



## Skills in the Recession

## Summary

Investing in training can help reduce job losses, help the unemployed back into work and help build a stronger post recession economy. This paper calls for a series of both strategic and immediate measures on training:

- An active government led approach seeking to align skills strategy with industrial strategy e.g. to build skills in growing sectors and in the Green economy; together with a more active interventionist response from Sector Skills Councils (SSCs), Regional Development Agencies (RDAs) and other agencies
- Ensuring that training is fully built into the “rapid response” system being developed by Jobcentre Plus (JCP); improved Jobcentre Plus support so that the unemployed can move straight off benefit into appropriate skills training and new work; more skills support for employees at risk of redundancy and significant loosening of the 16-hour rule which can prevent the unemployed from studying
- Continued publicity to encourage employers to improve, not cut back, on training; further “flexing” of the Train to Gain (T2G) budget e.g. to allow SSCs to negotiate further “compacts” so that Train to Gain funding can best be aligned to their skill needs;
- Unions have long been calling for public procurement to be used to promote social causes including skills and Apprenticeships. Recent commitments around procurement to insist that all publicly let contracts contain relevant skills training and apprenticeship requirements are welcome. This must be implemented quickly and in a way that leads to high quality training for employees and employed apprenticeships with real future job prospects.
- Encouraging employers and SSCs collectively to protect their training investment through e.g. SSC wide levies and other collective measures such as the moves in construction to transfer apprentices at risk of redundancy to a new employer so they do not lose their training; more help for temporary agency workers – in line with the TAW Directive; a right to Time off to Train when under threat of redundancy and more FE and HE student places.

## Introduction

The TUC has largely supported the thrust of the Government's skill policy over recent years and in particular the central aim of rapidly expanding training opportunities at work in order to support both economic and social priorities. These priorities include the increasing demand for more skilled workers in the labour market of the future and the need to support all citizens to enhance their work and life chances by enabling them to acquire the skills and better qualifications. Lord Leitch's ambitious plan for developing a world-class skills base by 2020 gave a further impetus to this 'upskilling agenda' whilst also calling for welcome new reforms, including the integration of employment and skills policy and provision. However the onset of the recession demands some fresh thinking.

There is a widespread consensus that investing in skills can both play a major part in meeting the recession and in building a higher skill post recession economy. Research (Kluve 2006) has shown that the great majority of active training programmes do have a positive effect on helping workers get new and better jobs, though it is important that the quality of training is high. Poorly designed programmes (like previous Youth Opportunities (YOP) schemes) have not worked well. In Europe the Commission has called for a package of stimulus measures worth some 1.5% of GDP, including skills measures to improve training. In the USA, Obama's manifesto included a series of radical and explicit pledges to "create flexible education accounts that workers can use to retrain; provide retraining assistance for workers in sectors of the economy vulnerable to dislocation before they lose their jobs....and expand and fully fund apprenticeship programs to help workers get credentials and skills.." (Obama 2008, p 98).

Here in the UK, the Pre Budget Report (paras 4.38 – 4.45) announced that DIUS would add a further £79M Train to Gain funding to the £258M already made available to help provide skills support for those facing redundancy. The PBR also announced that government funded construction projects would consider making it a requirement that contractors have a proportion of the workforce as apprentices. This is in addition to the previous announcement that all the planned future £350M increase in Train to Gain funding would fund a short term package to help SME employers in the downturn. Also announced (Para 5.33) was an extension to the Jobcentre Plus rapid response service to help job seekers with a skills assessment and training and (Para 5.35) an extra £1.3Bn for DWP over the next two years to deliver "effective support for the unemployed", some of which includes help with training. More strategically, the PBR announced that the newly set up UK Commission for Employment and Skills (UKCES) will be required to audit the supply and demand for skills to ensure they are "better aligned". This follows the more strategic approach to skills outlined in John Denham's 24<sup>th</sup> October speech, signalling a marked shift away from leaving everything to employer demand towards a more interventionist approach, encouraging employers to work together and take a more strategic longer term sectoral view. Judging by the PBR, the recession has accelerated government's move to this more strategic approach.

## Strategic approach – manufacturing/energy/green technologies

The recession has clearly prompted a significant reassessment of skills policy. The TUC has welcomed government moves towards a more strategic interventionist approach and moves to improve skills funding and support to workers affected by the recession. Aligning skills policy with industrial policy, including by introducing new flexible funding arrangements to support people to achieve the right skills for them and their industry, will be crucial in supporting individuals and the economy through the recession and in developing a sustainable economy over the longer term. A strategic skills policy must play a key role in both protecting key sectors and economic infrastructure industries (e.g. transport and construction) during the economic downturn as well as supporting growth in ‘new’ industries such as renewable energy and green manufacturing; as well as promoting key skills such as in science, technology, engineering and mathematics (STEM Skills). A strong coalition involving Government, business and trade unions should send out a unified message that skills investment is more important than ever during an economic downturn. The recent full page newspaper advertising campaign instigated by the UK Commission for Employment and Skills and supported by CBI, TUC, STUC and Government was an important first step in this respect but needs to be developed further to build a deeper consensus. There should be a continued high profile marketing campaign on the need for employers to continue investing in skills. The LSC’s recent skills campaign should be refocused and redirected to support this approach. Government support for management and leadership skills should include an emphasis on the need to maintain investment in training.

## The union role

While the Government’s skills policy has been developed and rolled out during a relatively lengthy period of economic and labour market growth, it must now be rapidly adjusted to meet the new recessionary priorities. Moves to date are welcome but more is needed. The existing skills framework can be ‘flexed’ immediately to meet both short-term challenges and longer-term strategic aims. SSCs are now able to negotiate “Compacts” with the Department for Innovation, Universities and Skills (DIUS) and the Learning and Skills Council, the body which allocates Train to Gain funding. Compacts are agreements to allow greater Train to Gain flexibility in return for greater employer commitment e.g. to the “Skills Pledge” (to train all their employees to at least level 2) and to employing more apprentices. The restrictions which government had originally put on Train to Gain funding have recently been loosened, partly to help employers in the downturn and to prevent cuts in training. The other side of the bargain is that more employers commit to invest in training, including by signing up and delivering on the Skills Pledge and by taking on more Apprentices. Trade unions have significant experience in identifying the long-term skill needs of specific sectors and the TUC is pressing for all unions in each sector to be involved in discussions on these compacts at an early stage. Unionlearn is already facilitating this process supporting SSC Union Board members to build wider union engagement on this agenda. Collective Learning Funds which are being piloted by

unionlearn in the North West and East Midlands aim to help lever in more employer investment for training their workforce in transferable skills to equip them both for different jobs in the company/organisation and for jobs in the wider labour market. The project will consider the implications of the recession in the further development of Collective Learning Funds.

Sector compacts allow Train to Gain funding to be used for employees to gain a part-level 2 (previously it had to be training leading only to a full Level 2); for some employees who already have a level 2 (previously it was only for employees who had no previous level 2); for an expanded range of Level 3 training, including some second Level 3 qualifications; and for other kinds of training and support such as leadership and management and apprenticeships. Some sectors have already negotiated compacts which have ring-fenced existing Train to Gain funding for use in their sector by anything from £24m to £133m over the next three years. For example: the Cogent compact will use up to £50m of Train to Gain funding, with anticipated outputs of an additional 10,500 additional ‘full’ L2 qualification achievements, 5,215 additional ‘full’ L3 qualification achievements and 6,000 more apprentices. Most sectors have either not yet started or are in the middle of negotiations with the LSC or DIUS about their compacts. This should be an opportunity for them to assess which of their skills gaps can be filled by up skilling or re-skilling members of the existing workforce who might otherwise be at risk of redundancy. SSCs need to act with more urgency, and government should allow the LSC to relax Train to Gain funding rules further. The risk of “deadweight” (e.g. that employers will exploit the new freedoms to replace what they would have done anyway) can be mitigated by new requirements on employers to demonstrate additionality and government should urgently look into ways of achieving this.

## Sectoral and regional Action

SSCs also need to rethink their long term plans in the face of the recession. Each SSC should plan to mitigate job and skill losses, mitigate the impact on disadvantaged workers - of the 100,000 job losses in the three months to September, 40% were among the young though they comprise only 14% of all employees and 36% among temporary workers though they comprise only 5% of all workers. Working closely with providers, SSCs should plan a post recession skills strategy. Once redundancies are announced it can be too late to try to help, whereas if an employer can be supported to keep going, that may be enough to tide them over a short term crisis. The extra support for skills can provide the extra help to tide employers over a short term problem but also help position employers for the upturn. So it is vital that SSCs set out a clear vision, both coping with the immediate pressures but also setting a sense of direction for the future. SSCs should both develop an early warning system and alert all employers to the range of short and longer term support which can be available. Union members in the workplace can help provide early warnings and Union Learning Reps can help persuade employers and managers to take up the extra support which can be available, rather than reaching for the quick fix of job cuts.

## Regional Development Agencies and the Regional Economic Council

As well as a sectoral response, there needs to be a strong regional response. Each RDA has set up a regional body, led by the regional Minister and reporting into the new national Regional Economic Council. These regional bodies can help analyse and respond to the regional impact of the recession on jobs and skills. An example of what can be done regionally was the Task Group set up to cope with 6,000 redundancies resulting from the closure of MG Rover at Longbridge. It involved Councils, unions, Jobcentre Plus, providers and the LSC – as the new regional bodies are doing. That Task Group provided support and training to the great majority of redundant workers. A recent report (Bailey 2008) found that some 60% had completed an education or training course and two thirds took up the offer of free training places. The kind of help most valued was free travel to a training course or job interview; a free place on a course; being sent on training courses by a new employer and training in setting up a new business. Of course this recession is very different but the Rover Task Group shows what can be achieved with concerted regional action.

## Skills – role of procurement

The TUC and unions have long been calling for public procurement to be used proactively to require contracts to promote social causes including skills and Apprenticeships and equality. The Government's policy on procurement in relation to skills has improved recently, the commitment to insist that all publicly let contracts contain relevant skills training and apprenticeship requirements are very welcome. But this policy needs to be implemented robustly and could still go further.

The policy must be implemented quickly and in a way that leads to high quality training for employees and employed apprenticeships with real future job prospects. This should also include building equality and diversity in Apprenticeships. The precise percentage figures could be negotiated by the relevant SSC but should aim to set a lead, bearing in mind government's drive to double the total number of apprentices to 400,000 by 2010.

To give an indication, The Olympic Delivery Authority is aiming for 2,000 of the estimated peak 13,000 construction employees to be trainees, including apprentices. So far there are currently around 2,700 workers on the Olympic Park of whom 247 have received specialist training. The number of employed apprentices needs to be increased. Crossrail will begin construction work in 2010, lasting to 2017 (it may be possible to bring some work forward) and will employ a peak of 14,000 construction workers. There are plans to adopt similar targets to those of the ODA and set up a "Tunnelling Academy" to help those without relevant prior skills. Much more ambitious targets could be agreed for these and other major infrastructure projects which would help establish benchmarks for other government procurement. The Joint Statement on Skills, Access to unions and Information, which sets an expectation that all workers on central government funded contracts (shortly, it is understood, to be extended to Local Authority and

NHS contracts) should be trained to at least level 2, should be promoted much more vigorously. The PSF Learning & Skills Task Group final report also contains detailed recommendations on how the public sector can take the lead on training, which should be vigorously pursued. One important recommendation of the report is that the public sector follow the construction model (see below) and ensure all apprentices complete their training.

The general approach should be to require contractors to meet social objectives such as skills development, equality and employment opportunities. There is no question that the recession will hit many already disadvantaged groups hardest, such as women, Black and Minority Ethnic groups, disabled, young and older workers. Contrary to speculation that it would be a white middle class recession primarily affecting the relatively prosperous south east, evidence from the 100,000 made unemployed in the three months to September is that it has disproportionately affected the young and temporary workers (who are predominantly female) and is hitting all regions of the UK. An active skills policy can do much to help the most disadvantaged.

So training requirements (including, where demonstrably relevant, with reference to equality and disadvantage issues) can and should always be included, and be designed into the contract specification at the commissioning stage, well before procurement. There should be a stronger emphasis on the potential of local labour and equality clauses to engineer opportunities in geographical areas of high unemployment. This robust and proactive approach across government to procurement should be clearly articulated. The publication in June 2008 of the Treasury/OGC guidance “Buy and make a difference; how to address social issues in procurement” (launched by Minister Angela Eagle at the TUC) was a good start but further guidance should be published specifically on using procurement law to expand apprenticeships and training.

## Employer regulation

It was welcome that in his 24<sup>th</sup> October speech the Secretary of State referred to the positive impact of a targeted approach by Government in specific parts of public services to improve skill levels and the overall quality of service (e.g. the regulation of skills standards in the social care sector). The UK Commission for Employment and Skills has recently been taking evidence for an inquiry it is undertaking to examine the potential for collective employer measures (including sector training levies) and regulation (including Licence to Practice arrangements) to drive up employer investment in skills. The TUC has responded, strongly recommending that sector levies and Licence to Practice should be extended to many more sectors. The TUC response also highlighted the importance of strengthening the collective voice of unions on skills bargaining at the workplace level and the important role of new rights, especially the forthcoming right to request time to train which should be introduced without delay.

## Temporary Agency Workers

Temporary agency workers, who are often less likely than others to receive training, are at greater risk of losing their jobs. When people do find work, it is also more likely to be on the basis of a temporary contract. So arrangements need to be in place to ensure greater access to skills training for temporary agency workers. Article 6, Para 5, of the EU Temporary Agency Workers Directive says that: “Member States shall...promote dialogue between the social partners ....to improve temporary agency workers access to training....even in the periods between their assignments, in order to enhance their career development and employability; (and) improve temporary agency workers access to training for user undertakings’ workers.” The TUC will press the Government when implementing the Directive to introduce measures providing temporary agency workers with enhanced rights to training, including the right to access user employers’ training programmes during assignments and agency training programmes between assignments. In addition, temporary agency workers should be able to access Train to Gain, with continuity in access to training from their Agency between employment placements and between assignments. While this is theoretically possible under the current arrangements, many agencies seek to minimise the prospect of agency workers having employed status and therefore may be reluctant to train agency staff. Therefore the Government needs to actively look at how these groups of workers can be ensured they receive training opportunities.

### Skills support for employees possibly at risk of redundancy

The Government has taken steps to provide a more flexible training package for SMEs during the downturn by amending the Train to Gain (T2G) eligibility rules for their employees (*Denham announces £350m to support small businesses*, DIUS press release, 21/10/08). In the main this package will enable SME’s to access state funding for employee training for accredited units of qualifications (as opposed to whole qualifications). In addition, employees will not be refused access to Train to Gain training if they already have a previous qualification at the same level, as is usually the case.

The TUC accepts that Government’s subsidies for workplace training need safeguards in order to tackle *deadweight* (i.e. as argued above that employers must demonstrate genuine additionality). However, the TUC has also been concerned that barring employees from accessing such training for fear of deadweight often penalises older employees who may have outdated qualifications yet who would benefit from acquiring an up-to-date vocational qualification. At the same time there will be many employees in non-SME companies who could greatly benefit from acquiring accredited some training units (i.e. short of the “full fat” level 2 or 3) in order to boost their effectiveness at work during a time when companies large and small are struggling to survive.

On this basis there is a strong case for saying that employees in non-SME companies, especially those at a genuine risk of redundancy, should also be eligible for a flexible Train to Gain package. If this was the case many employers might be encouraged (for example by their ULRs or other union reps or officials) to look at innovative means of re-training employees rather than adopting the knee-jerk reaction of making someone redundant without considering other options, such as

re-training. This initiative would especially help older employees with outdated skills who may be more at risk of redundancy.

## The example of Construction

At TUC Congress 2008, the DIUS Secretary of State announced a package of support for the construction industry which is an important model that should be considered elsewhere. The main elements of the package are:

- A new 'Clearing House' established with Construction Skills, to ensure that where apprentices are at risk of redundancy (the SSC) they can be matched with employers needing new staff elsewhere, thus helping ensure such apprentices complete their training;
- The creation of a new 'Construction Task Force' made up of key sector employers and unions to advise Government on longer term issues around expanding construction apprenticeships and improving skill levels;
- The Government will take further steps to use the power of Government contracts, to ensure that firms which benefit from them train and skill more of their staff;
- Together with the Department for Work and Pensions and Department for Environment, Food and Rural Affairs, a new 'Energy Efficiency Employment' (EEE) Initiative which will match workers made redundant from the shrinking house building industry with jobs insulating homes and businesses and improving energy efficiency across the country.

This type of model, and getting it right, is very important. So far only a relatively small number of apprentices have been re-placed. This is perhaps because the scheme is still quite new, or it may be a more worrying sign of weak employer support. It needs to be vigorously promoted and monitored by Construction Skills.

The scheme should also be applied elsewhere. The Public Services Forum Learning and Skills Task Group has called on the Government to make a clear commitment to work with employers, unions, training providers and apprentices to minimise the risk of non-completion and maximise the employment opportunities open to public sector apprentices.

Taking a longer term perspective and bringing both sides of industry together to provide immediate practical support for those facing redundancy and longer term planning is the right approach. One of the important principles from the work in construction is that while there may be job losses in one part of a sector, there are still opportunities emerging elsewhere. With some additional support and planning, workers should be able to transfer their skills. There are many other sectors where this will be the case, vacancies are still running at around 600,000 and it is estimated that around 3M new jobs are created and destroyed each year. So, notwithstanding the severity of the recession, in growing sectors such as food production and processing, film and TV, or pharmaceuticals it would be possible to adopt the construction approach, either through special Task Groups or through the relevant SSCs. There should also be work between SSCs, as the training of apprentices with similar skills bases could be topped up so that

employment could be gained in other sectors, particularly where there are skills gaps.

## Skills support for workers on notice of redundancy

At present, employers are required to inform and to consult with trade unions or appropriate employee representatives where they are contemplating making collective redundancies, i.e. redundancies involving 20 or more employees over a 90 day period or less (section 188 of Trade Union and Labour Relations Consolidation Act 1992 (TULR(C)A 1992). Employers must consult with recognised unions, or where a union is not recognised with appropriate employee representatives. Consultation must take place for at least 90 days where 100 or more employees may be made redundant prior to any redundancy notices being issued or otherwise for at least 30 days. Issues for consultation should include ways of avoiding redundancies, ways of reducing the numbers of employees to be dismissed and of mitigating the impact of the potential redundancies. Employers should also consult on the reasons for any redundancies, particularly where a plant or workplace is under threat of closure. Employers are under a duty to enter into consultations with a view to reaching an agreement with the recognised union or appropriate employee representatives. Where an employer fails to consult properly an employment tribunal can award substantial compensation (referred to as a protective award) of up to 90 days' normal pay for each affected employee.

The ACAS Guide on Redundancy Handling encourages employers to draw up a redundancy procedure, following full and effective consultation. It suggests that this procedure would normally contain an organisation's policy for helping redundant employees obtain training or search for alternative work and ways of minimising or reducing compulsory redundancies through retraining and redeployment. It would be helpful if Government advice were to include similar good practice advice.

At present, employees under notice of redundancy have a statutory right to a reasonable amount of time off to look for another job or arrange training. However the employer is not required to pay more than 40 per cent of a week's pay, regardless of the length of time off allowed. Unions have a good track record on negotiating more favourable arrangements including full pay for individuals who are attending interviews, or arranging training. Amending the legislation to provide that individuals have a right to paid time off to attend training as well to arrange training could assist individuals facing redundancy to find new work before being made unemployed.

People are most likely to find another job if they are already in work (being unemployed still carries a stigma) and it is important the system maximises the potential to move straight into alternative employment. Arrangements for small businesses under Train to Gain include some wage compensation for employees attending training. In redundancy situations, there should be the flexibility available to extend this wage subsidy to support employees under notice of redundancy to access or continue training in order to support up-skilling or retraining. These arrangements could be considered as additional flexibilities for

Train to Gain for small, medium and larger organisations facing redundancy situations. SSCs might negotiate such extended funding as part of a wider compact. Employers should be strongly encouraged to offer training to those facing possible redundancy and consider training (with consequent funding) as a means of alleviating what may be short term pressures.

There should also be a requirement that when employees face redundancy employers should arrange or support employees to attend an interview with a Jobcentre Plus adviser, which should in turn be linked to the Adult Advancement and Careers Service and support access to training. In Wales, the equivalent rapid response (ReAct) programme has been increased by 50% for 2009/10 and the Workforce Development Programme (similar to Train to Gain) support subsidy for SMEs raised from 50% to 70%. Similar moves are planned in Scotland. There may be scope for learning from the experience of the devolved administrations as they may be bolder on using skills to combat the recession in some respects; they may well provide lessons we can suggest the UK government can learn from.

### Skills support for those made redundant

The Government has already announced that it is adopting a flexible approach by diverting some of the funding from the Train to Gain programme directly to support training for the unemployed over the next three years (£100m cash boost to help Britain's unemployed, DIUS/DWP press release, 15/10/08) and also by establishing new regional skills initiatives (£27M support to improve skills and increase job opportunities, DWP press release, 4/11/08). Much more is needed. For example the 16-hour rule denies JSA or housing Benefit to many of those on courses which involve more than 16 hours a week of study. This penalises the unemployed from taking up or continuing training. It actively rewards those who drop out. While there need to be safeguards against what might be seen as misuse (though what counts as misuse is questionable) it plainly makes no sense in recessionary times when hundreds of thousands of those who may be unemployed need encouragement, not penalties, for training. Some other flexibilities have been tested out such as the trials of the Adult Learning Option. These aim to expand access to skills development for businesses and employees but the qualification eligibility criteria remain too restrictive and should be widened further. The key point is that if government is flexing Train to Gain to help employers, it should also flex the benefit system to enable the unemployed to undertake full-time education and training that would help them back into work.

Unemployed claimants need support to undertake as wide a range of training as is possible and to increase the numbers that can access such training. Two immediate measures that could achieve this end would be to ensure that the 16-hour rule and the Adult Learning Option were 'fully flexed' to enable many more claimants to pursue a wider range of education and training courses on a full-time (i.e. over 16 hours) basis and also to move away from the current focus on granting full-time study only to low-skilled claimants.

### More comprehensive skills support for the unemployed

The Government should go further by pressing ahead with the development of a more comprehensive skills support package for those who lose their jobs. This should have a number of elements including aligning skills accounts (collective as well as individual) with better redundancy pay and higher benefits; rights to train, advice and guidance; opportunities to study and draw benefit; and up to date labour market information to provide vacancy intelligence and also guidance on areas of future strategic importance in the medium and longer term for those thinking of their longer term future jobs and careers. Some of the key elements of this skills support package should address the issues outlined below.

Eligibility for skills training should be available to unemployed people much sooner than at present and focused on training that will support the individual needs of the unemployed person, e.g. both short training courses that will support immediate re-entry to the labour market but also longer-term training courses for people who need substantial new skills to find employment in a new sector or industry. Many of the existing eligibility rules for accessing Train to Gain courses in the workplace should be temporarily waived for unemployed people who are moving off benefit into a new job, in the same way that they are being waived for SME employees.

Current restrictions on unemployed people engaging in non-vocational skills development (e.g. doing academic qualifications such as A-levels and GCSEs) should be removed. These kinds of courses will ultimately improve job prospects over the longer-term for many people who lose their jobs.

Government has made some moves. The DWP announced on 12th November a doubling from £3m to £6M of funding for the Jobcentre Plus Rapid Response Service (RRS) to help “every employer with 20 or more redundancies and in local communities who have been disproportionately affected by multiple smaller scale redundancies”. Jobcentre Plus will work with e.g. RDAs, local authorities and the LSC to help with e.g. “skills matching, help with job search skills and access to training and reskilling opportunities”. (DWP Press Release 12 Nov). An integrated employment and skills service has been launched, to promote a joint Jobcentre Plus/LSC service aimed at helping provide the unemployed with essential skills. There is also the Local Employment Partnerships scheme, launched in early 2008, which aims to provide the pre and post employment skills needed to get and sustain a job for 250,000 “priority Jobcentre Plus customers” through a rapid (within 2 weeks) response. All that is welcome but a far bigger rapid response service will now be needed. It is also important that unions are built into these Jobcentre Plus/LSC structures and the RRS, as they were when its predecessor service was set up in 2002. Unions provide a unique link with those at risk of being, or who are, redundant; Unions can champion workers’ skill needs and provide feedback on whether the RRS is working and how well it has been tailored to local circumstances.

Consideration could be given to a three tiered approach to training for workers who have been made redundant. The first group are those able to access training via the existing Train to Gain entitlements plus the additional flexibilities outlined above. The second group are those that would benefit from building their skills but would still be ineligible for funding under the revised arrangements. For this

group, funding rules (e.g. sector compacts and Train to Gain rules) need to be urgently revised further so that they can secure funding for quality training that could help support a shift back into work.

The third approach relates to redundancy pay. The TUC has already made the case that the existing tax free threshold for redundancy pay should be increased from £30,000 to £50,000. In addition, as an incentive for workers who have been made redundant to retrain or upskill, an additional £10,000 of redundancy pay could be made tax free if spent on quality education or training. This package of support could also include match funding from the government. This would be a significant package to support people into areas such as technical skills or selected strategic areas of higher education, to help ensure that the skills developed are in areas of the economy or key sectors that are developing or have skills shortages.

## Expanding HE and FE

In the last major recession of the early nineties the expansion of the new universities took an estimated 300,000 young people out of the labour market for 3 years at a cost only slightly higher than the cost of unemployment benefit. FE numbers (in particular level 3 courses), by comparison did not rise, with lasting consequences in the form of skilled trade shortages. There will be similar pressures to expand HE during this recession but it would be essential to ensure that equal attention, if not more, was paid to FE.

Already there are signs that the number of applications to University or FE College for undergraduate and postgraduate courses are rising. Many young people may well have decided to carry on training rather than try to find work. Equally, it is likely that many adults who have been made redundant or who want to improve their skills will want to go to university or FE College. The right to request time to train (which applies to all levels of training) may stimulate further demand and there may be more funding available for level 3 and 4 courses through e.g. Train to Gain compacts. Furthermore level 3 and 4 (roughly sub-degree and degree) training can allow individuals and whole sectors to radically change their skill mix; for example bankers retraining as teachers; or car industry workers retraining to embrace the new skills needed to produce more fuel efficient vehicles. The FE/HE workforce will need to have the training and support to respond to these new pressures.

Unless the number of HE and FE places expands, entry requirements will get harder if demand rises - the opposite of the encouragement to train up to levels 3 and 4 which a strategic response to the recession would demand. Funding is clearly a major issue; it is unlikely that all of the increased number of places could simply be publicly funded. However urgent attention should be given to considering the appropriate mix of funding, bearing in mind the need to concentrate help on strategic skills and sectors, introduce more equity into FE and HE student support; the availability of career development loans or other forms of support such as Access grants and Bursaries; the need to continue to encourage wider participation and to secure far more employer funding at this level – but without jeopardising

the priority which must continue to be given to prioritising funding for those with little or no training at all whose need remains the greatest.

### Summary

This report has proposed a range of measures aimed at helping those in work, those at risk of redundancy and the unemployed. The government response also needs to be multi-layered: establishing a clear overarching skills strategy aligned with an industrial strategy; substantially expanding and improving Jobcentre Plus support so as to offer both training and advice on job seeking; and rolling out a package of emergency support measures to help individuals, employers, sectors and regions at risk. Government has made a good start in some areas but more work is needed. In particular, government could do much more to include unions in the strategic planning, design, delivery and evaluation of the new approach.