



Further Education – Future Development of Loans

TUC Submission to the BIS Consultation

Introduction & summary of key points

1.1 The TUC welcomes the opportunity to submit evidence to the BIS consultation on proposals to expand and simplify Advanced Learning Loans that are currently available to people aged 24 and over studying at level 3 and 4. The central thrust of the proposals is to expand the loan system very significantly to cover people aged 19-23 and lower-level qualifications.

1.2 As the consultation highlights the direct result of these proposals, if taken forward, would involve “reducing the categories of provision that are eligible for contributory funding [from the state]” whilst at the same time widening the number of individuals that would be able to access Advanced Learning Loans. The consultation also includes a number of additional proposals to simplify and modify the design of the loan system, including moving HNDs and HNCs from the HE funding system so that they come within the scope of Advanced Learning Loans.

1.3 The TUC supports some of the major priorities of the government’s learning and skills policy framework, in particular the commitments to expand high quality apprenticeships and traineeships for young people and to support adults to gain minimum standards in English and maths. However, the TUC has raised significant concerns about weakening skills investment and the detrimental consequences of this for the government’s economic and social policy objectives. The most authoritative skills surveys show that employer investment in training has been declining for a number of years and we know that state subsidy for adult skills is set to be reduced significantly again over the coming period. Furthermore, youth unemployment remains a major crisis and in light of this any additional “skills barriers” for young people should be avoided at all costs.

1.4 It is against this backdrop, and the declared policy aim of government of creating a sustainable economic recovery, that the TUC has major concerns with the government’s proposals to expand the coverage of Advanced Learning Loans. Below we set out some of the key policy recommendations in our submission:

- After balancing some of the potential advantages of extending the loan system (e.g. reducing the number of adults paying up-front fees) against the anticipated negative effect on participation levels - especially among disadvantaged groups - and the significant reduction in FE courses that would be part-funded by the state, the TUC’s view is that it would be highly disadvantageous to implement the extension of loans to younger adults and a wider number of courses that are currently eligible for contributory government funding
- The proposals in the consultation involve a major withdrawal of state funding from a wide range of qualifications and a very large expansion of the Advanced Learning Loans system with little justification for this on the basis of an increased wage premium gained by learners. Whilst the graduate premium has held up in recent years, there is little evidence that level 2 qualifications deliver a wage premium, yet adults will now be expected to take loans out to fund what in effect should constitute a progression step to higher vocational qualifications (i.e. levels 3 and 4). In light of the continuing high levels of youth unemployment, it is also questionable to extend loans to 19-23 year-olds as the

focus should be on incentivising take-up of learning and training opportunities to support them to achieve sustainable employment

- In light of the above, the government should instead be giving greater consideration to funding mechanisms that would incentivise all adult learners to gain new qualifications rather than risking higher levels of disengagement, especially among the most disadvantaged. One means of achieving this could be the introduction of some form of individual tax relief for training, which the TUC believes could be achieved on a cost-neutral basis by reforming and redistributing the existing corporate tax relief provision that employers can claim for work-related training
- We also propose that the government should review the potential for Advanced Learning Loans to be extended to support more individuals to pay the up-front fees for co-funded qualifications. We accept that such a review may be likely to conclude that the personal contribution for co-funded qualifications would have to increase to meet the varied costs associated with providing loans in such circumstances. However, a system of this kind should also continue to allow individuals to pay the upfront FE fees in advance without being penalised financially.
- It is our view that HNDs and HNCs should not be transferred to the FE funding and loan system at the current time for a number of reasons, including that learners undertaking these courses are currently eligible to apply for HE maintenance grants and loans and these are not currently available in the FE system. For a number of years the TUC and many other stakeholders have raised concerns about the inequitable position of full-time FE students and the limited and discretionary nature of maintenance support offered by the state. On this basis the TUC believes that there is a strong case for a wider review of financial support systems with the aim of achieving parity of provision for full-time FE and HE students.

1.5 Please note that there are specific areas of policy and practice referred to in the consultation where this submission does not provide a detailed response. However, other TUC affiliated unions with extensive membership in, and expertise of, the FE sector (e.g. UCU and UNISON) have also submitted responses to the consultation that cover some of these specific points in more detail.

1.6 Union learning reps, with the support of the Union Learning Fund and unionlearn, are continuing to play a crucial role in supporting more individuals to access learning and development at work. The unionlearn website provides a range of resources for union reps to equip them with the appropriate information they need about Advanced Learning Loans and these resources will be updated following any major change to the loan system.

Skills trends and challenges

1.7 Two recent large-scale surveys have served as a wake-up call on the urgency of the skills challenge facing the UK and the need for government to act. Last year the OECD published a groundbreaking survey that raised a number of major concerns about skills levels in the UK compared to other countries both in relation to adults and young people entering the labour market. One of the key OECD recommendations was the need for adults in the UK to be given the opportunity to

acquire the minimum skill standards required to function effectively at work and in wider society, especially if they have been previously failed by the education system.

1.8 In February of this year the UK Commission for Employment and Skills (UKCES) published its biennial Employer Skills Survey based on over 90,000 responses from business. This paints a much divided picture of learning and development in our workplaces: a third of all employers are still not offering any form of training to any of their staff and 38% of employees say that they received no training over the past 12 months. This national skills deficit is also a potential brake on economic recovery with the survey indicating that skill shortage vacancies now represent over a fifth (22%) of all vacancies compared to 16% two years ago.

1.9 This latest employer survey also reveals that the total volume of training (i.e. measured by total “training days”) provided by employers has declined in recent years. Data from the Labour Force Survey based on responses from individuals show a similar trend with participation rates in job-related training falling consistently since 2005. In light of these trends the TUC has highlighted significant concerns about reductions in skills funding over the coming period (*TUC Budget Submission*, 2014). The latest projections by the government indicate that the adult (19 years+) skills budget is set to be reduced by a fifth, comprising a cut of nearly £0.5 billion over the coming two years.

1.10 In addition, it has been estimated that from September 2014 funding for 18 year-old students will be cut by 17.5 per cent over the forthcoming academic year. While the TUC supports the broad thrust of the government’s plans to help more young people access high quality apprenticeships and traineeships, the reality is that youth unemployment remains at scandalously high levels and there are not enough apprenticeship places to meet demand. As a result the TUC has continued to press the government to widen access to learning and skills opportunities that will best help young people achieve sustainable employment and in this context FE and vocational courses play a vital role.

1.11 It is against this policy backdrop that the current proposals to extend the coverage of Advanced Learning Loans and to reduce the number of courses triggering any contributory funding from government needs to be viewed. At this point in the economic cycle the last thing that the economy and wider society need is a set of additional barriers that will prevent young people and adults having the opportunity to acquire or develop the skills needed to support their entry into the labour market and/or their long-term career progression. The TUC believes that this is particularly important in the case of those individuals who face the greatest barriers to accessing high quality learning and skills either in the workplace or through participation in courses provided by colleges and other providers.

Experience to date and potential impact of further extension of loans (questions 1 - 3)

1.12 We welcome the fact that the government remains committed to fully funding a range of entitlements for young adults and those aged over 24 (outlined in Table 1 in the consultation document). However, to avoid widespread concerns that the

latest proposals on Advanced Learning Loans are the “thin end of the wedge”, the government should give a commitment that the current fully-funded entitlements will retain this status over the long-term and never come under the remit of a student loan.

1.13 We also accept that extending the availability of loans to younger adults and lower-level qualifications will in some circumstances tackle the barrier resulting from individuals being unable to pay the upfront fee contributions for courses that currently trigger contributory government funding. However, the long-term financial commitment required of individuals will be much greater due to the withdrawal of state funding for many courses and debt aversion will be a much greater factor than in the HE sector. Whilst the graduate premium has held up in recent years, there is little evidence that level 2 qualifications deliver a wage premium, yet adults will now be expected to take loans out to fund what in effect should constitute a progression step to higher vocational qualifications (i.e. levels 3 and 4).

1.14 The TUC is therefore of the view that the overall negative impact of the proposed changes on participation levels (especially among disadvantaged groups) will greatly outweigh any benefits of removing the payment of an upfront fee contribution and that that it would therefore be disadvantageous to implement the extension of loans to the existing range of courses eligible for contributory funding.

1.15 In the current policy context (see previous section) there is a strong case for the government to increase its investment in learning and skills rather than the radical retrenchment that will result from abolishing contributory funding for a wide range of courses due to the proposals under consultation. In particular the TUC believes that supporting young people to access new skills to improve their prospects of sustainable employment must remain a policy priority and that reducing the categories of provision that are eligible for contributory funding for 19-23 year-olds is therefore highly inadvisable.

1.16 There is also a growing consensus that achievement of level 2 in English and maths and a vocational/occupational qualification is the minimum standard that all adult employees should attain from participation in the state education system to support sustainable employment and progress in the labour market. The proposal to remove Level 2 qualifications (with the exception of English and maths and unemployed eligibility) for those aged over 23 from eligibility for contributory funding sends a clear message that the state is going to abrogate responsibility for adults who have previously been failed by the education system.

1.17 There are a number of other points that strongly support the case for not proceeding with the planned proposals, including the following key factors:

- Participation rates in learning and skills by disadvantaged groups will directly suffer as a result of the proposals (see below for our specific response to questions 4 – 8)
- The poor track record of UK employers regarding skills investment is likely to lead some of them to try and use an expanded Advanced Learning Loan system

to make more employees personally fund specific job-related training that should be the direct financial responsibility of employers

- Increasing the coverage of Advanced Learning loans will increase the number of adults who will accumulate large amounts of debt by taking out loans to support them to achieve the necessary qualifications to progress to university. Whilst the concession in relation to HE access courses is welcome, the reality is that individuals will increasingly have to use the loan system to fund other courses that they require to gain a university place. Also, some individuals will use the loan system initially without intending to progress to HE and by the time they decide to do so, they may well be deterred because of the high level of debt that they have already accumulated from FE loans
- The original policy premise justifying HE student loans on the basis of the graduate “wage premium” had in part been used to also justify the introduction of Advanced Learning Loans for adults taking up Level 3 and Level 4 courses. On this basis there are very strong grounds for opposing the extension of loans for Level 2 courses for adults as research to date shows there is little, if no, evidence of any wage premium from achieving many of the level 2 vocational qualifications that are available to adult learners.

1.18 In light of the above, the government should instead be giving greater consideration to funding mechanisms that would incentivise all adult learners to gain new qualifications rather than risking higher levels of disengagement, especially among the most disadvantaged. One means of achieving this would be by introducing some form of tax relief for training, which the TUC believes could be achieved on a cost-neutral basis by reforming the existing corporate tax relief provision that employers can claim for work-related training. Providing some form of training tax relief to adults would mirror recent proposals to redirect a significant proportion of apprenticeship funding to employers via the PAYE system. The TUC has supported this proposal in principle albeit with caveats including the need for unions and employees to have a greater strategic say in apprenticeship training (as they do in many other European countries with highly respected apprenticeship systems).

1.19 The TUC is convinced that if we are to support many more adults to up-skill or re-skill to achieve qualifications there is a strong argument for using the PAYE system to incentivise learners as well as employers. On this basis we would like government to review the options for establishing some form of training tax relief for adults. Our evidence further suggests that this could be a cost-neutral policy if the government made savings by remodelling current corporate tax relief given to employers for work-related training. A previous policy paper commissioned by TUC unionlearn estimated that the total cost of this relief to the Exchequer is in the region of £5 billion per annum, with little available data on how this relief is used by those employers that qualify for it. This paper concluded that substantial savings could result from redistribution of this tax relief which could be used to introduce new individual tax relief arrangements for adults (Reed, H. *Tax Relief on Training: investigating the options for reform*, unionlearn, March 2011).

1.20 We do accept that the existing co-funded courses in the FE system do present barriers to participation by some groups of learners because of having to meet the

upfront costs of the individual contribution towards the course fees. One means of addressing this would be for the government to review the potential for Advanced Learning Loans to be extended to support more individuals to pay the up-front fees for co-funded qualifications. We accept that such a review may be likely to conclude that the personal contribution for co-funded qualifications would have to increase to meet the varied costs associated with providing loans in such circumstances. However, a system of this kind should also continue to allow individuals to pay the upfront fee contribution in advance without being penalised if that is what best suits their personal financial circumstances.

Disadvantaged learners (questions 4 - 8)

1.21 The OECD Adult Skills Survey published last year highlighted the fact that skills levels in the UK are disproportionately influenced by social inequality compared to other countries, with individuals from poor families much less likely to progress up the skills ladder. For example, the OECD finds that the UK has “one of the strongest associations between socio-economic background and literacy proficiency among young people and among the broader population of 16-65 year-olds”. A key theme of the OECD survey is the need for policy to support more lower qualified citizens to develop their skills, especially in the workplace, and this is highlighted as a key policy challenge for the UK where lower qualified workers face greater barriers to learning opportunities.

1.22 According to the OECD survey findings the UK is blighted by a “learning divide” that further disenfranchises those in most need of learning and development opportunities. Seventy five per cent of adults with Level 4/5 qualifications (i.e. degrees and above) participated in adult education and training over the latest 12-month period compared with only 30% of those adults who score below Level 1. Commenting on this situation in the UK, the OECD says: *“These results confirm the vicious cycle in which low-skilled workers risk being trapped in a situation in which they rarely benefit from adult learning and their skills remain weak or deteriorate over time, making it even harder for these individuals to participate in learning activities. The key policy challenge is to help low-skilled adults break this cycle.”*

1.23 Previous analyses by TUC/unionlearn of Labour Force Survey (LFS) data have identified similar trends to those highlighted by the OECD. For example, the LFS data in recent years has shown that only around 10% of employees without any accredited qualifications are accessing regular training at work (i.e. at least once every 3 months). This compares with around 40% of graduate employees which means that four times as many graduate employees are receiving regular training at work as workers without any qualifications.

1.24 The TUC is very concerned that some of the key proposals being consulted upon are likely to exacerbate this learning and training divide. The prospect of taking out a loan will be rejected by the most disadvantaged groups, who already are much less likely to access learning and training at work according to the OECD and LFS findings. The latest research by government on the potential impact of the loans (*Tracking the Impact of 24+ Advanced Learning Loans*, BIS, April 2014)

reinforces this concern on the basis of feedback from providers and individual learners.

1.25 One of the most telling findings from the survey is the feedback from providers, as follow: “However, there was a mixed picture as the majority of providers agreed that loans *will maintain access to learning opportunities* and that *loans will act as a barrier to disadvantaged people who want to learn at Level 3 or above* [original emphasis]. Whilst apparently contradictory, these responses suggest that providers think overall access will be maintained at the possible expense of the more disadvantaged.” If this analysis is borne out over time, and we believe that there are strong indications that it will be, the introduction and further expansion of Advanced Learning Loans will exacerbate the learning divide that is much more marked in the UK compared to other countries.

1.26 There will be some who will argue against the above scenario on the grounds that the evidence from HE student loans indicate that young people from disadvantaged groups do not appear to have been put off applying for university. However, as the UNISON submission quite rightly emphasises, it is crucial to acknowledge the difference in the profile of the FE and HE student body. For example, whilst young undergraduates from disadvantaged groups may be willing to take on HE student loans the recent BIS tracking survey (see above) and other research suggests that this will not be replicated among adults from disadvantaged groups faced with the prospect of taking out loans for FE courses.

1.27 This specific point about greater debt aversion in the potential FE student body also needs to be taken into account with regard to the over-arching aim in the consultation document about developing greater consistency between the FE and HE systems for funding course fees. Achieving greater consistency between the two sectors is also difficult to envisage because of the inequitable position of FE students when it comes to financial maintenance arrangements (this issue is also covered in our response to questions 17-21, see below).

1.28 A welcome feature of the government’s reform of special education is that 19-24-year-olds can now qualify for Education and Health Care Plans (EHCP) unlike the previous system where entitlement to a SEN Statement ceased at the age of 18. This also means that this group of students will not be affected by any extension of FE loans to 19-23 year-olds. However, there will still be many young adults aged 19-23 with special needs in the FE system who do not qualify for a EHCP and they will be affected by the proposed expansion of FE loans. Due to the discrimination many of these young people face in the labour market they often return to college to undertake further studies and this may put them at greater risk of having to take out a loan under the proposed arrangements.

1.29 The TUC and unionlearn welcome that the consultation proposes retaining fully-funded courses for many unemployed adults to support their prospects of achieving sustainable employment. However, the proposed extension of loans will, according to the consultation, open up opportunities for young unemployed adults to take out loans. The TUC is concerned that if this is the case there needs to be robust safeguards to prevent young unemployed adults building up unsustainable levels of debt.

1.30 TUC/unionlearn is not in a position to provide feedback on the impact to date of the loan system on offenders but we endorse the points made in the submissions by affiliated unions.

Simplification and improvement (questions 9 – 14)

1.31 The consultation paper sets out the case for potential new flexibilities to enable learners to address any barriers caused by current limits on the number of multiple loans that can be taken out to study two or more courses concurrently and also the cap on the maximum number of loans that can be taken out. While it is important that the loan system is flexible enough to support different modes of learning, we would be concerned with additional flexibilities that incentivised learners to accumulate large amounts of debts without them giving very careful consideration to this. On this basis we would err on the side of caution and suggest that current limits on concurrent study and the cap on the total number loans should be retained to prevent individuals from incurring large amounts of debt.

1.32 We do however recognise that there may be advantages to setting a single maximum lifetime loan amount to provide some more flexibility (and hopefully administrative simplicity) as regards any problems caused by the current arrangement involving multiple loans.

Alternative financial product for Muslim learners (questions 15 - 16)

1.33 In the context of the other points made in our submission about the further expansion of student loans, the TUC is broadly supportive of the development of a Sharia-compliant student loan system and also the principle that a similar model should be used for both the HE and FE systems. If this is taken forward it will of course have important implications for career and IAG advisors and there will need to be a real effort to ensure that they are fully equipped to advise Muslim learners about the alternative loan system and to provide them with suitable advice materials.

Other qualifications (e.g. HNDs and HNCs) and maintenance support arrangements (questions 17 – 21)

1.34 The TUC is supportive of policy measures designed to raise the status of higher vocational qualifications and to increase the number of individuals accessing these qualifications. In this context we strongly support the expansion of higher level apprenticeships and increased take-up of higher vocational qualifications such as HNDs and HNCs. However, we are concerned that transferring HNDs and HNCs to the Advanced Learning Loans is a risky strategy that could further undermine these qualifications and the government's wider policy approach to widen access to higher vocational education.

1.35 The consultation submissions of other TUC-affiliated unions (e.g. UCU and UNISON) have raised concerns about the impact of recent policy developments, such as the expansion of private providers, in relation to the decreased take-up of higher vocational qualifications and other issues regarding quality assurance and regulatory requirements covered in questions 17 to 21. The TUC shares many of

these concerns and also some of the practical challenges highlighted by UCU regarding the proposal to transfer HNDs and HNCs from the HE student loan system to the Advanced Learning Loan system.

1.36 However, the key issue that the TUC submission wishes to focus on is that of financial support - students currently undertaking HNDs and HNCs have an entitlement to access maintenance grants and loans because they are within the HE system. Whilst the consultation document highlights the importance of this in relation to HNDs and HNCs, the TUC believes that this issue has much wider ramifications. For a number of years the TUC (and many other stakeholders) have criticised the limited maintenance support available to FE students. In recent years there has been little or no progress on this front and also some key setbacks (e.g. the abolition of the Education Maintenance Allowance which previously provided a degree of maintenance support for a cohort of younger FE students).

1.37 It is our belief that the introduction of Advanced Learning Loans to date will have largely involved adults funding independent study on a part-time basis principally in order to support career progression. In these circumstances access to maintenance support may not have been a priority because many individuals involved will have been working full-time whilst studying part-time in the evening. However, extending the coverage of loans in the FE system both through the incorporation of new qualifications (e.g. HNDs and HNCs) and to younger adults raises serious questions about the inequitable position of full-time FE students in this regard. On this basis the TUC believes that there is a strong case for a wider review of financial support systems for all existing FE students who are studying on a full-time basis rather than just looking at the case of HNDs and HNCs in isolation. On this basis we recommend that instead of proceeding with the transfer of HNDs and HNCs as proposed, the government undertakes a wider review of financial support arrangements to look at achieving parity of provision for full-time FE and HE students.

Information, Advice and Guidance (questions 22-24)

1.38 The advice provided on Advanced Learning Loans on the various government websites is, in our opinion, of a high quality and readily accessible. However, the reality is that at present most people remain unaware of the loans until they decide to pursue further learning. This will not be an acceptable position if the loan system is expanded as planned and many more FE students come within its remit. In these circumstances the government will have to put much more resource into a comprehensive publicity and communications drive rather than largely relying on colleges and training providers to fulfil this function as at present.

1.39 Greater priority will also have to be given to promoting the fully-funded entitlements that are not always taken up by individuals, especially young adults. In this context IAG services should not only be raising awareness of the loans but clarifying to young adults what the consequences are if they do not take advantage of their level 2 and 3 entitlements before they become 24 years of age. There are currently widespread concerns about IAG services and careers advice provided for school pupils and in particular the limited advice on vocational pathways. It is imperative that young people are made aware of the financial consequences if they

do not take up their entitlements before they are aged 24 and this should be used to incentivise and support progression to a level 3 qualification, especially for those young people who find it difficult to achieve this in the school-based environment.

1.40 Unionlearn has supplemented the official guidance on Advanced Learning Loans with tailored website resources aimed at union representatives in the workplace, especially union learning representatives. Our guidance for union reps will of course be updated if there are any changes to loans in the future.

Impact of loans on learner choice (questions 25-30)

1.41 Whilst it is welcome that the government has published initial survey findings tracking the potential impact of the loans (*Tracking the Impact of 24+ Advanced Learning Loans*, BIS, April 2014), there is as yet no survey data available about the experience of learners after they took up the new loans. We would strongly recommend that survey findings of this kind are produced as early as possible in order to support implementation going forward. The TUC and unionlearn is not able to provide feedback on the “learner experience” but we would endorse the conclusions drawn in the UCU submission based on the feedback the union has received from learners and providers to date.