

# **A new further education funding and accountability system**

**TUC response to the government  
consultation**

## Introductory comments

The TUC welcomes the opportunity to comment on the government's proposals to develop a new further education funding and accountability system. However, the country is already facing a skills crisis and there is a need for urgent action on a much greater scale than the policy framework set out in this consultation and the preceding consultation on the National Skills Fund. The TUC has set out detailed critiques of the skills white paper in our regular [skills policy bulletins](#) and our [response](#) to the National Skills Fund consultation. We have called for extensive reforms to tackle the skills crisis and combat unemployment, including the following:

- There needs to be a significant long-term boost to investment in learning and skills by the state and employers
- People need access to an expansive set of learning and skills entitlements and new workplace rights to support upskilling and retraining whenever necessary, including the introduction of lifelong learning accounts
- Government should undertake a regular equality audit to ensure that skills policy development and delivery are focused on tackling the significant barriers impacting on groups facing disadvantage and discrimination
- We need a new national social partnership on skills - led by employers and unions - to provide clear strategic direction, as is the case in most other countries. This should include renewed government support for union learning
- We need to make sure that our college workforce is valued and empowered and an immediate priority must be to tackle the long-term decline in pay
- The forthcoming review of the apprenticeship levy should focus on boosting the number of high-quality apprenticeships and widening access to under-represented groups
- Priority also needs to be given to increasing college and sixth form funding for 16-18-year-olds and introducing a number of reforms to guarantee quality post-16 education and skills pathways for all young people.

In addition, our response to this consultation on FE funding and accountability measures makes the following points:

- A reformed and simplified adult skills funding system will achieve little unless it is accompanied by a significant long-term increase in funding levels and a major expansion of skills entitlements
- Adults need to be empowered to access a simplified skills system and this would be greatly facilitated by the introduction of lifelong learning accounts setting out their

education and skills entitlements and the range of financial and learning support available to them. Renewed government support for union learning would also boost engagement in learning

- Well intentioned plans to simplify the college funding system may trigger a number of unintended consequences, including increasing the barriers to learning and employment faced by certain groups. Any new measures to simplify funding should be tested rigorously to ensure that this is avoided
- The proposed accountability and outcome regime for colleges is highly flawed because of the sole remit given to employer bodies and the lack of any reference to the role of trade unions and other stakeholders. A reformed model should balance the needs of employers, learners and workers by widening stakeholder engagement and influence regarding college provision
- The definition of eligible outcomes for the proposed accountability system should be widened out to prevent a focus on employer skill needs that will damage the prospects of many potential learners. The list of outcomes should be reframed to encompass progression to good jobs, enabling adults to contribute to the wider economy and society, helping them to lead enriched and fulfilling lives, and improving their health and well being
- The proposed accountability and outcome framework will reinforce and deepen the discrimination and barriers faced by certain groups. Priority should be given to developing a college accountability system that focuses on narrowing inequalities in participation and outcomes.

# Comments on the proposals for a reformed adult funding system

## Need for sustained funding increases for FE and skills

The government needs to give a clear commitment to boost investment in FE and skills over the long-term and to prevent a return to making this part of the departmental budget first in line for any potential reductions in the future. A new national lifelong learning and skills strategy should contain an explicit boost to FE and skills funding over a multi-year period and this long-term funding picture should be updated regularly. This would be hugely helpful to colleges for planning their provision over the long-term and building education and training that meets the needs of employers, individual learners and their local economies.

As set out in the next section of our submission, a significant increase in state investment should be used to fund a much wider range of skills entitlements for upskilling and retraining. We also believe that the introduction of lifelong learning accounts and new “training rights” for workers would in turn trigger increased investment by employers. The forthcoming review of the apprenticeship levy also offers an opportunity to examine how this funding can be more effectively utilised to support more high-quality apprenticeship opportunities and to widen access to under-represented groups.

Massive cuts in government funding and the abolition of adult skills entitlements over the last decade have led to a sharp decline in lifelong learning and training. According to [analysis](#) by the Institute for Fiscal Studies (IFS) government funding for adults attending college courses was cut by a half in the last decade and new spending on the National Skills Fund will only reverse one third of this reduction. There are similar trends of concern affecting young people in post-16 education and training, with IFS predicting that an extra £570m per annum will be required by 2022-23 just to maintain spending per student in real terms for 16-18-year-olds in colleges and sixth forms.

Those most in need of upskilling and retraining are also least likely to access this from their employer and this has been amplified further by the pandemic. TUC [research](#) has highlighted that job-related training provided by employers has been in decline since the mid-1990s. A recent [analysis](#) by the Learning & Work Institute found that employer investment in training fell more sharply during the pandemic than following the last global financial crisis. The groups facing the sharpest fall in training include adults with lower-level qualifications, young workers in the private sector and apprentices. This includes a large proportion of those in relatively low-paid work who have borne the brunt of the employment crisis triggered by Covid-19. The L&WI research shows that UK employers invest just half the EU average in training and that there would be an additional £6.5 billion spent each year if investment per employee just equalled the EU average.

At the same time economic and social trends are requiring workers to upskill and retrain more than ever before. While the impact of the pandemic is of course the immediate

priority, there are significant skills challenges arising out of the impacts of Brexit, automation/AI and the transition to a greener economy. For example, the [Green Jobs Taskforce](#) highlights that one in five jobs in the UK (approximately 6.3 million workers) will require skills for new green occupations and to upskill and retrain those in high-carbon jobs.

## Skills entitlements and workplace rights

With 80 per cent of the projected 2030 workforce already in the labour market and out of formal education, it is self-apparent that we need to empower many more workers to access learning and training. The government's "lifetime skills guarantee" is a welcome start but it is actually more restrictive than the adult skills entitlements that were abolished nearly ten years ago. The guarantee only applies to a prescribed list of level 3 qualifications and many adults are completely excluded from retraining because they have already achieved this level of attainment. The TUC agrees with the recommendations of the [Education Select Committee](#) and many stakeholders that there should be a much broader range of adult skills entitlements that fund free courses, including restoring the adult level 2 entitlement. Many adults need access to free courses for foundation and level 2 qualifications in order to progress to take-up of the level 3 entitlement. It is also absurd and inequitable that adults in need of retraining should be barred from the lifetime skills guarantee on the basis that they have an old level 3 qualification, in some circumstances from decades ago.

The TUC is calling for a package of measures to give a real boost to lifelong learning for adults. This would involve in the first instance establishing a wider range of skills entitlements for adults and also a new "right to retrain". Over time these entitlements would be incorporated into lifelong learning accounts that would facilitate additional workplace learning, including encouraging co-investment by employers. We should also follow the examples of other countries that have introduced rights for workers to guarantee them paid time off for education and training and access to regular skills reviews in the workplace. OECD [research](#) has shown that combining initiatives, such as establishing lifelong learning accounts and strengthening workplace training rights, has proved an effective response in countries adopting this approach. The government should also draw on the experience of other countries that have permanent short-time working programmes and roll out a scheme that provides funded training to any workers who are working less than 90 per cent of their normal working hours.

## Simplification of funding regimes

There is a strong case for simplifying adult skills funding, which can be very complex for education and training providers and can hinder their ability to maximise the delivery of education, upskilling and retraining opportunities. But policy makers need to pay equal attention to the barriers facing individual learners, who are often put off by the complexities of the adult skills system and the difficulties of disentangling what their entitlements actually are. One can get a flavour of how complicated the rules are by looking at the summary tables of what the government and individuals are expected to contribute for courses leading to qualifications up to level 3 (see page 30-31 of the [AEB funding rules guidance](#)). If colleges and providers find this complex, the challenge for individuals are

hugely multiplied, in particular for adults who have not engaged with the education and training system since leaving school. The government should therefore bear in mind the needs of learners and workers when it is taking forward simplification of the funding system and the measures that will be required to help them to take advantage of a more streamlined system.

This is where a lifelong learning account could prove hugely effective as it would give individuals a personal review of their education and skills entitlements, including highlighting free courses and a range of financial and other learning support that is available to them to meet their specific circumstances. As we highlighted in our response to the National Skills Fund consultation, too many adults lack the most basic information about skills entitlements and learning support and this serves to reinforce existing high levels of disengagement among much of the adult population. The current plans to simplify funding must be accompanied by a parallel approach to make accessing learning and training a much more transparent and uncomplicated process for individuals.

However, the reality is that even under the proposed simplification plans, many adults who pluck up the courage to take that first step back into learning will be confronted with financial demands beyond their capacity. This will include the immediate disincentive of being told they have to take out an Advanced Learner Loan or pay for all their tuition costs because they already have a level 3+ qualification (in some instances from decades ago). And adults who have not even achieved a first level 2 qualification and earn above £17,374 will still be obliged to pay for half of the tuition costs of attaining a qualification level that is the absolute minimum expected of school leavers. We agree with the conclusions in the consultation document that these funding rules “bring a significant amount of complexity and rigidity to the system” and “limits flexibility in supporting retraining over individuals’ lifetimes as the labour market changes.” We believe that the key principles of equity and simplification could be achieved through our proposals in the preceding section of our response calling for a new “right to retrain”, full entitlements for all adults to free courses for their first level 2 and 3 courses, and the introduction of lifelong learning accounts.

## **Equality and diversity**

There also needs to be a note of caution that well-intentioned reforms to simplify the FE and skills funding system may inadvertently bring about unintended consequences for certain groups, in particular those already facing the greatest barriers to engagement in learning and skills. The consultation does address the need to retain funding measures to address individuals and communities facing greater levels of disadvantage, including the use of a needs-based formula and bringing disadvantaged funding, learning support and learner support into a new single unified measure. Matters on this front are further complicated by how the new adult funding system will operate in devolved and non-devolved areas in England, including the degree of discretion on how colleges and providers will be funded and how disadvantage will be assessed in devolved and non-devolved areas.

The TUC is of the view that the government should establish an equality audit of all its skills policies - including apprenticeships, adult skills, and other education and training programmes - to ensure that policy development and delivery mechanisms are focused on

tackling the significant barriers impacting on groups facing disadvantage and discrimination. This should inform any decisions that are to be taken forward regarding measures to address disadvantage and discrimination in a new simplified adult skills funding system. This should include how these measures will combat discrimination faced by all adults with designated protected characteristics and other disadvantaged groups (e.g., people with few or no qualifications, economically excluded communities etc.). While the proposed changes to funding rules refer to some designated protected characteristics (e.g., disabled learners), there is less analysis of the barriers faced by other groups, including BME learners, LGBT+ learners and women.

There is also a danger that the proposed simplification of some existing measures - e.g., bringing together disadvantaged funding and learning/learner support into one element - may be attractive on the basis that it mirrors simplification of funding regimes on other fronts. However, this needs to be tested out before any final decisions are made to ensure that the new funding arrangements do not lead to increased discrimination and barriers to learning for adults with protected characteristics and other groups highlighted above.

# Comments on the proposals for an accountability system focussed on outcomes

## The new accountability and outcome framework should balance the needs of employers, learners and workers

The government is very clear in the skills white paper that employers should have the sole remit for agreeing the standards for all technical qualifications and apprenticeships and for shaping “technical skills provision so that it meets local labour market skills needs.” Government will be “putting employers at the heart of post-16 skills” in local areas, including through the influence that Local Skills Improvement Plans and other interventions (e.g., the Strategic Development Fund) will bring to bear on college provision. There is no mention of trade unions, the TUC or unionlearn anywhere in the white paper. This highly employer-focused approach is very different to arrangements in most other countries, where employers, unions and other stakeholders come together to influence education, training and skills provision at geographical, sector and national levels. However, this widely held concept that the learning and skills needs of learners and workers should be articulated through employer and employee representative bodies is completely absent from the government’s policy picture - instead employer representative bodies will be the dominant influence.

Last year the Learning & Work Institute published a [report](#) highlighting the positive links between trade unions and workplace training, including how a social partnership approach in other countries underpins high quality skills systems. The government’s own [Industrial Strategy Council](#) recommended that we look at adopting the approach in other countries where there is “a greater role for employer representative and employee representative organisations (i.e. social partners) than exists in the UK.” The employer-led approach also goes against the grain of the theme in the skills white paper about giving more people ownership of their career development and skills by encouraging them to access skills entitlements to plan their future in our fast changing economy.

The increased focus on meeting the skills needs of employers and the local economy is an approach that the TUC and unions would broadly support, but only if this was balanced by giving trade unions and other bodies a clear role in articulating the needs of learners and workers as is the case in countries with high-quality skills systems. The TUC is of the view that the government should begin to address these shortcomings in our skills system by establishing a National Skills Taskforce that would bring together employers, unions and other key stakeholders along with government. A social partnership approach along these lines would facilitate further discussions about the adoption of institutional arrangements that other countries use to empower employers and unions to identify and plan for skills priorities at geographical levels and in specific sectors. At the regional and local level there are existing models of best practice that could be drawn on, including some of the



collaborative skills partnerships that are being developed by some Combined Authorities to influence learning and skills provision delivered by colleges and training providers.

Trade unions - through the collective bargaining process and the role of their union learning reps - are also a major resource for encouraging employers to maximise use of existing and new skills entitlements delivered by colleges. There is also no reference to this in the white paper and its wider impact on how employers interact with colleges and the local skills system. There is also no mention of the puzzling and counter-productive decision by government to cut the grant for the Union Learning Fund, despite the OECD and a massive range of leading employers and many other stakeholders hailing it as one of the most effective initiatives at helping workers with few or no qualifications to progress up the skills ladder.

### **Need for a more holistic approach and a wider range of outcomes in new accountability system**

We broadly agree with the aspiration in paragraph 104 of the consultation document saying that the new accountability system and associated outcomes should “give people meaningful skills which open the door to good quality jobs, enable them to contribute to the wider economy and society, and help them lead enriched and fulfilling lives.” But this is the only time that the consultation document makes reference to such an approach and the rest of the document is clear that the main aim of the new approach will be to “shift the accountability system toward a broader assessment of how effective a college is at balancing provision, supporting its students into good jobs and meeting the needs of local employers” (paragraph 106).

While the emphasis on “good jobs” is welcome, we are concerned that the focus of the new accountability system is much too restrictive and that the lack of input from trade unions and other stakeholders representing learners will lead to college provision being largely driven by employer demand. A core priority should be to empower college learners to be supported on a journey to well-paid, quality, sustainable employment. But in many instances this journey will not lead directly to an employment outcome in the first instance and the proposed accountability and outcome system will, in our view, not support the range of pathways that support the long-term aspirations of learners. On this basis, the following outcomes should have equal standing:

- Courses that support learners to progress further in further and technical education, e.g., by progressing to higher-level qualifications and/or non-accredited courses that will boost their career prospects
- Courses that support adult learners to access higher education
- A wide range of courses that empower adults to undertake learning “to enable them to contribute to the wider economy and society and help them lead enriched and fulfilling lives.”

We agree with the general thrust of the recommendations in the recent report, [Focus on Results](#), by the Learning & Work Institute with the support of the Association of Colleges.

This calls for a holistic approach and the “need to identify a wide range of potential outcomes and benefits, including: helping people find a job, progress in their career and boost their earnings, increasing employers’ productivity, improving health and wellbeing, and promoting active citizenship.” It also makes the case for testing out “social metrics” that could be used for analysing the benefits that learners would gain relating to “health and well-being, social capital and family relationships”.

The state of the local labour market will also be a key factor of course, e.g., the number of vacancies and earnings levels will range widely across the country. Outcome regimes primarily focused on employment and earnings-related data will be heavily skewed by the local labour market and it will be challenging to devise analytical systems that can fully account for the wide degree of variation in job and earnings prospects in the case of each college.

There may also be unintended consequences from a focus on outcomes relating to earnings progression. Supporting individuals to achieve higher-paid jobs should be reflected in college outcomes as part of the focus on boosting access to better paid quality employment. But as the L&WI report highlights, an unintended consequence could be to “end some provision of focus on lower paying sectors like social care if the focus is on earnings outcomes.”

## **Equality and diversity**

The L&WI report also makes a strong case for a focus of the accountability system and outcome regime being on “narrowing inequalities in participation and outcomes.” This analysis is right in highlighting the key danger that a highly employment-focused outcome regime “brings the risks of unintended consequences, such as focusing more on those who are job ready.” This would be to the detriment of a range of groups already facing discrimination and barriers in accessing learning and skills and/or progressing to well-paid, quality, sustainable employment. The report says that tackling this challenge will require the accountability system to incorporate “measures of ‘added value’ and inequalities in outcomes between groups.” However, even if such safeguards were introduced, we remain concerned that the proposed accountability and outcome focussed regime for FE colleges set out in the consultation is likely to reinforce and deepen the barriers to quality education and jobs that certain groups currently face. Giving trade unions and other stakeholders an equal voice in the determination of the outcomes colleges should be prioritising would, in our view, be an important step in guarding against this.

## **Apprenticeships and young people**

While the funding section of the consultation does not cover apprenticeships, the proposed accountability section does as FE colleges will need to report on apprenticeships and other outcomes for young people. While investment in apprenticeships has been boosted by the levy, the number of opportunities has been declining in recent years, especially among the youngest apprentices and disadvantaged groups. According to a recent [analysis](#) by the IFS the number of 16- and 17-year-old apprentices fell by 30 per cent between 2019 and 2020 and only 3 per cent of this group took up an apprenticeship in 2020. IFS estimates this to be the lowest level “since at least the 1980s and almost certainly a lot longer” and that there

is a real risk this could become a permanent trend. [Analysis](#) by the Social Mobility Commission has also shown a long-term decline in apprenticeship places for young people from lower socio-economic backgrounds. The TUC agrees with IFS that “there are few policy reforms or incentives in place to arrest” the decline in apprenticeships and to widen access.

The forthcoming review of the apprenticeship levy offers an opportunity to tackle these challenges. The TUC will be calling for changes to enable employers to use this funding in a much more flexible way. For example, there is a strong case for allowing employers to use levy funding for innovative pre-apprenticeship programmes and other initiatives aimed at boosting take-up and widening access to under-represented groups. But we will also be calling for wider policy reforms beyond the remit of the levy. There is a pressing need for government to enforce existing regulations and introduce new requirements of employers and training providers in order to tackle the continuing high incidence of poor quality training, exploitative employment practices, low wages, and limited progression routes.