colleges and training providers are still struggling to recruit the volume of learners needed to make full use of this facility. **We recommend reforming Advanced Learner Loans to improve take up** by extending eligibility so that units, modules and smaller qualifications, which we know are more attractive to adult learners than larger, full qualifications, eligible for Advanced Learner Loans.
- Government must at least **maintain cash protection of the Adult Education Budget** and continue with plans to devolve powers under devolution deals. Government should plan to **increase the Adult Education Budget with new social investment funds** to replace funding for programmes currently funded by the European Social Fund, which work with individuals that need investment, such as those with disabilities and health conditions and ex-offenders, when we leave the European Union.
- The recommendations of the Independent Panel on Technical Education led by Lord Sainsbury, including work experience placements for 16-18 year olds on technical courses, should be fully implemented and funded.

## 2. Extending employment opportunities

In the UK, 6.9 million working age people have a long-term health condition or disability. While 80 per cent of those who are not disabled are in work, just 47 per cent of disabled people are in employment. Government has recognised that this gap is unacceptably wide and so we welcome the commitment to halve this gap by 2020. In practice, this means increasing the employment rate of disabled people from 46.4 per cent in 2015 to 63.8 per cent by 2020, an increase of 1.12 million more disabled people in work. Since the general election however, the gap has reduced by only 0.1 percentage points. **At this rate of progress, it would take more than 200 years for the disability employment gap to halve.**

The 2015 Spending Review announced that the Work Programme and Work Choice would be replaced with a new, single 'Work and Health Programme'. This will have significantly less funding than the programmes it replaces - £120 million per annum, around £400 million up to 2020/21. The Autumn Statement could announce measures that would improve the services people had access to under the new Work and Health Programme.

We published [Halving the Gap: Making the Work and Health Programme Work for Disabled People](#) to provide detailed analysis and recommendations to make the new programme a success.

Learning and Work Institute believes, based on analysis in Lord David Freud's 2007 report<sup>1</sup> to government, that there is a clear case for developing an invest to save agreement for supporting ESA claimants. Based on reasonable assumptions, he estimated that between £900 and £1000 could be saved per participant under an invest to save model.

- **Government should reconsider its decision to cap funding for the Work and Health Programme at £500 million.** Learning and Work Institute believes this level of funding would not come close to supporting enough people to halve the disability employment gap.
- **Empowering local areas, through devolution deals, can increase positive outcomes.** This should include joint commissioning of the Work and Health Programme within locally agreed outcome expectations, shared objectives, clear accountabilities, better integration and effective oversight.

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<sup>1</sup> Freud, D. (2007) *Reducing dependence, increasing opportunity: options for the future of welfare to work*, Report to Department for Work and Pensions

- **There should be a clear service user voice in the detailed design, implementation and oversight of the Work and Health Programme** – drawing on disabled people’s user-led organisations, as well as satisfaction surveys of programme participants.

Independent forecasts suggest economic growth will slow next year. This will likely mean a combination of more people out of work and lower pay growth. **The Government should increase resources for Jobcentre Plus and employment support to prepare for this.**

### 3. Ending basic skills barriers to growth

Learning and Work Institute has long called for a coherent national strategy to eliminate basic skills deficits in Britain. It cannot be good enough that only two countries in the OECD report lower levels of low literacy and numeracy<sup>2</sup>. Around nine million adults have low levels of literacy, numeracy or both. More than five million adults are in the latter category, lacking both functional literacy and numeracy; at least 9.5 million adults lack basic digital skills; and one in five adults lack basic financial capabilities. Further, around 850,000 people have English for Speakers of Other Languages (ESOL) needs.

In our contribution to Joseph Rowntree Foundation's anti-poverty strategy, *UK Poverty: Causes, Costs and Solutions*<sup>3</sup>, Learning and Work Institute outlined a new evidence-based approach to increasing engagement in essential basic skills learning:

#### **A Citizens' Skills Entitlement, [Skills and Poverty: Building an anti-poverty learning and skills system](#)**

This would be a new programme of study for adults, focused on the core capabilities needed for life and work in 21<sup>st</sup> Century Britain: literacy, numeracy, digital, financial, citizenship and health. With the backing of the Department for Education, with cross-government support, this approach would double investment in basic essential skills to £400 million per year and could help an additional 280,000 people into work by 2030.

This new entitlement would be based on the Citizens' Curriculum, which Learning and Work trialled with support from the Department for Business, Innovation and Skills (BIS) in 13 areas. Overall, these pilots showed that this programme of study approach, coupled with co-design of provision with learners, increased engagement. For example, in Rochdale, rates of participation in learning increased from below the national average to above, with identifies cashable savings to public service such as the police and Local Authority.

The Citizens' Skills Entitlement would differ from the current approach in two ways. The first is that it would be a programme of study made up of elements of each of the core capabilities tailored to each citizens' needs. This contrasts with the current system based on separate qualifications for each capability. The second is that the success of programme would be primarily measured by the outcomes individuals achieved, such as progress made against each capability and whether people find work or progress to further learning. In contrast, the current system remains more focused on whether people complete qualifications, rather than what they achieve with them.

<sup>2</sup> <https://www.tes.com/news/further-education/breaking-news/only-two-cent-young-people-uk-take-apprenticeships-says-oecd>

<sup>3</sup> <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

The Government are to be congratulated on announcing recently that adults lacking basic digital skills will be entitled to free training and qualifications. Learning and Work welcomed this announcement, as we have argued that digital should be recognised as the third basic skill. Our recommendations would ensure that there is adequate resource behind the Government's ambition towards making the UK 'one of the most digitally-skilled nations'<sup>4</sup> and will contribute towards eliminating all basic functional skills deficits which hold back individual and business growth, by 2030.

- Government must at least **maintain cash protection of the Adult Education Budget**, currently the main source of public funding for basic skills, including the new digital skills, entitlements.
- The Autumn Statement should announce an ambition to **tackle basic skills gaps** by announcing the introduction of the **Citizens' Skills Entitlement** and **doubling funding available for basic skills courses**.
- HM Treasury should **plan new social investment funds** to replace funding for projects currently funded by European Social Fund (ESF) and co-financing organisations. New funds should at least match current spending particularly as many ESF programmes work to improve skills and employment chances for the hardest to reach, such as ex-offenders, people with health conditions and disabilities and older people.
- Government should encourage **local areas to lead tackling basic skills shortages** as a vital way to improve local growth, productivity and social inclusion. This could form part of **existing and forthcoming devolution deals** and the Government's **Industrial Strategy**.

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<sup>4</sup> <https://www.gov.uk/government/news/government-plans-to-make-the-uk-one-of-the-most-digitally-skilled-nations>

## 4. Investing in high quality apprenticeships: three million careers

The Government has aimed to increase employer investment in skills and training through the introduction of the Apprenticeship Levy on large businesses from April 2017. Learning and Work believes it is right that Government maintains its implementation date but that more can be done ensure the reforms are successful.

HM Treasury has a role in securing value for money on behalf of the tax payer. In apprenticeships, this should mean ensuring the funding reforms go as far as reasonable in guaranteeing high quality for every apprentice. Reform to the funding of apprenticeships coincide with reforms to apprenticeship standards and we are concerned that new Standards can be approved without containing qualifications and without the involvement and engagement of apprentices in their development.

The Government's funding reforms introduce new forms of competition in the apprenticeships training market. Employers and providers will need to negotiate the price of apprenticeships training within specified funding bands. We urge the Government, through the Autumn Statement to re-examine this approach. Starting with apprenticeships for 16-19 year-olds, we recommend that Government changes its policy from competition on price to competition on quality. We believe this approach could save money and improve outcomes.

Through the Autumn Statement, the Government can commit to investing in high quality apprenticeships:

- Systems funding education and training for 16-18 year-olds should be consistent and equitable. **Apprenticeships for 16-18 year olds should be fully funded** and the new funding system should support the additional costs associated with training young people in disadvantaged areas. Learning and Work is developing proposals for an Apprenticeship Premium which will help employers, learning providers and apprentices meet these additional costs.
- Improved transparency around the setting of apprenticeship funding rates in the new funding system would increase confidence in the market. **Department for Education should publish its evidence** behind the funding rates being implemented in 2017 and **commit the Skills Funding Agency** to keep these rates under review, reporting annually.
- Government has levers at its disposal to increase quality and well as volume of apprenticeships. **Funding rates should be fixed** so that education and training

providers compete on quality rather than price. This approach could have the potential to improve outcomes for apprentices and reduce costs and would level the playing field with other forms of 16-19 education.

