

INVESTING FOR PROSPERITY

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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 an 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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BRITAIN STANDS AT A CROSSROADS

We have many strengths as a nation. We are one of the world's richest economies; we have world leading industries and firms; and our employment rate of around 75% is the highest on record.

However, we also face long-standing structural challenges including:

- **Poor productivity.** Productivity, the amount that each worker produces, is *the* long-term driver of prosperity and living standards. Productivity in the UK has long been [weaker](#) than in many other countries: the average British worker produces in five days what it takes the average French, German and US worker four days to produce. After some catch up prior to 2008 our productivity has stagnated. **Stagnant productivity represents a long-term national crisis;**
- **Flatlining living standards.** Living standards have still not recovered their 2008 levels for low and middle income households. If pre-crisis trends had continued, households would be [£3,100 better off](#) today. Instead, we are on track for the worst decade for growth in living standards since the [Napoleonic Wars](#). Poor productivity is a key cause, but growth in insecure work and cuts to in-work benefits have also played a role. **A lost decade represents an economy that doesn't work for too many people;**
- **Weak skills base.** Some [nine million adults](#) lack functional literacy and numeracy, skills as basic as understanding the dosage instructions on an aspirin packet, and the UK is one of few countries where young people's basic skills are not better than older people's. This [limits](#) the opportunity to work (only one in two people with low literacy are in work), productivity (there is a clear link between basic skills and productivity), and social inclusion and active communities (those involved in learning are more likely to engage in their community). Our intermediate skills base, particularly vocational and technical education, is also much weaker than other countries. **Poor skills limit people, employers and society;**
- **Employment inequalities.** Overall employment is high. However, some groups and areas of the country have much lower employment. For example, employment rates

for people with [health problems and disabilities](#) are around 30 percentage points below other people, and this gap has changed little over the last decade. This is a lost opportunity not just for disabled people, but also for the country. **Unequal access to work represents a burning injustice in society;**

- **Intergenerational unfairness & low social mobility.** In the UK there is a closer link between your life chances and your parent's income than in other countries. This represents a cap on aspiration based solely on background and is unacceptable. Independent research has also shown the poorer pay and other prospects some young people have today compared to previous generations. Polling showed many young people thought they would have fewer chances than their parents and wished they had been born in a previous time. **Life chances should be based on ability and effort, not background. We need to restore the promise that each generation will do better than the last.**

We now stand at a crossroads with fundamental forces reshaping our economy and changing both the context for and solution to these structural challenges:

- **Brexit.** The UK will be leaving the European Union. That will mean changes to our migration system and trading arrangements. Both will have profound impacts – whatever the results of the negotiations – on business, employment and how we achieve prosperity. Beyond this, we will need new arrangements to replace European Social Funds, which currently support a wide range of employment and skills projects. **A highly skilled workforce is essential for a successful post-Brexit Britain;**
- **Demographic change.** We are, on average, living longer. This is good news. But it also means we need to rethink working lives. Young people are entering the labour market later, having stayed on in education, and will need to work to an older age. The previously rigid barriers between work and retirement are also breaking down. More people are living with health conditions affecting both how they can work and live and also, alongside other changes, the need for social care. **We need more flexible employment combined with better access to learning. Learning can help boost health and wellbeing throughout life;**
- **Technological change.** Alongside demographic change, changes in technology are also helping to reshape the world of work, how people interact with each other, and the delivery of public services. This has the potential to bring huge benefits to

people, employers and society. But it brings risks too, including if new flexible forms of work increase insecurity for people. The challenge is to ensure we maximize the benefits, ensure everyone can make the most of them, and mitigate against these risks. **Technology can bring benefits, digital skills are essential to accessing these.**

Put simply, this is a moment in time. To secure our future prosperity and ensure everyone has a fair chance in life, we need to tackle the structural challenges and inequalities in our economy and society.

FIXING THE FOUNDATIONS

Learning and Work Institute have set out proposed changes to policy to tackle these big challenges in a range of previous reports, and most recently in our [manifesto](#) for the 2017 General Election.

Here we argue for five big changes to help fix the foundations of the British economy and build on the strengths our country already starts with:

- **A better offer for young people.** The Apprenticeship Levy and other changes give the potential for a step change in workplace learning. However, many [including ourselves](#) have highlighted that changes to the funding system risk reducing the number of young people benefiting from apprenticeships, and that there may not be sufficient funding for SMEs. This is surely the opposite of the original policy intention and is insufficient for a generation that already feels its prospects are worse than their parents. We [reiterate our calls](#) for changes to encourage more young apprentices and widen **access**, including an Apprentice Premium; a greater focus on **quality**, including the Institute for Apprenticeships benchmarking quality against the best in the world; and for the government to **guarantee** a minimum level of funding for SMEs and across the economic cycle

There has also been a [debate](#) about the costs of going to university. The expansion of higher education is welcome, and some individual contributions to the costs of this (dependent on earnings and only paid once in work) are probably the fairest way to fund it. However, there are clear concerns about the rise in fees, the interest rates charged, and the value for money students are getting. Some have suggested reducing the interest rate charged on the loans. However, this would only benefit the highest earning graduates (others won't pay off the fees anyway). Instead, raising the **repayment threshold** so that only those earning more than average wages pay fees back should be a higher priority and would also benefit those with Advanced Learner Loans. Alongside this, the Government should review the system of **maintenance support** to ensure students from poorer backgrounds don't leave university with more debt than wealthier students, and that there is a level playing field across types of learning.

Priority 1: Focus more on high quality apprenticeships for young people, and for higher education prioritise raising the repayment threshold and maintenance grants;

- **Help with the cost of living.** We call on the Chancellor to reverse the cuts in **Universal Credit** introduced in the last Parliament. The annual cost of this would be around [£3bn by 2020](#). However it would help people in low paid work struggling to get by – those just about managing that the Prime Minister has said she will prioritise. And by putting more money in working people’s pockets, it could help to boost the economy too. Similarly, while moves to relax the public sector pay cap for the lowest paid and areas with recruitment and retention challenges, for low-paid public servants on Universal Credit up to 75% of any pay rise will be lost in reduced UC and increased tax and National Insurance. There is a case for considering raising the **National Insurance threshold**, ahead of further rises in the Personal Allowance.

We also call on the Government to review the **rollout of Universal Credit**: the reforms are right in principle but a combinations of cuts and delays in people getting the money they need are affecting people’s lives as well as preventing them looking for work. For example, [one in five people](#) are waiting more than six weeks for their full payment

Priority 2: Invest in in-work benefits to help ordinary working families, prioritise raising the NI threshold over other income tax cuts, and review Universal Credit to prevent unnecessary delays in payment;

- **New approaches to lifelong learning.** We call on the government to work with partners to develop a **comprehensive learning and skills strategy**. This would give a clear cross-government approach – lifelong learning is not only a Department for Education programme, it should be a golden thread running through government policy – and sense of direction. This should include a **vision** for the provider market, which is currently unclear and subject to a number of procurements which have faced a range of challenges, and new innovative approaches to engage adults in learning including through devolution and working with local areas.

Priority 3: Work with partners to develop a learning and skills strategy, including trialling new lifelong learning approaches such as Personal Learning Accounts we have [previously proposed](#);

- **Take the next steps to full employment.** We call on the government to increase investment in employment support and set out a ten year plan to **halve the disability employment rate gap**. The Work and Health Programme, while welcome, is [80% smaller](#) than the Work Programme it replaces. It is also clear that disabled people are offered insufficient support to find or retain work. This needs a

partnership approach, with work, health and other services working better together, and employers, society and the government working together. For example, **community learning** can be a great way to engage and support people. We published an [essay collection](#) setting out some of the changes needed.

Priority 4: Set out a ten year plan to halve the disability employment gap, including investing in employment services and integrating support; and

- **Invest in learning, particularly basic skills.** The case for learning is clear. Yet there are more than one million fewer learning opportunities for adults than in 2010 and participation in learning is falling. Investment by employers and individuals has not filled the gap of cuts in public funding. We argue for **increased public investment in learning, including the Adult Education Budget** and, as we [previously argued](#) with the Joseph Rowntree Foundation, an additional £200m per year for basic skills. It is also crucial that the **Shared Prosperity Fund** (the proposed successor to ESF) is flexibly designed, focused on outcomes, and controlled where possible by cities and local areas, allowing them to take back control of improving prospects in their area. We [brought together](#) a coalition of more than 200 organisations to make this case.

Priority 5: Increase investment in adult learning, including by consulting widely on the proposed Shared Prosperity Fund and devolving policy and support where possible, underpinned by local outcome agreements.

The case for action is pressing and urgent. We need to lay the foundations for a 21st century Britain that is both successful and fair.