

# Skills and poverty

**Building an anti-poverty learning and skills  
system**

September 2016

Published by National Learning and Work Institute (England and Wales)

21 De Montfort Street, Leicester LE1 7GE

Company registration no. 2603322 | Charity registration no. 1002775

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'.

[www.learningandwork.org.uk](http://www.learningandwork.org.uk)

@LearnWorkUK

@LearnWorkCymru (Wales)

All rights reserved. No reproduction, copy or transmission of this publication may be made without the written permission of the publishers, save in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency.

## Acknowledgments

This research was funded by the Joseph Rowntree Foundation. The Joseph Rowntree Foundation is an independent organisation working to inspire social change through research, policy and practice. For more information visit [www.jrf.org.uk](http://www.jrf.org.uk).

Supported by



# CONTENTS

Executive summary .....	5
1. Introduction .....	11
2. Scoping the issue .....	12
3. Learning and skills in the UK today .....	14
4. How can learning and skills affect poverty?.....	19
5. Building a new system .....	30
6. Conclusion .....	41

## Executive summary

Learning & Work Institute (L&W) was commissioned by the Joseph Rowntree Foundation (JRF) to examine the links between skills and poverty, and how the learning and skills system could best tackle poverty. This was to contribute to the development of the JRF's anti-poverty strategy for the UK, though this report focuses on England.

The work was based on desk research, supplemented by consultation with learning and skills stakeholders, including through a roundtable. This is the final report of the project.

### Three transmission mechanisms

The research identified three broad transmission mechanisms through which learning and skills can affect poverty.

The first transmission mechanism is **work & income**. Those with higher levels of skills are more likely to be in work and more likely to earn more. Fewer than one in two adults with no qualifications are in work compared to more than 90% of graduates. Level 2 qualifications gained in the workplace are associated with earning around 8% more than people without Level 2 qualifications.

There are at least two broad categories of relevant skills. First, employability skills, vital for many jobs and often transferable - such as literacy & numeracy, team working, and communication. Second, more job or occupation specific, such as food hygiene. Skills only lead to work and income improvements if employers effectively use them in the workplace - improving skills in isolation is unlikely to be effective. Related, learning helps to build adaptability and flexibility, crucial as the world of work changes.

The second transmission mechanism is **social inclusion & active citizenship**. There are clear links between levels of qualification, participating in learning, and participation in society (from voting to community engagement). Learning also has clear links to improved health behaviours, such as reduced likelihood of smoking, including through being better able to understand health information provided. Finally, financial capability is associated with higher life satisfaction, saving and incomes.

Among the skills most crucial for these mechanisms are literacy, numeracy, digital, health, and civic and financial capabilities. The UK has significant shortfalls on each of these. Around 9 million adults have low literacy or numeracy or both. More than 5 million adults are in the latter category of 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. Around 850,000 people have English for Speakers of Other Languages (ESOL) needs.

The third transmission mechanism is **inter-generational**. Supporting parents to participate in learning and improve their skills can help children to achieve better outcomes at school

and beyond. There is a close link in the UK between parents and children's educational achievement, and evidence family learning approaches can support better outcomes for both adults and children.

## **Lagging behind**

The UK's skills base has historically lagged behind that of other countries, with big inequalities in skills levels and participation in learning. Out of the 24 OECD countries that took part in a skills survey, the UK came 12<sup>th</sup> for numeracy and 17<sup>th</sup> for literacy. For other skills levels, of the total of 34 OECD countries the UK ranks:

- 19th for low skills, equivalent to five GCSEs at grades A\*-C;
- 24th for intermediate skills, equivalent to A Levels; and
- 11th for high skills, degree level.

This is despite significant public investment, currently around £2.5bn per year (a reduction of around 40% since 2010). In 2015/16, around £1bn was invested in Apprenticeships; £200m to support 100,000 people improving their literacy and numeracy; £100m on learner support such as childcare and bursaries; £340m on offender learning and community learning; £260m for the national careers service and other learner support; and learning for unemployed people. The Spending Review announced that the Adult Education Budget, formed by the merger of the major skills funding streams, will be frozen in cash terms. The Government is consulting on how an Apprenticeship Levy, a payroll tax on larger firms, will be implemented from April 2017 to support growth in Apprenticeships.

There have also been concerns over the complexity of the system, chopping and changing in policy and institutions, lack of integration with other policy (such as employment and business support), and the quality of some provision and policy drivers).

Employers and individuals also invest in learning and skills. The 2015 Employer Skills Survey estimates employers invest £43bn per year in training. This includes the staff costs of people being away from work while they are training (and of other staff providing training). Employer spend on formal training provision is around £2.9bn per year. Employer investment has remained flat at best in recent years, with already highly-skilled employees four times more likely to be trained by their employers than low-skilled employees.

To facilitate investment by individuals, the Government has introduced Advanced Learner Loans. These university-style loans cover the cost of learning at Level 3 or above for people age 24 and over, with people repaying once they earn over £21,000 per year. From 2016/17, these will be extended to people aged 19-23 taking a second or further Level 3 qualification, as well as to level 5 and 6 provision. Since the introduction of loans, the number of people learning at Level 3 has fallen by at least one third. To utilise the full loan

allocation for the 2015/16 academic year would require a fivefold increase in the number of loans taken out compared to last year.

A weaker skills base and inequalities in learning, combined with falls in public investment and the focus of employer investment on the already more highly qualified, means a clear risk that weaknesses in learning and skills exacerbate poverty.

### **An anti-poverty skills system**

This report recommends three new commitments to ensure the learning and skills system maximises its potential to reduce poverty.

#### ***Citizens' Skills Entitlement.***

This would be a new programme of study for adults, focused on the core capabilities needed for life and work in 21st century Britain: literacy, numeracy, digital, financial, citizenship, and health. Supporting by 2030 the adults lacking such capabilities would require doubling the numbers of people accessing similar provision currently. This would cost £400m per year, requiring new investment of £200m per year and refocusing the existing £200m spend (based on current take-up) on this wider programme of study approach. This could help an additional 280,000 people into work by 2030.

This new entitlement would be based on the Citizens' Curriculum, which L&W 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 identified cashable savings to public services such as the police and Local Authority.

This differs from the current system in two ways. The first is that it would be a programme of study, similar to that for young people, 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 the 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.

Alongside this, the number of English for Speakers of Other Languages (ESOL) classes should be expanded. Learning the language is crucial to integrating in society and building a career for both the existing 850,000 people who have such English needs and new migrants. To do this, current ESOL funding should be focused on expanding the number of lower level courses. Above this level, there should be an additional requirement for individuals to finance the costs of their learning. To help them do so, access to the learning

loans system should be widened to include this learning. Provision should be integrated with other support (such as to find work, build a career etc.) so that it is aligned to people's life and career goals. This is in line with L&W's *Making Migration Work* report.

***Increased investment through shared responsibility.***

To tackle the UK's historic learning and skills shortfalls and reduce poverty, greater investment overall is needed and its impact maximised. This is best done by giving employers and individuals greater control over their learning, ensuring that providers are responsive to them. It must be coupled with incentives for employers and individuals to invest and high quality information so they can make effective and informed choices. Alongside this, levels of public support should be tailored to individual need.

**Individual investment.** All citizens would have a Personal Learning Account, setting out the public investment (from the Adult Education Budget) and Advanced Learner Loan entitlements they had available. This would give people greater control over their learning and clarity over their entitlements. This could be backed up by incentives for people to invest in their learning such as top ups for those on low incomes. L&W set out how this would work in *Power to the people*.

This would put individuals in more direct control and give colleges and providers new incentives and freedoms to respond by offering new forms of provision (both content and delivery methods) to attract individuals. To help people make effective and informed choices, much greater information on the employment, earnings and other outcomes achieved by past learners at different providers should be made available.

Accounts would include full public funding for the Citizens' Skills Entitlement and other core entitlements (for example up to Level 2 and / or particular local skills needs). Above this, people would be expected to contribute to the costs of learning on a sliding scale based on their household income (perhaps aligned with the Universal Credit system). The aim would be to encourage those with higher incomes to invest in their own learning, alongside public investment. This contrasts to the current system where the level of public investment is based on previous qualification level, not household income.

The risk would be that people with lower incomes would not invest, a risk today too. To mitigate this, the contribution individuals were required to make would be on a sliding scale based on household income – those with the lowest incomes would contribute the least. The system and levels of contributions expected could be adapted over time, based on the experience of it operating in practice and the generosity of public spending available.

The system would avoid the challenges of Individual Learning Accounts in the 1990s by: individuals having 'skin in the game', they would have to invest in order to unlock public investment; focus on outcomes, such as whether people find work or earn more money; and local oversight as part of a devolution deal (see below). The level of Government top-



up could be based on household income – with the lowest income households receiving a proportionately bigger top up for every pound they invested in learning.

**Employer investment** in skills is based on their business strategy. So raising employer investment in skills depends on a range of macroeconomic and microeconomic factors aimed at encouraging a 'higher road' approach, outside the scope of this report. However, this report does argue there is a case for considering how the tax treatment of training could more effectively incentivise training of low skilled employees. In addition, cities and local areas should be encouraged to develop integrated approaches aimed at increasing employer investment as a part of a wider economic growth strategy (see below).

### ***A Careers Springboard for Britain's 5 million low paid workers.***

**A Career Advancement Service** would help low paid workers to boost their earnings. This would include engaging workers directly (such as through Housing Associations, Jobcentre Plus and Children's Centres) as well as via employers (engaging employers with a business support offer, of which training and support for workers was one part).

Once engaged, a Career Coach would work with people to draw up a personalised action plan, including support through their Personal Learning Account, to boost their earnings and progress their career. The evidence base on what works is currently relatively limited, so the service would trial different approaches (such as working with their employer on job design, boosting skills, job search support, mentoring) to see what works.

This set of structured trials would be with a clear public goal of full national rollout by 2020. It would be funded through a realignment of existing funding, including the National Career Service - focusing investment on boosting earnings for low skilled workers. Local areas could take responsibility for commissioning the service, where they agreed to top up budgets through local sources, such as European Social Fund and its replacement once the UK leaves the EU. It could boost the total earnings of successful participants (130,000 per year), and the overall size of the economy, by around £130-200m over five years.

High quality **Apprenticeships** combine work with training and the Government has committed to 3 million by 2020. To focus on quality, a proportion of government Apprenticeship funding should be contingent on whether Apprentices are in employment (with the same or a different employer) and / or have higher earnings at least six months after they complete their Apprenticeship.

An Apprentice Charter should be co-designed by employers and learners to set out what high quality means: such as long-term employment and earnings outcomes, being offered a mentor, gaining experience in other parts of the business. Action is also needed to widen access (for example, disabled people and people from Black, Asian and Minority Ethnic backgrounds) are far less likely to participate in Apprenticeships) and build progression routes into Apprenticeships (for example, from Traineeships).

These commitments should be underpinned by a new employment and skills **devolution deal**. Government should agree a framework with cities and local areas, setting out the services to be devolved and the outcomes areas would be expected to deliver. These would need to be an improvement on existing services - devolution is not an end in itself, the aim is to deliver better services. There should be a path to further devolution, subject to achievement of better outcomes and value for money from existing devolution.

Devolution is not a magic bullet. Some areas will be more ready to take on more services than others. The evidence suggests policy and delivery are generally more important than the geographical level they operate at. But there is a clear opportunity for cities and local areas to think about how to integrate skills support with other services (such as housing, employment support, and business support) to deliver better outcomes. Where there is evidence that local areas have a clear plan for better services, they should be devolved. Where local areas then succeed, they should be able to argue for further devolution.

## **Conclusion**

Learning and skills can have a major impact on poverty, in particular through work and active citizenship. The UK's historic skills shortfalls are therefore likely to have negative implications for poverty. In some ways the outlook is tough. Public funding has fallen, and employer and individual investment has not yet risen to fill the gap.

This research has identified three packages of measures that could help to improve skills and do so in a way that tackles poverty and boosts prosperity. Some additional investment will be required, but this is also about using existing funding in a more effective way and using public funding to encourage greater private investment.

## 1. Introduction

The Joseph Rowntree Foundation (JRF) commissioned Learning and Work Institute (L&W) to scope what a learning and skills system aimed at reducing poverty would look like, and how this would differ from the current system.

The scoping exercise was based on desk research and consultation with learning and skills experts. Emerging findings from the desk research and initial consultations were tested with key stakeholders, including through an expert roundtable.

The scoping exercise consisted of four key elements:

1. **Scoping the issue:** what do we mean by poverty and what do we mean by learning and skills?
2. **Learning and skills in the UK today:** where are we now?
3. **Skills and poverty:** What is the transmission mechanism between skills and poverty?
4. **A new approach:** What would a poverty-focused learning and skills system look like?

This report presents the findings and recommendations from this work. It discusses the UK's skills base, the key transmission mechanisms between learning and skills and poverty, and sets out a framework for a learning and skills system based on reducing and preventing poverty.

## 2. Scoping the issue

### What do we mean by poverty?

Relative poverty is perhaps most commonly measured by 60% of median income. However, this measure has been criticised as being an arbitrary definition which only takes one dimension of poverty (i.e. relative income) into account.<sup>1</sup>

This project drew on a wider view of poverty as set out by the JRF. This defines poverty as being ‘when a person’s resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation)’.<sup>2</sup>

This is a much broader definition than relative income alone, as it maintains that individuals not only need to have the material resources to meet their physical needs, but also to conform to the minimum social norms of the society in which they live, for example by being able to buy birthday presents. To an extent this aligns with the Government’s announcement that it will further widen its definition of child poverty to look at the drivers of life chances as well as relative income.<sup>3</sup>

### What do we mean by learning and skills?

The learning and skills system in the UK has many different elements and facets. This section sets out the parts of the learning and skills system considered in this paper.

#### Formal and informal learning

Formal learning, education or training is organised, structured and has learning objectives.<sup>4</sup> In general, the main aim of learners following formal learning programmes is to gain knowledge and skills in a particular subject or area. It is normally delivered in institutions such as schools, colleges or universities, or the workplace. Examples of formal learning include GCSE provision, A-levels, Higher Education and Apprenticeships.

In contrast, informal learning is less structured. It is often delivered in less formal settings, such as libraries or community centres, and tends to involve learners in the development of its aims and objectives. Examples of informal learning include unaccredited community learning programmes and family learning.

---

<sup>1</sup> See, for example, Field, F. (2010) *The Foundation Years: preventing poor children becoming poor adults*. London: Cabinet Office.

<sup>2</sup> Goulden, C. and D’Arcy, C (2014) *A definition of poverty*, JRF Programme Paper: Anti-poverty strategies for the UK. York: Joseph Rowntree Foundation.

<sup>3</sup> <https://www.gov.uk/government/news/government-to-strengthen-child-poverty-measure>

<sup>4</sup> <http://www.oecd.org/edu/skills-beyond-school/recognitionofnon-formalandinformallearning-home.htm>

## **Accredited and unaccredited**

Accredited learning enables learners to gain qualifications or units of qualifications. This tends to be formal learning focused on gaining skills and knowledge. If a learning programme is unaccredited then learners will not gain qualifications by participating in it. Much of the focus in recent years has been on accrediting skills through qualifications or units of qualifications. However, unaccredited learning is also highly valued by individuals and employers.

## **Publicly funded and privately funded**

Publicly funded learning is by public money, for example by a government department. Privately funded learning is that which individuals or their employers pay for themselves. In the UK, the government is increasingly encouraging individuals and employers to contribute towards the cost of learning, resulting in co-funded provision. The main focus of this paper will be on the publicly funded learning and skills system, but it considers how this interacts with privately funded provision (particularly given the growth in the expectation of co-funding by employers and individuals).

## **Levels and age**

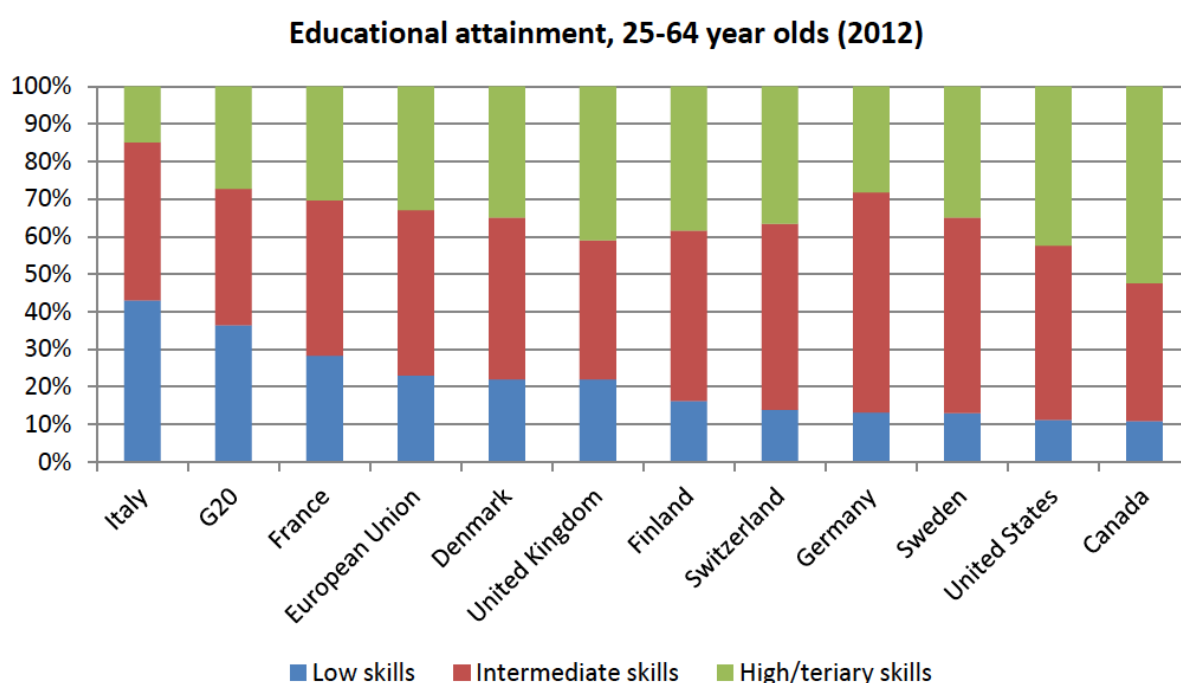
Learning can happen at all levels and ages. The standard levels of education are primary, secondary, tertiary (post-compulsory) and higher education. Higher education (HE) and schools (both primary and secondary) will not be included in the scope of this paper, although appropriate links will be drawn between the findings and these levels of education. The main focus will be on post-compulsory provision outside of HE.

### 3. Learning and skills in the UK today

The UK's skills profile compares relatively poorly to other countries and there are significant disparities in participation in learning. Of the 24 OECD countries that took part in a skills survey, the UK came 12<sup>th</sup> for numeracy and 17<sup>th</sup> for literacy. For other skills levels, of the total of 34 OECD countries the UK ranks:

- 19th for low skills, equivalent to five GCSEs at grades A\*-C;
- 24th for intermediate skills, equivalent to A Levels; and
- 11th for high skills, degree level.<sup>5</sup>

**Figure 1: International comparisons of skill levels**



Source: *Education at a glance, OECD, 2015.*

The UK's relatively weak skills base can feed through into skills gaps (shortfalls among the current workforce) and skills shortages (difficulties recruiting people with particular skills). Around one in five vacancies are skills-shortage vacancies, most often found in skilled trades and managerial and professional roles.<sup>6</sup> Skills gaps are less prevalent, with only 15% of employers reporting skills shortfalls among their current workforce and this only affecting 5% of employees. Three quarters of these gaps are due to staff being new in post or still undergoing training.

<sup>5</sup> Education at a glance, OECD, 2015.

<sup>6</sup> UK Commission's Employer Skills Survey 2013: UK results, UKCES, 2014.

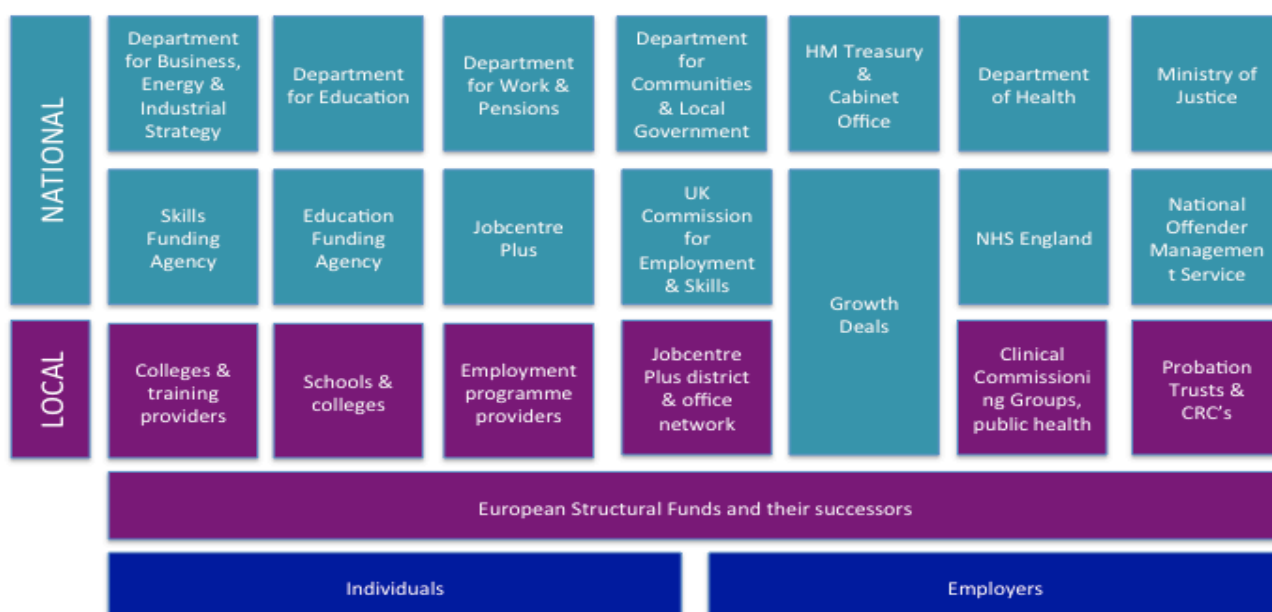
Survey measures of skills gaps and shortages ultimately depend in part on employers' business strategies. This therefore creates a potential reverse causal effect – the high proportion of people with low qualifications might cause employers to choose strategies that utilise the employees available. For example, skills shortages and gaps fell during the recession, and have risen somewhat since. So while skills shortages and gaps can be a valuable measure, it is important to consider them in context.

Many reports show the impact this has on national prosperity, business competitiveness, and individual opportunity, as well as the global economic changes that are strengthening this impact.<sup>7</sup> However, despite improvements over recent decades, other countries have improved at least as fast – the UK in many ways is running to stand still.

### A complicated system

One of the challenges the UK faces is complexity and change in policy and institutions. The figure below shows a simplified diagram of the range of bodies involved in learning and skills in England (the skills system is devolved to Wales and Scotland, justice policy to Scotland, the employment system is UK wide though will be devolved to Scotland).

**Figure 2: The employment and skills system in England, September 2016**



After years of increases, in the five years to 2015 public investment in adult skills fell by around 40% to approximately £2.5bn per year. Within this there have been changes in emphasis and priorities for spending (discussed below).

Funding rules are complicated and vary according to age, geography, subject, previous qualification level, economic status and other factors. Many budgets have now been

<sup>7</sup> See, for example, Prosperity for all in the global economy, Leitch Review, HM Treasury, 2006.

integrated into an Adult Education Budget with how this is spent depending (within these constraints) on providers and individuals. In 2014/15 (before this integration of budgets) the main investments were in:<sup>8</sup>

- Basic literacy and numeracy skills – Approximately £200m per year and 100,000 learners;
- Apprenticeships, with public funding concentrated on young people – Approximately £1bn and around 440,000 Apprenticeship starts per year;
- Offender learning and community learning (£340m);
- National Careers Service and learner support (£260m); and
- Learning for unemployed people on benefits – L&W’s participation survey shows one in three unemployed people are taking part in some form of learning, compared to one in two employed people.<sup>9</sup>

The 2015 Spending Review announced that the Adult Education Budget would be protected in cash terms, though with further efficiencies to be made.<sup>10</sup> It confirmed that an Apprenticeship Levy, a payroll tax on larger employers, would support further growth in Apprenticeships. The Government is now consulting on how this new funding system should work across England, with a similar consultation in Scotland.<sup>11</sup>

Over the last five years there have been reductions in funding and entitlements. For example, people aged over 24 who want to learn at Level 3 and above must now self-fund, including through Advanced Learner Loans similar to loans for people studying higher education – they are administered by the Student Loans Company and begin to be paid back once someone is earning more than £21,000 per year. Their introduction has been associated with a drop in learning of around 35%.

The Skills Funding Agency’s allocation of £498m for loans in 2015/16 would, at the latest published average loan level of £1,700, require a fivefold increase in the number of loans taken out from the 60,000 seen in 2014/15.<sup>12</sup> The Spending Review announced an extension of loans for Level 3 and above to those aged 19 and over for those with a previous Level 3, and for learning at Levels 5 and 6.

The Advanced Learner Loan system is relatively new and so there is little published research into its operation and factors driving take-up. However, L&W’s research and experience suggests three key factors:

---

<sup>8</sup> Skills funding letter, BIS, 2015.

<sup>9</sup> 2015 NIACE Adult participation in learning survey: headline findings, NIACE, 2015.

<sup>10</sup> Spending Review and Autumn Statement, HM Treasury, 2015.

<sup>11</sup> Apprenticeship funding: proposals for Apprenticeship funding in England from May 2017, DfE, 2016; Consultation on the Scottish Government response to the UK Apprenticeship Levy, Scottish Government, 2016.

<sup>12</sup> <http://feweek.co.uk/2015/06/08/what-chance-a-sevenfold-increase-in-fe-loans/>



- **Awareness and link between learning and earning.** Public awareness of loans is relatively low. They tend to be offered to people reactively once they have contacted a college or other provider asking about a specific course. In addition, relatively little data on destinations and salary and job outcomes by Further Education provider and course is available. The result is people are not always clear about the return their investment might give them at a particular college or on a particular course (or they do and it is not sufficient);
- **Flexibility in learning content, style and timing.** To be prepared to take out a loan, people need learning that is going to meet their needs and be delivered in a way that fits around their lives. For example, a study found that one in six young people not in education, employment or training (NEET) said that course content and format put them off returning to learning.<sup>13</sup> Surveys of adult learners also find that inability to fit learning around work (29%) and family (25%) are among the most commonly cited barriers to learning.<sup>14</sup> Many people (and employers) value modules, but loans are restricted to full qualifications; and
- **Integration and wrap-around support.** As Chapter 4 will show, learning has its fullest impact when integrated with other services and support. For example, learning will most boost earnings when aligned with support to improve productivity. Individuals will best be able to use learning to advance their career when also supported to take other action (such as work shadowing, networking etc).

Public funding is generally focused on qualifications - these have been considered to be the best available proxy for skills and to provide currency for individuals and employers in the labour market. Successive efforts have been made to reform the qualification system so that only those qualifications that truly reflect what employers want are funded. However, there is still a large degree of complexity.

In addition, qualifications targets can sometimes lead to perverse outcomes. For example, previous investment to tackle poor levels of literacy and numeracy in adults did lead to improvements but research suggested that the focus on qualifications led in part to a focus on those closest to the standard needed to achieve the qualification.<sup>15</sup>

This is not to say that qualifications don't matter – they do – but rather that they are not a sole objective. The overall purpose of public policy (for example, reducing poverty, increasing employment, boosting earnings and productivity) should be paramount, and qualifications can be a means to these ends.

Finally, for adults the National Careers Service can provide careers advice. Its budget was around £90m in 2015/16 and it is focused primarily on the most disadvantaged. For most people, careers advice comes from other public services (such as Jobcentre Plus, college,

<sup>13</sup> Motivation and barriers to learning for young people not in education, employment or training, BIS, 2013.

<sup>14</sup> National Adult Learner Survey 2010, BIS, 2012.

<sup>15</sup> Work, society and lifelong literacy: report of the inquiry into adult literacy in England, NIACE, 2011.

Housing Association) and personal relationships (such as family, friends, colleagues and employers). It is often focused on a specific question or issue (such as finding work, or gaining promotion) rather than a long-term career plan as a whole.

It would be unfair to expect everyone to be an expert in everything, and many people will want to consider their immediate priorities rather than have everything mapped out decades ahead. The key is to ensure that the quality of advice people get at each stage of their journey, and each interaction with employment and skills support, is of high quality and signposts to other support as necessary: career education as much as careers advice.

### **Private investment in skills**

**Employers:** The Employer Skills Survey estimates employers invest £43bn per year in training. This includes the staff costs of people being away from work while they are training (and of other staff providing training).<sup>16</sup> Spending on formal training provision is around £2.9bn per year. The total employer investment ranges from formal training courses, to professional qualifications (eg accountancy), to informal on-the-job learning (including induction) and legal requirements (such as health and safety training).

Employer investment has remained flat in recent years, with already highly-skilled employees four times more likely to be trained by their employers than low-skilled employees.<sup>17</sup>

There have been many attempts to increase employer investment in training, particularly for low skilled employees. These have varied from increased public subsidy (such as Train to Gain), to partnership arrangements (such as campaigns, use of public procurement), to compulsion (either mandatory or voluntary levies, often on a sectoral basis).

The Trades Union Congress (TUC) have estimated the amount of further public subsidy that can come from employer spend on training being tax deductible.<sup>18</sup> The TUC estimated that this cost £4.9bn in foregone tax revenue in 2010-11 (£2.9bn from the cost of training itself and £2bn from relief on the wages foregone of those undertaking training). However, it is important to be clear that there is not an HMRC estimate of the cost and so it is not possible to be precise about this.

**Individuals:** Data on individual investment is relatively limited. Bringing together various data sources suggests that it could be around £3-5bn per year, though highly uncertain.<sup>19</sup> The experience (detailed above) of the loans system, suggests that reducing public subsidy does not, all else equal, increase individual investment (even with an income-contingent loans system). Additional action is needed to support this.

---

<sup>16</sup> UK Commission's Employer Skills Survey 2013: UK results, UK Commission for Employment and Skills, 2014.

<sup>17</sup> Annual Population Survey, ONS, 2013.

<sup>18</sup> <http://touchstoneblog.org.uk/2011/12/what-to-do-about-employers-tax-relief-on-training/>

<sup>19</sup> Power to the people: the case for Personal Learning Accounts, Learning & Work Institute, 2016.

## 4. How can learning and skills affect poverty?

There are three key channels through which learning and skills can affect poverty.

**Figure 3: Transmission mechanisms between skills and poverty**

MECHANISM	WORK & INCOME	SOCIAL INCLUSION & ACTIVE CITIZENSHIP	INTER-GENERATIONAL
LEARNING & SKILLS IMPACT	<ul style="list-style-type: none"> <li>• Core employability &amp; soft skills</li> <li>• Skills ladder, e.g. Apprenticeships</li> <li>• Job, occupational &amp; sectoral skills</li> </ul>	<ul style="list-style-type: none"> <li>• Literacy &amp; numeracy</li> <li>• Digital skills</li> <li>• Financial &amp; health literacy</li> </ul>	<ul style="list-style-type: none"> <li>• Boosting parents skills can benefit children's attainment</li> <li>• Enabling parents to support young people</li> </ul>
OUTCOME	Greater likelihood of: <ul style="list-style-type: none"> <li>• Finding &amp; keeping work</li> <li>• Progressing at work</li> </ul>	Greater likelihood of: <ul style="list-style-type: none"> <li>• Civic engagement</li> <li>• Financial capability</li> </ul>	Greater likelihood of: <ul style="list-style-type: none"> <li>• Improved children's outcomes</li> <li>• Social inclusion &amp; work and income</li> </ul>

### i. Work & income

#### What does this mean?

This transmission incorporates two main elements: finding and sustaining work; and increasing earnings by progressing careers. Cutting across both is the skills needed to deal with and adapt to uncertainty and change in the labour market.

#### How can learning and skills make a difference?

There is a clear correlation between skills and employment opportunities. Fewer than one in two people with no qualifications are in work, a rate that has fallen over recent decades.<sup>20</sup> Older people and those out of work are more likely to have no qualifications. Proportions are highest in Wales, West Midlands and the North East, and lowest in the South West and South East. Similarly, those out of work are less likely to be participating in learning.

A range of studies have looked at the employment returns to different qualifications, controlling for other factors that might affect whether someone is in or out of work, summarised in Figure 4).

<sup>20</sup> Labour Force Survey, ONS, 2015.

**Figure 4: Employment returns to qualifications**

Qualification	London Economics (2011) <sup>21</sup>	BIS (2013) * using ILR records (4 year impact) <sup>22</sup>	BIS (2014) *3-5 year impact <sup>23</sup>
BTEC Level 3	8 percentage points (pp)		
C&G Level 3	14 pp		
RSA Level 3	6 pp		
NVQ Level 3	15 pp	3.7 pp	2 pp
Level 3 Apprenticeship (lifetime earnings Net Present Value (NPV))	£76,990 - £117,337		
BTEC Level 2	9 pp		
C&G Level 2	12 pp		
RSA Level 2	9 pp		
NVQ Level 2	13 pp	7.1 pp	4 pp
Level 2 Apprenticeship (lifetime earnings NPV)	£48,324 - £74,387		

There are two inter-related trends. The first is a long-term fall in the proportion of people with no qualifications (as older people who are more likely to have fewer qualifications leave the labour force, and young people who are more likely to have qualifications enter). This means employers have a larger pool of people with qualifications to choose from.

The second is a fall in the proportion of jobs requiring low skills and rise in skills requirements in existing jobs – the result primarily of skills-biased technical change and the rise of emerging economies such as India and China.<sup>24</sup> There remain concerns the wage premia for skills is partly a result of ‘signalling’ people’s skills (rather than the course improving their skills). But overall the evidence strongly suggests global economic changes have been skills-biased and skills improvements have contributed to growth.

<sup>21</sup> Returns to intermediate and low level vocational qualifications, BIS, 2011.

<sup>22</sup> Estimating the labour market returns to qualifications gained in English Further Education using the Individualised Learner Record, BIS, 2013.

<sup>23</sup> Estimation of the labour market returns to qualifications gained in English Further Education, BIS, 2014.

<sup>24</sup> Moving on up, Evans, Working Links, 2012.

**So employers have more people with qualifications to choose from, and the skills bar to entry level jobs is rising. The result is that people without basic employment skills will increasingly be locked out of the labour market and locked into poverty.**

At the same time, around 1 in 5 workers, some five million people, are paid below 60% of median income.<sup>25</sup> Of every four people in low pay in 2001, only one had permanently escaped low pay ten years later.<sup>26</sup> At least as many people in poverty live in working households than in workless households.<sup>27</sup>

There is a clear relationship between skills and earnings – the more you learn, the more you earn. However, increasing skills only increase earnings if employers utilise them. This relies on business strategy, investment and leadership, as much as workforce skills.

**Figure 5: Earnings returns to qualifications**

Qualification	London Economics (2011) <sup>28</sup>	BIS (2013) * using ILR records (4 year impact) <sup>29</sup>	BIS (2014) *3-5 year impact <sup>30</sup>
BTEC Level 3	20%		
C&G Level 3	15%		
GNVQ (Advanced)	7%		
RSA Level 3	16%		
NVQ Level 3	10%	11%	9%
Level 3 Apprenticeship	22%		
BTEC Level 2	12%		
C&G Level 2	7%		
GNVQ (Intermediate)	-1%		
RSA Level 2	14%		
NVQ Level 2	1%	2.1%	11%
Level 2 Apprenticeship	12%		

<sup>25</sup> No limits: From getting by to getting on, NIACE, 2015.

<sup>26</sup> *Escape Plan: Understanding who progresses from low pay and who gets stuck*, Resolution Foundation, 2014.

<sup>27</sup> <http://www.cpag.org.uk/content/stop-work-poverty>

<sup>28</sup> Returns to intermediate and low level vocational qualifications, BIS, 2011.

<sup>29</sup> Estimating the labour market returns to qualifications gained in English Further Education using the Individualised Learner Record, BIS, 2013.

<sup>30</sup> Estimation of the labour market returns to qualifications gained in English Further Education, BIS, 2014.

***Improvements in skills need to be related to a wider strategy to increase the number of better paid jobs by boosting productivity and growth. But recognising that increasing productivity is a necessary but not sufficient condition to increase wages.***

## **What are the challenges?**

***Finding and sustaining work:*** Around one in two (over 2 million) people with no qualifications, or without functional literacy, are in work. Many flow in and out of work, trapped in a 'low pay, no pay' cycle. In total, almost four in ten (38%) of low paid workers experience a period of worklessness over a four year period.<sup>31</sup> This makes it difficult to earn enough money to move out of poverty, increases uncertainty (which, as above, can impact on health), and increases financial vulnerability.

At the same time, those with the lowest skills are more likely to be locked out of the labour market and trapped in long-term unemployment. In this case, skills and qualifications are a contributing factor, but also correlated with other disadvantages (such as poor health, confidence, long periods out of the jobs market etc).

Jobcentre Plus (JCP) can and does refer claimants to training, offering short courses focused on specific aspects of employability or skills needed for a particular job or sector. This can be funded from JCP Flexible Support Fund or from the adult education budget (claimants have some rights to access regardless of their age). Employment programme providers have similar opportunities as their contracts are focused on employment outcomes, allowing them flexibility to tailor delivery.

However, JCP's primary measure is the number of people exiting benefits (not whether they get and keep a job) and contracted providers focus on sustained employment (rather than building careers and boosting earnings). This limits the incentive for the employment system to fund or refer to skills provision, compared to if the primary focus was on long-term support to boost people's earnings.

In addition, surveys of employers regularly demonstrate they often want tailored modules of learning, delivered at times and in ways that suit them, as well as placing a premium on employability skills.<sup>32</sup> This can contrast to the general primary focus of skills policy on full qualifications. Sometimes, prior to current reforms, excellent examples of delivery happen in spite of the funding and policy system rather than because of it.

***Increasing earnings:*** There is a clear correlation between sectors with low productivity, low pay and skill levels, and relatively high tax credit expenditure. For example, retail and hospitality account for around one fifth of our productivity gap with the US,<sup>33</sup> almost 6

---

<sup>31</sup> The low pay, no pay cycle, Thomson, JRF, 2015.

<sup>32</sup> Learning to grow: what employers need from education and skills, CBI, 2012.

<sup>33</sup> The UK productivity gap and the importance of the service sectors, Griffith et al, AIM briefing note, 2003.

million jobs (one in five jobs),<sup>34</sup> and £2bn of tax credit expenditure.<sup>35</sup> Since 2007, productivity in these sectors has remained flat.<sup>36</sup> Employers invest substantially in training (see Chapter 3), but highly skilled workers are four times more likely to get training than those who are low skilled.

Apprenticeships are increasing the central focus of policy for workplace learning: there were 499,000 starts in 2014/15.<sup>37</sup> Evidence shows positive wage benefits: the return to a Level 3 Apprenticeship is 18% and the return to a Level 2 Apprenticeship is 11%.<sup>38</sup> Research shows people doing Higher Apprenticeships earn more over their lifetime (after accounting for student loan repayments) than people with undergraduate degrees from non-Russell Group universities.<sup>39</sup>

However, there have been and are concerns over quality: in terms of how long Apprenticeships last for (the Government has now introduced a minimum one-year length); whether people get jobs at the end (either with the same or a different employer); and whether there is a genuine improvement in skills or certification of existing skills.

There are two further concerns. The first is the increasing concentration of public funding on those aged under 25. An aging population, lengthening working lives, and increasing pace of economic change makes it increasingly important for people to reskill during their careers. Yet the replacement of funding for over 25s with income-contingent loans has been associated with a reduction of around 35% in learner numbers.<sup>40</sup> The second is that Apprenticeships may not be a suitable route for all – yet there is little alternative structured path for people of any age.

The expansion of Apprenticeships also requires a pipeline of people able to undertake them. Early qualitative evaluation suggests satisfaction among young people and employers involved in Traineeships, with a view that this will aid progression to further learning, jobs and Apprenticeships.<sup>41</sup>

## ii. Social inclusion & active citizenship

### What does this mean?

Social inclusion and active citizenship includes: **active engagement in society** and the political process (for example, voting in elections, social cohesion); **financial capability** (for example, ability to manage the household finances, understanding financial products,

---

<sup>34</sup> Improving progression in low paid, low skilled retail, catering and care jobs, JRF, 2014.

<sup>35</sup> Beyond the bottom line: The challenges and opportunities of a living wage, Resolution Foundation, 2013

<sup>36</sup> The missing pieces: solving Britain's productivity puzzle, IPPR, 2015.

<sup>37</sup> <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

<sup>38</sup> Estimating economic benefits from Apprenticeships: Technical paper, NAO, 2012.

<sup>39</sup> Levels of success: the potential of UK Apprenticeships, Kirby, Sutton Trust, 2015.

<sup>40</sup> <http://feweek.co.uk/2015/06/08/what-chance-a-sevenfold-increase-in-fe-loans/>

<sup>41</sup> Traineeships: first year process evaluation, BIS Research paper 222a, BIS, 2015.

getting the best deal); and **health behaviours** (for example, understanding nutritional requirements and instructions for medications). All of these are crucial for tackling poverty.

### **How can learning and skills make a difference?**

There are clear links between skills levels and **active citizenship**. In the context of schools, Milton Friedman argued: *“A stable and democratic society is impossible without a minimum degree of literacy and knowledge on the part of most citizens and without widespread acceptance of some common set of values. Education can contribute to both. In consequence, the gain from education of a child accrues not only to the child or to his parents but also to other members of the society. [...] Most of us would probably conclude that the gains are sufficiently important to justify some government subsidy.”*<sup>42</sup>

The evidence shows those with higher levels of skills are more likely to vote and more likely to be trusting and tolerant of migrants and people from other backgrounds.<sup>43</sup> However, the nature of this relationship is not clear-cut. Education may boost participation and trust (partly through provision of information), but this impact may also come from higher income associated with higher levels of education. Also, much of the evidence considers higher education or literacy and numeracy, rather than intermediate skills. This matters because the definition of poverty detailed earlier includes reference to sufficient resources (in their broadest sense) for their minimum needs, including social participation.

Digital skills can contribute to active citizenship too. For example, many community groups and projects have a social media presence and people can also connect over a shared interest regardless of geography. Lack of digital skills can lock people out of these opportunities for civic participation.

For **health**, there are two main routes through which skills can impact: *learning*, that is the provision of health-related information (eg smoking cessation campaigns); and *earning*, that is by giving access to higher paid jobs allowing people to afford health-related behaviours (such as gym membership) or reducing income volatility (which is shown to be associated with less stress).<sup>44</sup>

Health capabilities can increasingly be maximised by combining them with digital skills. For example, there are a range of online communities where people with a particular condition share experience and best practice in managing that condition. The internet can also provide new ways of delivering health advice that can be more immediate and timely. Similarly, an increasing range of online products allow people to track their activity and diet and so could allow people new ways to set goals and track progress toward them.

---

<sup>42</sup> Friedman, Milton (1962) *Capitalism and Freedom* (Chicago: University of Chicago Press)

<sup>43</sup> The benefits of higher education participation for individuals and society: key findings and reports, BIS, 2013.

<sup>44</sup> The social and personal benefits of learning: a summary of key research findings, Feinstein et al, Centre for the wider benefits of learning, 2008.



For example, research found that if 10% of UK women with no qualifications gained Level 1, resulting falls in depression could save up to £34m per year.<sup>45</sup> Similarly, people qualified below Level 2 are 75% more likely to be smoking at age 30 compared to those at degree level.<sup>46</sup> Education is also associated with increased take-up of preventative care, such as screening.<sup>47</sup> However, the direction and nature of causality is not clear from the evidence – so these estimates are therefore likely to be an upper bound of the potential benefits.

For **financial capability**, the routes through which skills can impact are similar to those for health: *learning*, by provision of information and ability to navigate financial products and budgeting; and *earning*, by boosting incomes to ease the pressures on peoples finances.

For example, higher levels of financial capability are associated with improved life satisfaction, higher rates of saving, and higher income of around £120 per month – though, while a range of factors are controlled for, it is again challenging to disentangle causality.<sup>48</sup> The result of lacking financial capability can be that people do not understand their bills, how to get the best deal, or manage their budget.

Financial capability is also increasingly underpinned by the need for digital skills: i) many government services are moving toward a ‘digital by default’ assumption, so people need digital skills to access benefits and public services; ii) many financial services have also moved online and offer their best rates online; and iii) many other services (such as energy companies) offer better deals for online customers. To get the best deal, people increasingly need financial capability alongside digital skills.

***Overall this suggests that effectively tackling poverty requires citizens that have:***

- ***functional literacy and numeracy skills;***
- ***effective digital skills and can access the internet; and***
- ***specific capabilities around finance, health and citizenship.***

**What are the challenges?**

***Literacy & numeracy:*** Around 5 million adults lack functional literacy and numeracy across the UK.<sup>49</sup> Within this, 850,000 adults have English as a Second Language (ESOL) needs.<sup>50</sup> Compared to other countries, the UK has a bigger gap between the highest and lowest scoring adults.<sup>51</sup> Of significant concern, and in contrast to most nations, younger

---

<sup>45</sup> Quantitative estimates of the social benefits of learning, 2: Health (Depression and Obesity), Feinstein, Centre for Research on the Wider Benefits of Learning Report no. 6, 2002.

<sup>46</sup> Quantitative estimates of the social benefits of learning, 2: Health (Depression and Obesity), Feinstein, Centre for Research on the Wider Benefits of Learning Report no. 6, 2002.

<sup>47</sup> Education, training and the take-up of preventative healthcare, Sabates and Feinstein, Centre for Research on the Wider Benefits of Learning Report no. 12, 2004.

<sup>48</sup> The long-term impacts of financial capability: evidence from the BHPS, CfEB, 2011.

<sup>49</sup> The 2011 Skills for Life survey: a survey of literacy, numeracy and ICT levels in England, BIS Research Paper 81, 2012.

<sup>50</sup> On speaking terms, Paget and Stevenson, Demos, 2014.

<sup>51</sup> The international survey of adult skills 2012: adult literacy, numeracy and problem solving skills in England, BIS Research Paper 139, 2013.

people (16-24) had lower literacy and numeracy scores than older people (55+). This implies England's adult literacy and numeracy profile could, in the absence of other action, worsen over time.

Higher literacy and numeracy scores are associated with being in work (particularly full-time work), better health, and higher educational attainment. For those in work, people working in professional occupations have higher scores on average, those working in elementary occupations have the lowest scores. Motivations to learn and attitudes differ between literacy and numeracy (a somewhat crude simplification would be that many people with literacy problems find coping strategies to hide this, whereas throughout society many people are happy to say that they are not numbers people).

This is despite significant public investment – over £200m per year spent on basic skills. In part, evidence suggests the focus on targets for Skills for Life qualifications gained meant in part that people's existing skills were accredited, with insufficient outreach to people whose skills were further below the functional skills line.<sup>52</sup>

Spending on ESOL has reduced and access restricted in recent years, reflecting Government concerns about the proportion of the total skills budget it was taking, the relative rights and responsibilities of individuals to pay for their own language training, and issues over quality and impact. For example, a NIACE inquiry found concerns over whether models of provision have sufficiently adapted to the different types of migration now seen in the UK, whether ESOL for employability and in the workplace has sufficiently expanded, and recruitment, retention and training of ESOL tutors including mentoring and professional development.<sup>53</sup> There is further to go in embedding the policy focus on ESOL for employability and in the workforce, as well as for social cohesion.

**Digital skills:** Digital skills are increasing in importance – for people to be digital citizens (eg participating in community and interest groups, gaining the best deal as detailed above), digital workers (eg increasing numbers of jobs that require some form of digital skills), and digital creators (eg jobs in the creative industries).

Recent research found there are 9.5 million adults who lack basic digital skills.<sup>54</sup> It also highlighted issues relating to access to the internet – so-called 'not spots' are more prevalent in poorer areas. The 6 million UK adults who have never accessed the internet are more likely to be older (more than one half are aged over 65), have a disability (around one in three), and be in socio-economic group C2DE (53%).<sup>55</sup>

The Government is investing in access to broadband and there are a range of free resources available to increase the basic skills needed for digital citizenship (as well as

---

<sup>52</sup> Work, society and lifelong literacy, NIACE, 2011.

<sup>53</sup> ESOL: the context and issues, Ward, NIACE, 2008.

<sup>54</sup> Make or break: the UK's digital future, House of Lords, 2015.

<sup>55</sup> Media literacy: understanding digital capabilities follow up, BBC, 2014; and Internet Users 2015, ONS, 2015.

formal provision through Further Education and employment programmes). However, the scale of the challenge and the way digital skills underpin so many other capabilities (as described above) suggests that greater action is required.

**Finance & health:** Low levels of financial capability are linked to low levels of numeracy, though this is not exclusively the case. A survey of 5,000 people found that 16% could not identify the available balance on a simple bank statement; one in three people did not know if inflation of 5% would erode the purchasing power of money in an account paying 3% interest; and one in seven under 35 year olds thought it better to start saving for your pension in your fifties rather than your twenties.<sup>56</sup> This then links through into ability to make informed financial decisions, with the risk of debt problems.

A range of services support people with money management, in particular the Money Advice Service and Citizens Advice Bureau, with many taking referrals from other services. However, people often access them at a crisis point rather than at a preventative stage. Some degree of financial literacy is being built into school curricula. However, less focus has been given to support adults to gain these skills, particularly in context and pre-crisis point. There is also not yet sufficient robust evidence that such programmes have a positive impact and that further research is required to reach conclusions.<sup>57</sup>

For health, there is a clear link with literacy and numeracy, for example understanding the instructions and dosage associated with a particular medication. A study found that a sample of health materials (such as instructions for a bowel cancer screening kit) in use in England were written at a literacy level such that 43% of the adult population would not be able to fully understand them. This rose to 61% when considering numeracy as well as literacy. People who were out of work, on low incomes (below £10,000 per year), aged over 45, and living in the most deprived areas were more likely to be in this group.

The impact of improving health capability is clear. Studies have shown that people with lower levels of health capability have higher mortality, more difficulty managing medication, and are less likely to participate in health programmes such as cancer screening and immunisation.<sup>58</sup> This particular link between literacy and numeracy and health capability is in addition to the positive impact of specific health education initiatives described above. It is worth noting that, in addition to improving literacy, numeracy and health capability, these findings also have implications for the design of health services and materials.

Part of the overall challenge is that policy, strategy, funding and delivery in each of these fields lacks sufficient integration. This can mean that people too often have to fit into systems, rather than the system fitting around individuals needs. This relates back to the overall systems challenge identified in Chapter 3.

---

<sup>56</sup> The financial capability of the UK, Money Advice Survey, 2013.

<sup>57</sup> Poverty, debt and credit: an expert-led review, Hartfree and Collard, University of Bristol, 2014.

<sup>58</sup> Health literacy interventions and outcomes: an updated systematic review, Berkman et al, 2011; Association between low functional health literacy and mortality in older adults: longitudinal cohort study, Bostock and Steptoe, BMJ, 2012.

### iii. Inter-generational

#### **What does this mean?**

In the UK there is a relatively strong link between your income as an adult and that which your parents attained: around four in ten children born to poor parents become low income adults.<sup>59</sup> This link is stronger than in many other countries, and appears to have strengthened somewhat in recent decades.

In part this is due to the strong link between the qualifications gained by parents and those subsequently gained by their children, and how this consequently links on to labour market opportunity: 36% of children eligible for Free School Meals gained an A\*-C in GCSE English and Maths, compared to 63% for all other pupils.<sup>60</sup>

So people who grew up in poverty are more likely to live in poverty as an adult, and this is partly related to the fact that if someone's parents did not gain many qualifications, they are likely to gain relatively few as well.

#### **How can learning and skills make a difference?**

As with the other transmission mechanisms, skills can help through both learning and earning. The learning element can help to ensure that parents have sufficient skills and knowledge to support their children in their own learning: for example, reading to their child at home, or helping with homework.<sup>61</sup>

Learning by parents can also provide a positive role model for children – showing the value and importance attached to learning by the family. For example, analysis of school performance data by NIACE found that schools which used family learning approaches that engaged parents achieved better exam results than those that did not. There are a range of ways to improve children's educational attainment, but family learning can have a positive impact for parents too. This means that any assessment of its overall effectiveness as an approach compared to other methods needs to consider its impact on multiple policy objectives.<sup>62</sup>

In terms of earning, boosting parent's skills can open up labour market opportunities, as set out in the work & income transmission mechanism. The money this brings in can then help parents to buy additional resources or tutoring for their child, pay for school trips or after school activities, or even moving to an area with higher quality schooling available.

---

<sup>59</sup> An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults, HM Government, 2014.

<sup>60</sup> Impact indicator 8, DfE, 2015; Early, late or never: when does parental education impact child outcomes, Dickson, Gregg and Robinson, University of Bristol, 2013.

<sup>61</sup> Family learning works, NIACE, 2013.

<sup>62</sup> Family learning works, NIACE, 2013.

Finally, wanting to be able to better help their children with their schooling or more effectively engage children in learning can be a powerful motivator for adults to learn. So, as well as potentially reducing poverty in the long-term for the next generation, learning can also engage adults in ways that can cut their poverty in the shorter-term too.

### **What are the challenges?**

Family learning approaches are widely used. However, there is further to go in making best practice standard practice, integrating this approach into other support (such as employment support), and articulating impact and cost effectiveness. Related to this, the annual budget of £210m for community learning approaches is now integrated into the Adult Education Budget. Led by Local Authorities, this can often include family learning based approaches. It is important to measure its impact (while maintaining flexibility) and ensure that commissioners and providers are aware of its value and best practice.

Overall, there are many examples of best practice in using family learning approaches to engage adults in ways that benefit both them and their children.<sup>63</sup> For example, engaging parents based on how they can support their children; structuring activity around projects and end goals; well-trained staff; and co-design of provision are all principles of best practice. These sorts of approaches can contribute to protecting children from becoming adults living in poverty, but also support parents to find a route out of poverty too.

---

<sup>63</sup> See, for example, the National Family Learning Network website: [www.familylearningnetwork.com](http://www.familylearningnetwork.com)

## 5. Building a new system

This chapter sets out recommendations for the learning and skills system to centre on tackling poverty. First, it recommends three new national commitments; second, it outlines principles to translate these into practice; third, the steps needed to deliver this.

### i. New national commitments

An anti-poverty learning and skills system could be built on three core commitments:

**A Citizens' Skills Entitlement, so everyone can access the core skills needed for life and work in 21<sup>st</sup> century Britain.** This should build on existing entitlements to literacy and numeracy and be defined through a collaborative process, but include: literacy, numeracy, digital, financial capability, citizenship and health literacy. A new commitment should drive collective action to ensure everyone can achieve these skills by 2030;

**Shared responsibility for investment, with employers, individuals and the State investing together, and learning driven by individuals and employers.** Every citizen would have a Personal Learning Account, setting out entitlements and financial incentives to invest in their own learning. It would also allow local top-ups where other services (such as housing or health) wanted to encourage or support people to learn (perhaps because of particular local skills needs, or the wider health benefits of learning). This would be underpinned by an open data approach to performance and outcome data; and

**A Careers Springboard to help Britain's 5 million low paid workers get on at work, with a particular focus on those in poverty.** This would define a new compact between employers, individuals and Government to help people progress from low pay and employers to boost productivity. This should include better targeting employment and skills resources on this group, alongside working with employers to boost productivity and ensuring low paid workers benefit from employer investment in skills, and measures to underpin the quality of Apprenticeships. This would, alongside other action such as industrial strategy and tax and benefit reforms, help to tackle what is one of the largest numbers of people in poverty. It would be coupled by more effectively building skills provision into employment support for those that need it.

## ii. Underpinning principles

This report proposes five principles to underpin an anti-poverty learning and skills system:

**Resource targeting.** Public resources should be allocated more on need and income. The current focus more on age and previous qualification level leaves, for example, someone in their 40's, who has worked since leaving school but now needs to retrain to either progress or change industries, with little support. *An anti-poverty learning and skills system would target support more on household income and risk of becoming trapped in low pay or a low pay, no pay cycle. In other words, the shop worker from a low income family who wants to get on or the factory worker who wants to change career needs help as well as a young person taking their first step on the career ladder;*

**Focus on outcomes.** The learning and skills system focus more on the outcomes it is contributing to than qualifications. *An anti-poverty learning and skills system would focus on helping those without work find a job, boosting the incomes of those in work and the productivity of their employers, and improving core life skills;*

**Person-centred.** Services should be tailored to people's needs and outcomes. The current system too often leaves people having to fit around policies, rather than vice-versa. *An anti-poverty learning and skills system would focus on outcomes and how best to achieve these, putting people in the driving seat;*

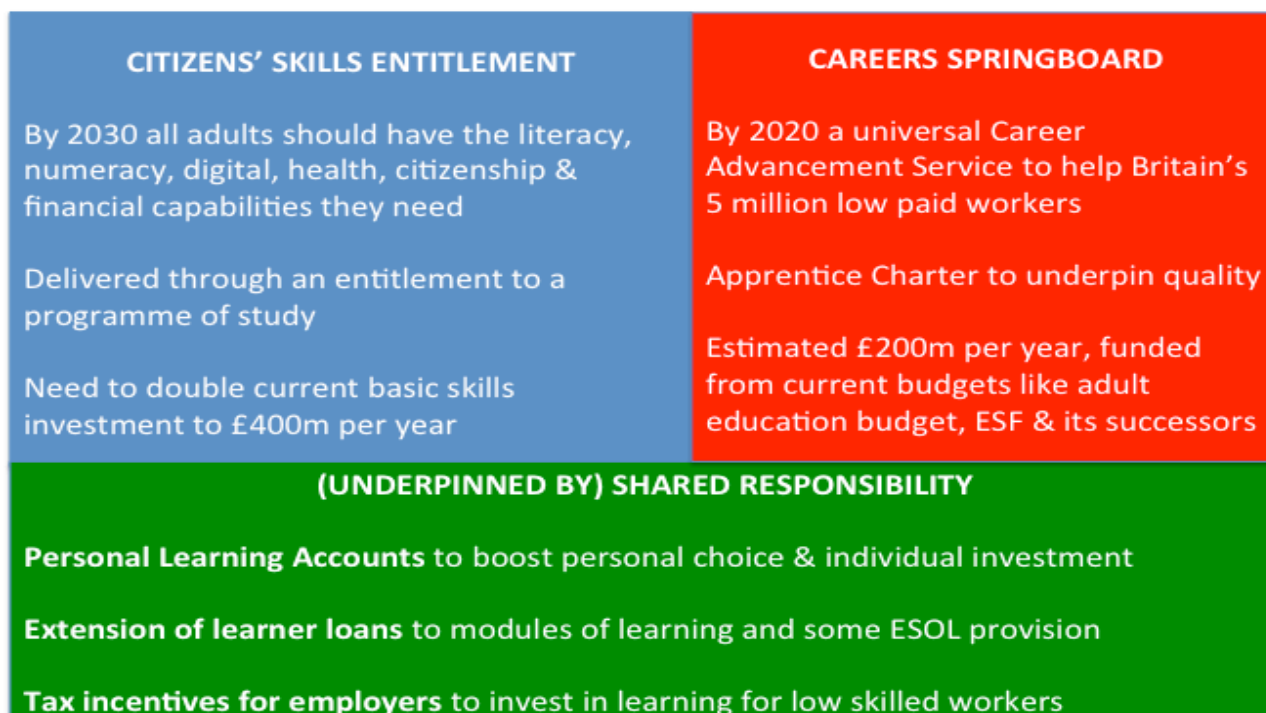
**Integration.** Learning and skills services must be integrated as part of wider public policy. For example, learning and skills services should work with the employment system to help people into work. It should work with economic development support to help businesses meet their skills needs. *An anti-poverty learning and skills system would be aligned and integrated with other local services and public policy goals, tailoring support to individuals and employers in the best way to achieve these; and*

**Transparency.** Data on the outcomes achieved by the learning and skills system should be openly available for individuals, employers and commissioners so they can make active and informed choices, rather than the limited and largely qualification-based data available in the past. *An anti-poverty learning and skills system would provide open access to data on employment and earnings outcomes of learners.*

### iii. Building the new system

The policy changes recommended to translate these commitments and principles into practice are summarised in Figure 6.

**Figure 6: Steps to a new system**



#### Citizens' Skills Entitlement

In a wealthy advanced nation like Britain, everyone should have the skills they need to participate in society and build a career. Today, millions of adults lack these basics. Around 9 million adults have low literacy, numeracy or both, and more than 5 million adults lack both literacy and numeracy skills (50% of them out of work).

The UK should commit to ensuring all citizens achieve this minimum level by 2030. It should do so through a new Citizens' Skills Entitlement, building on L&W's Citizens' Curriculum.<sup>64</sup> This would define the core set of skills needed in 21<sup>st</sup> century Britain, including literacy, numeracy, digital, health literacy, citizenship, and financial capability. These would be delivered through a programme of study approach (rather than the current focus on individual or groups of qualifications).

This would promote digital skills to being the third basic skill, and ensuring learning is contextualised around 'real life' application, such as finance and health. The entitlement

<sup>64</sup> <http://www.learningandwork.org.uk/our-thinking/news/citizens-curriculum-new-agenda-government?redirectedfrom=niace>



would be delivered through expansion of existing provision in colleges, providers, employment service providers, workplaces and community settings.

This would require:

- **Doubling the current rates of participation** from around 100,000 people per year for literacy and numeracy currently, to 200,000 per year for the new Citizens' Skills Entitlement. This increase would need to be phased to build effective engagement routes for those that would benefit and capacity in the system to deliver high quality provision. Quality could be ensured in part by a focus on outcomes, alongside enhancement of current quality development support for providers and tutors and utilising existing alternative forms of delivery in the community;<sup>65</sup>
- **Total investment of around £400m per year**, doubling current investment in literacy and numeracy. This should be publicly funded as a basic entitlement for people. This could be a refocusing of existing budgets, better integrating other funding such as ESF and its replacements when the UK leaves the EU with mainstream provision, or new funding;
- Funding a **programme of study** around these core skills. This would tailor a programme incorporating all core capabilities, rather than delivering separate qualifications for each capability. It allows a more flexible, tailored approach focusing on an overall programme (although a set of qualification modules could also be built together as the Citizens' Skills Entitlement);
- **Engaging people** through their **employer** (see Shared Responsibility section for proposals on how to do this), **housing associations**, and the **employment system** including by building in a skills test in Jobcentre Plus and contracted provision; and
- **Maximising the impact** by targeting those most in need including through the new skills diagnostic this report proposes for benefit claimants, and focusing on the **outcomes of learning**. For example, L&W's Citizens' Curriculum pilots identified public health benefits (such as registering with a dentist), savings to other public services (such as fewer callouts to the emergency services) from increasing engagement in learning.<sup>66</sup> A basket of these measures should measure the impact of the programme, with the programme built around modules of qualifications.

There are around 850,000 people with English for Speakers of Other Languages (ESOL) needs, as well as an additional number each year due to migration.<sup>67</sup> The additional public

---

<sup>65</sup> This amounts to fewer than 5 million people participating in the programme over the period, as (on average more qualified) young people will enter the adult population and (on average less qualified) older people will leave it. This increased rate of participation is roughly in line with that called for by the Leitch Review in 2006, which set an ambition of ending adult illiteracy and innumeracy by 2020.

<sup>66</sup> <http://www.learningandwork.org.uk/our-resources/life-and-society/citizens'-curriculum-case-studies?redirectedfrom=niace>

<sup>67</sup> On speaking terms: Making ESOL policy work better for migrants and wider society, Demos, 2014.

investment required to fund provision for all of this number is unrealistic. But language skills are needed to participate in society, prevent discrimination and succeed at work.<sup>68</sup>

This report proposes:

- Ensuring existing ESOL investment of around £130m in 2013 is maintained, but exploring **refocusing it on lower level learning**.<sup>69</sup> At present, much demand (particularly from Jobcentre Plus customers) is at Entry Level 1 and 2.<sup>70</sup> So careful modelling would be required – the aim is to enable an expansion of learning at the lowest entry levels. Everyone who needs it should be entitled to this learning;
- The Government should **consider requiring individuals to contribute to learning** above this level, extending access to the learner loans system to support this. As with current Advanced Learner Loans, these would be income-contingent. The income at which people are required to pay back this loan would be a trade-off between levels of public investment (the higher the income threshold, the lower the repayment rate) and potential poverty impact (the lower the income threshold, the higher the potential (short-term) negative impact on poverty); and
- Support to **underpin provision quality**, including considering the professional standards and training needed for tutors, flexibility (in terms of timing, duration and mode) of delivery, and measuring the destinations of learners (improvements in skills, progression to further learning, and any labour market outcomes).

## **Cost and impact**

The Citizens' Skills Entitlement would cost an **additional £200m of public funding** (or more if the income threshold for repayment of new loans for ESOL was set higher), on top of existing investment. The impact is challenging to quantify. However, employment rates for people with no qualifications are around 50%, compared to around 70% for those with at least some qualifications. Based on this, by 2030 there could be 280,000 more people in work as a result of the introduction and expansion of the new entitlement.<sup>71</sup> There would be additional benefits in increased earnings, but these are not estimated here.

## **Shared responsibility**

The twin challenge is to increase overall skills investment in skills and maximise its impact on raising prosperity and cutting poverty. Increases in public spending are at present unrealistic. So it is necessary to consider how to increase individual and employer investment, without disadvantaging those with the lowest incomes. At the same time, individuals and employers are best placed to articulate what they need.

---

<sup>68</sup> Experiences of forced labour among Chinese migrant workers, JRF, 2011.

<sup>69</sup> On speaking terms: Making ESOL policy work better for migrants and wider society, Demos, 2014.

<sup>70</sup> ESOL qualifications and funding 2014: issues for consideration, AoC, 2013.

<sup>71</sup> This makes the conservative assumption that current adult basic skills learners do not gain additional benefits from the Citizens Skills Entitlement approach. Rather that the only gain would be for the additional people engaged through the expansion of funding.

This report proposes a new framework for shared responsibility:

- Every adult should be entitled to a **Personal Learning Account**.<sup>72</sup>
  - Everyone would have a fully funded entitlement to the Citizens' Skills Entitlement. This would be routed through their Personal Learning Account to give people greater choice over their learn, driving funding;
  - Above this core and other entitlements, people would need to contribute based on household income (rather than age and previous qualification level as now). People with lower household income would be expected to contribute less (and perhaps learn for free) than those with higher income. The level of contribution expected would depend in part on overall public funding levels. Based on current spending, this would mean at worst no less support for low income households, and in all likelihood better quantity and quality of support;
  - An online portal should allow individuals to see what is in their account and the options they have available, including information on quality and outcomes achieved by different institutions and courses. This will give them the information they need to make informed choices and drive the system;
  - Incentives should encourage private investment. This could include tax and benefit incentives for individuals, and for employees to pool accounts together where their employer agrees to top this up and with safeguards (such as ensuring employers continue to fund statutory requirements);
  - Maximising the impact of investment, and avoiding the problems associated with previous Individual Learning Accounts, by measuring the employment and earnings outcomes of participants, and requiring private top-up contributions where appropriate. This should incentivise closer working with employers around content and delivery, which evidence shows leads to better outcomes.
- Exploring whether to replace the current tax treatment of training with a new **Training Tax Credit or National Insurance break**, to support employers who invest in training their low paid workers. This would require a balance between specifying the type of training (eg Citizens' Skills Entitlement) or eligible workers group, versus the risk of over-complication. It would need to be aligned with and consider lessons from the Employment Allowance and forthcoming Apprenticeship Levy. An alternative would be to create a Training Tax Credit, similar to the R&D tax credit. This would require employers to report their expenditure on training and being given a tax credit reflecting at least part of the cost of this (for example, it could be paid at a higher rate for SMEs). Again, the risk of complication and bureaucracy versus the potential positive impact would need to be weighed. Further analysis of the options and their implications is required;

---

<sup>72</sup> Power to the people: the case for Personal Learning Accounts, Learning & Work Institute, 2016.

- An **open data approach**, with data on the earnings, employment and other outcomes of learners routinely published. This would help employers, individuals and commissioners make informed choices; and
- Establishing a **pathway to devolution in England**. This could be modelled on the approach of Canada Job Fund Agreements, which set out the services the federal Government will devolve to the provinces and the outcomes they are expected to achieve. For example, one city might want to lead in increasing take-up of the Citizens' Skills Entitlement in their area and expand provision using local funding as part of this. Another might want to focus on supporting low paid workers and lead the Career Advancement Service (see below) in return for requiring employers with council contracts to sign up to this. This would be a more radical devolution than has happened to date through, for example, City Deals and set an irreversible path toward ever fuller devolution where performance matched expectation. The system is different in Wales and Scotland, however the principles could still apply and should be considered by their respective Governments. Devolution is not a magic bullet, but where local areas have clear and evidenced plans to deliver better outcomes, the assumption should be in favour of devolution.

The aim is to have a system more driven by individuals and employers, better integrated with support such as employment, housing and economic regeneration), and that increases and aligns investment by employers, individuals and the Government.

It is worth noting that these reforms would provide a framework for leveraging in greater investment, increasing the impact of public investment, and improving outcomes delivered. However, these would not happen spontaneously – the architecture is a necessary but not sufficient condition. Making them work in practice requires national and local leadership, and a structured approach to testing new ideas so that we find out what works.

There are also overlaps with considering how to reform the employment system. For example, the framework for devolution should consider both systems together. And financial incentives for employers to invest in the skills of low paid workers need to be considered alongside any potential incentives to take on long-term unemployed people.

These changes work as a package. For example, a system of Personal Learning Accounts will only work if individuals have sufficient information on the employment and earnings returns to learning. Similarly this data is needed for local areas to manage the system effectively and for all stakeholders to monitor its success.

### **Cost & impact**

These changes could be cost neutral to the taxpayer – any changes to the tax treatment of employer training would be to better focus the current subsidy on the low skilled, rather than to change the level of this subsidy. To the extent that this and the Personal Learning

Account system succeed in increasing private investment in skills, the total national investment (public plus private) in skills could rise – this would be the policy intention.

It is difficult to estimate the potential impact of these changes on poverty. This will depend on the extent to which individual and employer investment (particularly for the low skilled) rises, and the extent to which the impact of overall investment is increased. The aim is to provide a framework so that the benefits of other recommendations can be realised.

### **A Careers Springboard**

Around 5 million people are in low pay, a higher proportion than many other countries. Increasing productivity is a necessary, though not sufficient, condition for increasing pay. So working with employers to raise productivity, including by increasing skills and the utilisation of those skills (though other factors such as increasing investment are at least as important), will be important in cutting in-work poverty.

There is a clear correlation between low pay and low skills – compared to people with GCSE or equivalent qualifications; those with degrees earn 80% more and those with no qualifications 20% less.<sup>73</sup> There is also a correlation between long-term unemployment and low skills. The Citizens' Skills Entitlement will benefit those in work with low skills, but additional action is required to limit in-work poverty.

This report proposes a Careers Springboard, consisting of:

- **A Citizens' Skills Entitlement diagnostic** for all benefit claimants at an early point in their claim. This would be integrated with the segmentation tool for benefit claimants proposed in other JRF work.<sup>74</sup> It could help engage Employment and Support Allowance claimants who have been out of the labour market for many years. Sufficient resources should be earmarked for delivering this entitlement for those on benefits, and benchmarks set for the number of claimants referred to it. Its impact on people's employment prospects should be carefully tested;
- **A new Career Advancement Service, giving people in low paid work access to a trained advisor and personal budget.** L&W argued for this service in *No Limits*.<sup>75</sup> The service would be for low paid workers, engaging them in a range of ways including: if previously unemployed, by continuing support through their employment programme provider; college and learning providers; Housing Associations; Local Authorities; and their employer. The service would test a range of different forms of support to find what works in helping people progress, built around: a Career Coach to give personalised support; training (through Personal Learning Accounts); mentoring and building social networks. More highly paid

---

<sup>73</sup> Earnings by qualification 2011, ONS, 2011.

<sup>74</sup> Employment support for a high wage economy, Oakley, JRF, 2015.

<sup>75</sup> No Limits: from getting by to getting on, Evans, NIACE, 2015.

workers interested in support could be charged or referred to online support. Each individual would have a combination of individual-led and employer-led interventions, tailored to their and their employer's circumstances.

- The evidence, though limited, on what works to support progression in work suggests a personal advisor, clear action plan, mentoring and work placements, and targeted training can have an impact.<sup>76</sup> People can be engaged via their employer or trades union, or word-of-mouth, referral from other service or community group. Employers can be engaged via business representative groups, networks, public procurement, and based on the business case from productivity. The evidence also suggests many people progress by moving employers. To some extent this is the inevitable functioning of a flexible labour market. However, there is opportunity to integrate business support with advancement support so that both individual and employer benefit. In this way, there need not be a fundamental conflict between support for the individual and support for the employer.
- So the Career Advancement Service would be built from a series of structured trials focused on different sectors and regions, building to a full national service by 2020. In this way, evidence would be built on whether an employer-led or individual-led approach to engagement and support worked best. The success of the service would be measured (and part-funded) according to the earnings outcomes of participants, allowing a more flexible, personalised package of support to be built for that individual, rather than being constrained by the qualification frameworks; and
- **An Apprentice Charter to boost the quality of Apprenticeships.** Currently the quality of Apprenticeships is regulated by Ofsted, standards agreed by employers, an Apprentice Agreement for each Apprentice, and minimum duration requirements. But the wider Apprentice experience matters too. An Apprentice Charter would be a quality mark, co-designed by Apprentices and employers in an area or sector.<sup>77</sup> It would include elements such as whether people get work shadowing opportunities outside their direct role, a mentor, a job at the end of their training (whether with the same or a different employer). It would build on the work experience quality mark developed by Fair Train and unionlearn's Charter for Apprenticeships. Over time, once its value had been demonstrated to employers and the local economy, take up could be encouraged through requiring its use in public procurement. The end goal is to ensure the Apprentice experience is beneficial to employer and individual.

---

<sup>76</sup> Promoting employment sustainability and advancement among low-income adults, MDRRC, 2011.

<sup>77</sup> Skills for prosperity: building sustainable recovery for all, NIACE, 2014.

## Cost & impact

Over a five year period the Career Advancement Service could boost earnings for successful participants by £130-200m, giving a similar sized boost to the overall economy (given that a wage increase is, in general, broadly equivalent to a productivity increase).

**Figure 7: Careers Springboard impact**

Annual cost	Annual beneficiaries	Potential unit cost	Average salary increase (based on successful US trials) <sup>78</sup>
£200m	130,000 based on engaging 500,000 by 2020	£1500 based on existing in-work services	Around £1,000 per year

The Apprentice Charter is focused on maximising the impact of the current Apprenticeship programme (and maintaining the current wage premium to Apprenticeships as they grow in number). The Citizens' Skills Entitlement is discussed in the previous section.

In total, the **Careers Springboard would cost £210m per year by 2020** (in addition to the cost of the Citizens' Skills Entitlement detailed earlier). L&W argued the Career Advancement Service should be £200m per year, funded from existing budgets (£50m from the National Careers Service, £50m adult skills budget and £100m ESF and its replacements once the UK leaves the EU). The remaining £10m would fund development and evaluation work, along with piloting and rollout of the Apprentice Charter.

So the additional public cost is between £10m and £210m by 2020, but more likely to be at the lower end of this scale. L&W has argued that work to improve quality of Apprenticeships could be funded by ring-fencing a Quality and Access Fund from the forthcoming Apprenticeship Levy.<sup>79</sup>

In total, the Career Advancement Service could help **500,000 low paid workers by 2020**.<sup>80</sup> This is based on a steady roll out and build up in order to build the evidence base for what works and capacity to engage and deliver the service. The improved skills support for those out of work would **increase flows into work**, as detailed earlier. It would equate to around 10% of the total low paid population over a five-year period, giving time and scale to test and build an evidence based, cost effective service.

<sup>78</sup> Moving on up, Evans, Working Links, 2012.

<sup>79</sup> NIACE/Inclusion: 2015 Spending Review representation, NIACE, 2015.

<sup>80</sup> No limits: from getting by to getting on, Evans, NIACE, 2015.

The Apprentice Charter aims to **maximise the impact of existing investment in Apprenticeships** – ensuring they deliver the current employment and earnings return, which would risk falling if quantity expanded at the expense of quality.

### **Cross-cutting themes**

There are two themes that cut across each package of recommendations.

The first is **devolution**. The Government is progressing with some devolution of adult skills and co-commissioning of employment programmes. Devolution can lead to better outcomes if services are delivered in a different way, integrated with other support, such as housing and economic development, and focused on local labour market need.

This report has proposed an overall devolution deal with cities and local areas – devolving aspects of the three blocks of recommendations where local areas can top up budgets using local resources and / or show how integration will deliver better outcomes.

The second is **quality and personalisation**, to match public funds with private funds. This includes a greater focus on outcomes, central focus on quality, and drive to personalisation including through Personal Learning Accounts. This is underpinned by an open data approach, publishing data on earnings, employment and other outcomes, so that individuals and employers can make informed choices. A pre-requisite for this is an integrated system with high quality advice and signposting.



## 6. Conclusion

The UK's skills base suffers from historic shortfalls: despite recent improvements it continues to lag behind many other countries particularly in terms of basic skills and progression to intermediate level. This is underpinned by inequalities in participation in learning. A weak skills base and insufficient demand for and use of skills holds back our future prosperity, but also contributes to poverty – while having skills is not a guarantee of avoiding poverty, lack of skills is almost a guaranteed passport to poverty.

The UK's learning and skills system delivers opportunities and second chances every day. But the challenge is stark. There is more to do to design a system that effectively tackles poverty.

This report proposes a higher ambition and set of steps to achieve this:

- **A new Citizens' Skills Entitlement.** By 2030 all adults should have the literacy, numeracy, digital, health and financial capability skills they need. This should be funded by an additional £200m per year investment, doubling current investment;
- **Shared responsibility.** Personal Learning Accounts for individuals and incentives for employers to invest in those with least skills. The aim is for a system that better aligns public and private investment, puts individuals and employers in the driving seat, and better targets public resources on those with the lowest incomes; and
- **A Career Springboard.** A Career Advancement Service to help Britain's 5 million low paid workers to progress, including by working with employers to boost productivity. And an Apprentice Charter to underpin Apprenticeship quality.

These are practical and affordable changes, building on what already works and changing what works less well. Taken together, these changes would provide a framework for increasing our overall national prosperity, cutting poverty and increasing opportunity.