



APRIL 2018

Kathleen Henehan & Anna Vignoles

# TECHNICAL FAULT

*Options for promoting human capital growth*

# Contents

---

Executive summary .....	4
Section 1: Introduction .....	11
Section 2: Reforming technical education for future cohorts of young people .....	25
Section 3: Human capital for those in work .....	50
Section 4: Conclusion .....	61

## ONS Crown Copyright

This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.

## Acknowledgments

The authors would like to thank Pirandeep Dhillon-Starkings and Julian Gravatt for comments on an earlier version of this report. Any errors remain the authors' own.

## About the co-author

Anna Vignoles is Professor of Education and Director of Research at the Faculty of Education, University of Cambridge

## Executive summary

Since its launch in June 2016, the Intergenerational Commission has uncovered a wealth of evidence raising questions about the extent to which we should expect the steady generation-on-generation living standards progress experienced during the 20<sup>th</sup> century to continue into the 21<sup>st</sup>. Whether looking at pay, progression, housing, consumption or wealth, the research has shown time and again that today's young adults are facing challenges that differ from those of their predecessors – raising the need for a fresh approach to policy.

This is the 20<sup>th</sup> paper for the Intergenerational Commission and the fourth in our *policy options* series that explores potential ways of providing that fresh approach. It focuses on the role of human capital development in underpinning living standards progress, and is informed by discussion with leading researchers, practitioners and policy makers in the area of technical education and skills.

### Levels of educational attainment have risen over recent decades, but the pace of progress has slowed

The second half of the 20<sup>th</sup> century in Britain was characterised by steadily rising levels of educational attainment: public expenditure grew seven-fold in the five decades to 1995, and literacy and numeracy rates tracked consistently upwards. This progress was central to continual generation-on-generation improvements in living standards, helping to drive productivity and pay growth in particular.

However, educational advancement appears to have slowed in the 21<sup>st</sup> century – contributing to a stalling of gains in pay among younger cohorts that pre-dates the financial crisis. In the six years separating the 1966-68 and 1972-74 birth cohorts (both sitting within generation X), the proportion holding qualifications by age 25-28 at A level-equivalent or above increased by 14 percentage points (from 37 per cent to 51 per cent). Yet in the six years between the 1981-83 and 1987-89 cohorts (both parts of the millennial generation), the improvement was just 4 percentage points (from 62 per cent to 66 per cent).

Further gains become harder to achieve the higher the starting point, but the fact that young adults in England have literacy and numeracy levels that are below the OECD average suggests considerable room for further improvement. This is especially the case given that this gap is at the bottom end of the skills distribution and only opens up with other countries *after* the age of 15. There is a specific problem with England's post-16 educational offer for non-higher education students. That is what we need to tackle.

### Alongside this slowdown, younger groups have faced diminished opportunities for workplace development of human capital

This underperformance goes back some time, but has been offset in previous decades by a post-education period of catch-up among lower-qualified young adults in England. As a result, the skills gap with similarly-qualified contemporaries abroad has been significantly narrowed by the time the group reaches its mid-30s. This suggests work and

training have substantially boosted human capital in England during early adulthood. However, this model is now under threat because of four recent developments in the UK labour market.

First, the share of lower-qualified millennials who are unemployed has increased relative to similarly-qualified adults in previous cohorts – despite overall unemployment reaching a four-decade low. Among those with no more than GCSE-equivalent qualifications, unemployment at ages 25-30 rose from an average of 6 per cent for those born during the mid-1960s (the beginning of generation x) to 8.7 per cent among the millennials born in the mid-1980s. This matters because unemployment clearly removes the opportunity to develop human capital through work and work-related training.

Second, growing shares of lower-qualified people, and in particular lower-qualified men, are shifting into insecure and part-time employment. While better than having no job at all, such patterns of work again lower opportunities for in-work skills development due to the nature of the roles taken on and the willingness of employers to invest in their workforce.

Third, millennials are increasingly filtering into lower-skilled occupations and industries that offer fewer opportunities for progression and skills development. At age 25-34, 82 per cent of mid-qualified people (those with A level-equivalent or sub-degree tertiary qualifications) born during the early-1960s worked in high- or mid-skilled occupations outside of caring (such as professional, associate professional, technical and skilled trade roles). But that share dropped to 65 per cent among those similarly-qualified people born between 1981 and 1985, and 59 per cent of those similarly-qualified people born between 1986 and 1990.

Fourth, rates of work-related training, and the length of that training, are on the decline. The proportion of 28 year-olds reporting having “recently” received work-related training fell from 32 per cent among those born during the 1970s, to 29 per cent and 27 per cent of those born 1981-85 and 1986-90 at the same age. And the duration of training programmes has declined even more: the proportion of those 28-year-olds receiving work-related training who reported it lasting longer than a week dropped from 72 per cent among those born in the late 1960s cohort, to 70 per cent of those born 1981-85 and just 64 per cent among the 1986-90 cohort. Importantly, these are trends that appear to hold across all occupations and job-types, not just those lower-skilled and less-secure ones that younger people are increasingly entering.

## Restarting generational progress on human capital depends on a ‘twin-track’ approach that improves both the non-higher education offer and skills-development opportunities for those already in work

Faced with a slowdown in educational attainment gains and reduced in-work development opportunities for younger workers, there is a need to adopt a ‘twin-track’ approach to reforming the skills landscape in order to restart generational progress on human capital. This involves both ‘fixing’ the technical (non-A level/university) education offer for future generations of young people, and providing additional support

for those lower-qualified young adults who have already passed through the education system but who find themselves less well-served by the development opportunities available in the workplace than earlier cohorts were.

In developing this 'twin-track' approach, we identify three challenges at the forefront of policy reform: *clarity, quality and funding*.

The technical education pathway is too complex, with no equivalent to the very clear transition from GCSE to A levels to university in the standard academic route. Moreover, the financial returns to technical education are variable and it is hard for learners to understand these. Clarity is of little use without quality though, and here there are problems too. For example, Ofsted rates apprenticeship training providers lower than their counterparts in secondary schools, sixth form colleges or higher education. And these challenges of clarity and quality are compounded by funding. Spending in the further education (FE) sector has fallen faster than any other stage of education since 2010, with levels of per-student spending nearly £900 lower today than in 2011/12.

## The government should ensure that the apprenticeship reforms are underpinned by quality

The good news is the government has already introduced a series of reforms designed to improve technical opportunities. For example, the apprenticeship levy and its accompanying reforms could help to root out poor quality programmes that do little to build future generations' skills. A rise in the number of mandatory off-the-job training hours (to 20 per cent of an apprentice's time) will require many employers to train more than they had in the past. While challenging for firms, the government should remain firm on this requirement and ensure that statutory bodies like the Institute for Apprenticeships (IfA) monitor whether employers are following through and, where they are not, respond with appropriate sanctions.

Of course, training hours alone do not guarantee quality; the organisation providing that training also matters. And here there is cause for concern: over the past year, a majority of the apprenticeship training providers that Ofsted inspected were found to be either inadequate (11 per cent) or in need of improvement (40 per cent). Since the levy came into force last April, the number of providers on the apprenticeships training register has nearly doubled to 2,622 – and 65 of these are entirely new organisations.

This surge in new providers could result in a further reduction in training quality. This is exacerbated by the fact that Ofsted managed to inspect just 189 apprenticeship training providers in the last academic year – the fear is that it will be unable to keep up with the rapidly rising number of providers. This needs to be tackled with Ofsted required to inspect every apprenticeship training provider within the next three years.

Since 2015 the government has had a target to achieve 3 million apprenticeship starts by 2020. The target was set in the hopes of boosting provision and it is important that the apprenticeship levy does not reduce the stock of opportunities for young people, especially for those on a non-university track. However attention to the numerical target has detracted from wider questions about apprenticeship quality, skills development and apprentice outcomes.

The government should therefore replace its specific quantitative target with three directional targets focused on: boosting the number of starts each year; boosting the share of starts at more advanced levels; and boosting the share of apprentices who

progress from one level of training onto the next. If in the medium term the current drop in the quantity of apprenticeship starts is sustained, the government should review its causes, including whether they are linked to the funding system.

## T levels could offer clear, quality routes to skilled work and higher learning – but implementation will be a challenge

T levels are expected to come online from 2020, replacing the current Level 3 college-based technical system. Students will choose from a series of 15 streamlined, two-year technical routes, all of which include substantial work experience. They are expected to benefit younger learners outside of the A level-to-university track by giving them a clearer understanding of the educational routes that sit before them, by requiring them to have core skills in areas like maths, English and digital, and by offering them a substantial element of work experience. This is all very welcome.

However, there are challenges. For example, it is important that a balance is struck between simplifying the number of courses on offer and maintaining high-quality, specialist provision. There are also difficulties bringing employers into the work placement system. Each and every T level student will be required to undergo a work placement that lasts a minimum of 45 days. This will require a substantial step change in the way employers engage with the skills system, and with younger people.

And while we are still four years from when most T levels come online, polling commissioned by the Resolution Foundation finds that getting employers to provide these work placements will be a very real challenge indeed. 73 per cent of senior businesses decision makers reported being unaware of T levels. And more (25 per cent) report that their workplace is 'not suitable' for 16-18-year-olds than said they would be willing or are already set up to provide placements (18 per cent). The work placement process is currently being trialled, with colleges being provided incentives to find willing employers. It is vital that the government ensures that the lessons learned from the work placement trials inform future policy.

Not all T level students will have access to employers in their sector of choice – particularly those living in rural or economically deprived areas. The Department for Education (DfE) should build flexibility into the T level course design to deal with this issue. This could include utilising online training courses or homestay options for students.

Complexity in the technical system prevents students from identifying clear progression routes. It is important that prospective students can understand which higher-level courses different T levels will lead on to. The government should provide this information. It should also ensure there is the promised 'bridging' provision that will allow someone to switch between the 'academic' and T level tracks.

Complexity is not the only hindrance to decision making: a lack of clear, comparable information on course availability, content and outcomes can prevent prospective students from selecting the programme that offers them the highest returns. The government already provides comprehensive course comparison data for prospective

higher education (HE) students through the Unistats website; it should provide a similar one for the wider post-16 sector. This would allow students on technical routes to deliberate between options like apprenticeships and higher level technical courses.

## We should also provide targeted support for lower-qualified young people who are struggling in today's labour market

These measures would help to restart generational progress, but would come too late to benefit those young people who have already left formal education with lower-level qualifications and now find themselves in a labour market that has fewer opportunities for skills development and progression than their predecessors enjoyed. Unlike the 16-24-year-old technical education system, where the apprenticeship levy and T levels offer something to build on, policy thinking in this area is less developed. We highlight a number of options.

There has been little progress recently in reducing the share of people who are only qualified to Level 2 (GCSE-equivalent or below) by the time they reach their late-20s. Over a third of people born 1987-89 are qualified only to GCSE-level or below. And there are at least two significant barriers stopping those who have left the formal education system from returning. First, on top of the inevitable challenges involved in balancing work and caring responsibilities with study, anyone aged 24 or older would need to pay fees for a Level 3 qualification.

Secondly, they may find it hard to piece together different modules, taken over long periods of time and sometimes with different education providers, into a full qualification. These are disincentives for individuals to develop in their own skills. The government should tackle both, making this a priority of its current review of post-18 education. It should work towards a new mechanism for funding lower-qualified adults' education, alongside a universal system of education credit transfer.

This individual-led approach could help to bring young, lower-skilled adults back into education. But there is a need to focus on what more employers can do too. A long tail of UK firms operate on a lower-wage, low-productivity business model, with little scope to utilise a better-skilled workforce and thus little incentive to invest in the development of their workforce. And this workforce is large: nearly 1 million 18-35 year-old non-graduates work in lower-wage, low-productivity sectors.<sup>1</sup> To tackle this problem, government should establish as part of its Industrial Strategy dedicated deals with sectors like care, retail and hospitality. These deals would incentivise firms to make better use of the skills they have and to improve the skills of their workforce. They would also help firms to fill skills shortages.

Notwithstanding these sectoral approaches, many individuals will continue to find that their human capital will be most developed by moving into a new sector or occupation. That is why a previous Intergenerational Commission paper included an option for a 'Better Jobs Deal,' through which the government should develop mechanisms to help young, lower-qualified career 'switchers.' This would include publishing information on in-demand occupations and the skills required together with providing support for retraining.

---

1 S Clarke & C D'Arcy, [The kids aren't alright: a new approach to tackle the challenges faced by young people in the UK labour market](#), Resolution Foundation, February 2018



## Underpinning all of this is a need to fill the current shortfall in funding

Restarting generational progress on human capital will not come cheap. While many of the headlines surrounding the government's post-18 education review have focused on university tuition fee loans and higher education funding, this paper contends that the review should focus on boosting the skills of the majority of young people who do not attend university.

Moving to a system of high-quality educational routes like T levels will require high-quality educational institutions, and the relative level of underfunding that exists today will not suffice. At a minimum, FE funding should be brought back to the (real terms) level of 2011-12. To do so today cost roughly £765 million in current prices. Finding additional funds to boost young adults' human capital is also a challenge: the teaching element of the adult education budget has fallen 54 per cent since 2011.

To fund this the government should cancel some of its planned cuts to corporation tax. Since 2010, the government has delivered a series of cuts, lowering it from 28 per cent to 19 per cent today. It is already one of the lowest in Europe and one of the lowest in the OECD. The government now plans to cut it to just 17 per cent by 2020. The cuts have been sold as a means of increasing the UK's international competitiveness. Yet, given how far the rate has already been lowered, the extra gains associated with moving from 19 per cent to 17 per cent may not be as great as the benefits accrued from investing in the skills of the labour force.

Halving the remaining corporation tax cut to 1p and taking it to 18 per cent rather than 17 per cent would raise £2.9 billion by 2022-23.<sup>2</sup> £1 billion of the savings could be directed towards the 'Better Jobs Deal,' which will offer support and funding for younger workers most affected by the financial crisis to train up or to move jobs. A further £1.5 billion could strengthen technical education provision in England, with consequential funding for other parts of the UK. This £1.5 billion would:

- Bring further education funding levels in England back to their 2011/12 levels, at a cost of £846m (2022-23 prices);
- Allow the DfE to finance a substantial T level employer engagement campaign; and
- Provide Ofsted with any additional resources required to cover inspections on the rapidly growing number of apprenticeship training providers.

Skills do not just determine a person's ability to get into – and move up in – work; they also underpin wage growth and living standards. The second half of the 20th century was characterised by steady rises in human capital but that pace of that growth has slowed and many of the options facing young people in technical education are complex and of a low quality. The policy options that we advance aim to improve the education and training offer for future generations outside of the university pathway. They also aim to boost the skills of those who have already passed through the education system and are currently struggling in the labour market. The final report of the Intergenerational Commission will reflect on these and other options and propose a package of policies for a renewal of Britain's intergenerational contract.

---

2 Estimates from HM Treasury's Autumn Budget 2017 documents; See: [HM Treasury, Autumn Budget 2017 documents, Table 2.2: Measures announced at Spring Budget 16 \(or earlier\) that will take effect from December 2017 \(or later\)](#), November 2017

## **i** Box 1: Summary of policy options for consideration

Getting reforms ‘right’ will require an emphasis on clarity, quality and funding. Clear routes enable students to understand where a particular course can take them; clear, comparable information allows them to assess which programmes offer the highest value. However, *clarity* is of little use without *quality*. Skills development depends upon thoughtful course design and delivery and upon rigorous assessment. And quality in turn requires appropriate *funding*. It is critical to recognise that the costs of developing human capital are high.

### **‘Fixing’ technical routes for the future**

- » The Institute for Apprenticeships should remain firm on its requirement that apprenticeships now include 20 per cent off-the-job training; firms who do not provide this should face sanctions.
- » Ofsted should inspect every apprenticeship training provider within the next three years.
- » The government should replace its numerical target of achieving 3 million apprenticeship starts by 2020 with three directional targets: on boosting the number of starts, the number of starts at more advanced levels, and progression.
- » If in the medium term the current drop in the quantity of apprenticeship starts is sustained, the government should review its causes including whether they are linked to the funding system.
- » The Department for Education (DfE) should prioritise the communication and culture change challenges of delivering T level work placements. It should engage with employers and ensure that the lessons learned from work placement trials inform future policy.
- » DfE should assess where regional T level work placement gaps exist and build in flexibility for those students who wish to pursue a course even where there are no related employers locally, such as through online training courses or homestay options for students.

- » DfE should deliver the ‘bridging’ provision that will allow someone to switch between the ‘academic’ and T level tracks, and also clarify whether (and which) T level courses will have options for further study at Levels 4 and 5.
- » The government should make available comprehensive information on further education options, availability and employment outcomes; it should present this information on a course comparison website akin to the publicly funded higher education comparison platform, Unistats.

### **Providing additional support for lower-qualified young adults**

- » The government should develop sector deals with low pay industries like care, retail and hospitality. These deals should incentivise firms to design clearer progression paths, make better use of the skills they have and improve the skills of their workforce. They should also include targeted funding for filling skills gaps.
- » The government should adopt a ‘Better Jobs Deal’ which would include mechanisms to help young, lower-qualified career ‘switchers,’ such as providing support with the upfront costs of a new career, including the costs of training.
- » DfE should review barriers to adult learning and consider whether a system of credit transfer would boost educational participation among lower-qualified adults. It should prioritise these challenges – specifically those around technical study and adult learning – within its major review of post-18 education.

### **Underpin human capital development with appropriate levels of funding**

- » Boost the funding of technical education provision and underpin the ‘Better Jobs Deal’ by cancelling 1p of the corporation tax cut planned for 2020.

## Section 1

---

### Introduction

*The second half of the 20<sup>th</sup> century was a period of sustained human capital growth in Britain, with each cohort outperforming the one that came before it on any number of measures. Average years of schooling and qualification levels increased, as did literacy rates and numeracy skills – all of which provided a critical underpinning to the living standards improvements that characterised the period. But progress has stalled in the 21<sup>st</sup> century.*

*The proportion of younger people who do not achieve any qualification at Level 3 (A level-equivalent) or higher by the time they reach their late-20s has been broadly unchanged over recent birth cohorts. And lower-qualified adults now appear less able than in the past to rely on the world of work and training to support post-education skills development.*

*Tackling this problem necessitates a ‘twin-track’ approach. We must ‘fix’ the technical education system for future cohorts of young people but also provide targeted support for those who have already passed through and now find themselves stuck in lower-skilled and lower-paying roles. This ‘twin-track’ approach must in turn deal with the ‘triple challenge’ facing technical education and adult skills; namely the need for greater clarity, improved quality and increased funding.*

### UK living standards have been supported over the past century by continual growth in the country’s educational attainment, but the pace of this growth has slowed among recent cohorts

Rising educational attainment<sup>3</sup> was a driving force of the UK’s social and economic progress over the post-war period, with significant investment in education and skills – public expenditure underwent a seven-fold increase between 1945 and 1995<sup>4</sup> – reaping very large rewards in terms of economic growth and living standards improvements.

Figure 1 shows just how markedly educational outcomes have shifted for different cohorts in recent decades, with the proportion of UK-born adults educated to A level-equivalent or above at ages 25–28 jumping from around one-third (37 per cent) among the 1966–68

---

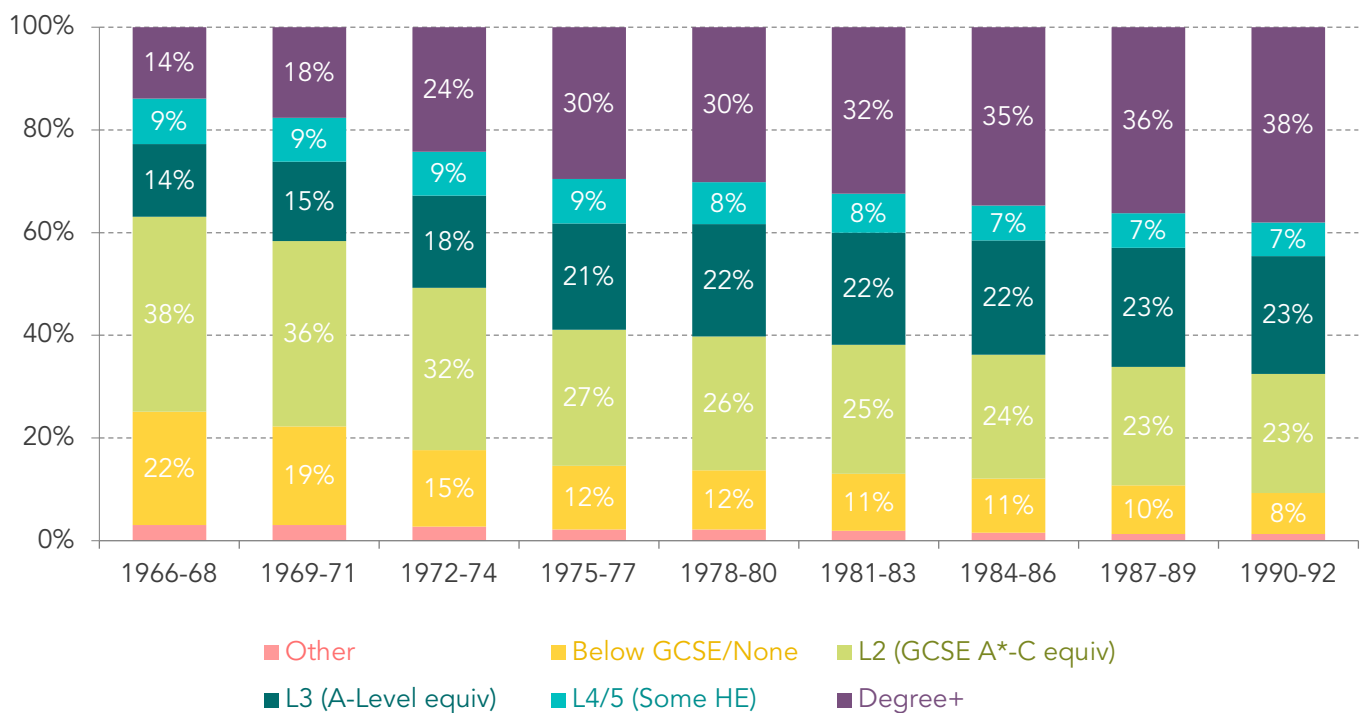
3 Qualifications are an imperfect measure of both capacities and knowledge, but skills surveys do indicate that on average they correlate quite neatly with literacy, numeracy and problem solving – critical skills for progressing in the labour market. See: OECD, [Skills Outlook 2013: First Results from the Survey of Adult Skills, United Kingdom/Northern Ireland](#), 8 October 2013

4 Public expenditure is only one measure of educational investment; during the early 20th century private education expenditure in the UK formed a larger proportion of total education spending than it does today. See: J Kunnas, ‘Human capital in Britain, 1760–2009’, *Scandinavian Economic History Review*, 64(3), 2016

cohort (the oldest members of generation X)<sup>5</sup> to two-thirds (68 per cent) among the 1990-92 cohort (the middle of the millennial generation). The near-doubling of this proportion has supported both overall economic growth and the steady cohort-on-cohort improvement in living standards that characterised the second half of the 20<sup>th</sup> century.

Figure 1: Cohort-on-cohort educational attainment progress has slowed

Highest qualification held at ages 25-28 by three-year birth cohort, UK-born: UK, 1996-2018



Source: RF analysis of ONS, Labour Force Survey

Yet, Figure 1 also highlights the fact that the *pace* of progress on educational attainment from one cohort to the next has slowed noticeably in recent years. For example, the cohort-on-cohort changes in the proportion of people having achieved a degree by the time they reach age 25-28 fell from a peak of 7 percentage points (or 37 per cent) for those born in the early-1970s, to less than 2 percentage points (or 5 per cent) for those born in the early-1990s. And at the opposite end of the scale, the magnitude of cohort-on-cohort *reduction* in the proportion qualified to no higher than GCSE A\*-C equivalent has fallen from 9 percentage points (or 16 per cent) for those born in the early-1970s to just over 1 percentage point (or 4 per cent) for those born in the early-1990s.

<sup>5</sup> Throughout this report we focus primarily on three- and four-year birth cohorts however it is worth noting where these cohorts sit within the generations defined by the Intergenerational Commission. These comprise: the forgotten generation (1896-1910); the greatest generation (1911-1925); the silent generation (1926-1945); baby boomers (1946-1965); generation X (1966-1980); the millennials (1981-2000); and the latest generation (2001-2015).

To some extent we might expect such a slowdown over time – after all, the more impressive the starting point the harder it becomes to continue to achieve marginal gains. But, we must nevertheless take this challenge seriously. While by no means the only factor at play, this recent stalling of growth in educational attainment is likely to have played a key role in the apparent ending of cohort-on-cohort improvements in pay and wider living standards that has been uncovered in a range of research papers for the Intergenerational Commission.<sup>6</sup>

And there is evidence to suggest that the country's room for improvement on educational attainment is far from exhausted. Over a third of recent birth cohorts have still not achieved a Level 3 (A level-equivalent) qualification by their late-20s. Moreover, the most recent *Survey of Adult Skills* from the OECD (covering 2012) showed that young adults (16-24) in England tested lower on average on literacy and numeracy than their contemporaries in other OECD countries, coming in 10 and 7 points<sup>7</sup>, respectively, below the average.<sup>8</sup>

Looking beneath the headline figures, it becomes clear that lower-qualified young adults in England fare especially badly in this cross-country comparison. The proportion of English 16-24 and 25-34-year-olds with low basic numeracy skills is higher (and mean test scores are lower) than the OECD average across nearly all qualification levels, but the differences are only statistically significant among those who are qualified just to GCSE-level or below.<sup>9</sup>

Importantly, a wider body of literature finds that the relative gap between young adults in England and other OECD countries is both long-established and something that appears to open up after the age of 15. That is, the country has for several years fared less well than many others – particularly in relation to those not undertaking A level-equivalent studies – specifically at the point at which students transition into adulthood.<sup>10</sup> The implication is that the non-higher education post-16 education sector in England is ripe for reform, and that this has the potential to kick-start renewed cohort-on-cohort growth in educational attainment.

---

6 See for example See: L Gardiner & P Gregg, [Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts](#), Resolution Foundation, February 2017; L Gardiner & C D'Arcy, [The generation of wealth: asset accumulation across and within cohorts](#), Resolution Foundation, June 2018.

7 On a 500-point scale.

8 See: L Clark, ['75 per cent of graduates don't have a good grasp of English: Results come despite surge in education spending'](#), Daily Mail, 10 September 2014

9 See: OECD Programme for the International Assessment of Adult Competencies (PIAAC), Public Data Analysis

10 Green (2017), Green and Pensiero (2016) and Green, Green and Pensiero (2015) analyse pseudo-cohort studies linking skills performance at age 15 (when students participate in the OECD's Programme for International Student Assessment) to early adulthood (when a different group of young people from the same cohort take the Survey of Adult Skills). Green and Pensiero (2016) find that while numeracy skills inequality reduced during this stage in most countries, it increased for six, growing most in England. On literacy, Gini coefficients were in fact reduced during these age periods in all participating countries, however England's reduction was third from smallest. See: A Green, [The Crisis for Young People: Generational Inequalities in Education, Work, Housing and Welfare](#), Palgrave Macmillan, 2017; A Green & N Pensiero, ['The effects of upper-secondary education and training systems on skills inequality. A quasi-cohort analysis using PISA 2000 and the OECD survey of adult skills'](#), British Educational Research Journal, 42(5), October 2016; A Green, F Green & N Pensiero, ['Cross-Country Variation in Adult Skills Inequality: Why Are Skill Levels and Opportunities So Unequal in Anglophone Countries?'](#), Comparative Education Review, 59(4), November 2015

## The slowdown in educational progress has been compounded by a reduction in opportunities for developing human capital through work

Of course, interaction with the education system is not the end of the story: skills and capacities are also developed through work and training, and the UK has traditionally fared well in this regard.

One of the most eye-catching findings from the OECD *Survey of Adult Skills* is that younger adults underperformed not just their OECD contemporaries, but also their older (55-64) counterparts in England. This contrasts with the experience of most OECD countries and would seem to be at odds with the evidence set out above showing steady (if declining) cohort-on-cohort gains in educational attainment.

As with the relative international underperformance however, this again appears to be a long-established pattern in England: analysis of the OECD's 1996 International Adult Literacy (IALS) survey yields a similar story.<sup>11</sup> What appears to be happening – supported by evidence from the Programme for the International Assessment of Adult Competencies (PIAAC) and other adult skills surveys – is that lower-qualified young adults have gone on to make significant skills gains once they have left the 16-24 education system, narrowing gaps with their similarly-aged contemporaries abroad and with their older counterparts at home.

Skills in England have therefore displayed an 'inverted U' over the life-cycle, with younger adults' skills assessments continuing to improve beyond the point at which they leave education and peaking at some point around their mid-30s. The implication is that work and training have played a positive role in human capital development in England. Interaction with the labour market has helped to build skills – and in particular the skills of those at the bottom of the distribution – as individuals approach the middle of their working lives.<sup>12</sup>

- Encouraging though this workplace development is, it appears to be under threat from the changing nature of the labour market. For lower-qualified millennials, four developments in particular stand out:
- Increased rates of unemployment relative to previous cohorts;
- Increased concentration in part-time and insecure jobs;
- Increased concentration in lower-skilled industries and occupations; and
- Reduced access to work-related training across all industries and job-types.

---

11 R Layard, S McIntosh & A Vignoles, *Britain's Record on Skills*, Centre for the Economics of Education, April 2002

12 See: R Wheeler & J Worth, '[Young Adults' Skills Gain in the International Survey of Adult Skills 2012](#)', Department for Business, Innovation and Skills, Research Paper No. 182, August 2014; G. Brooks & J Lahmar, '[Life course and cohort factors in adult basic skills levels](#)', Future of Skills & Lifelong Learning Evidence Review, Government Office for Science, March 2017

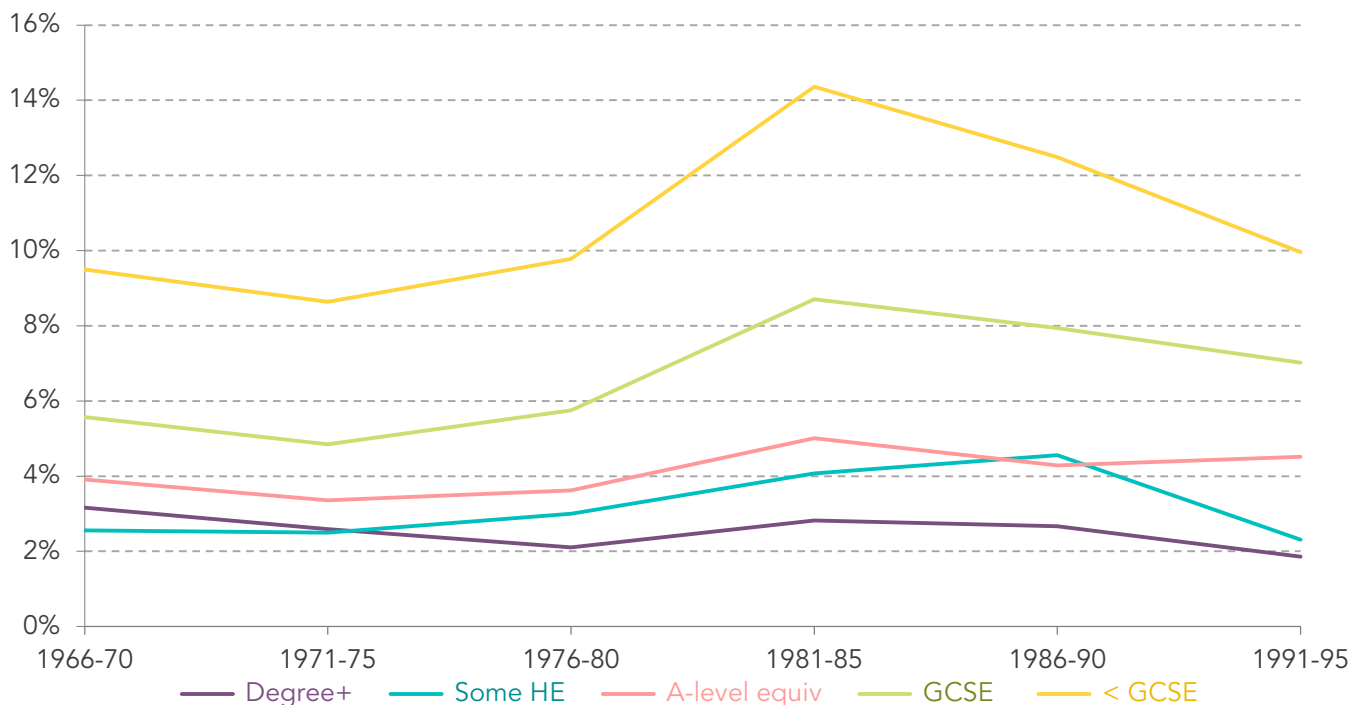
## Lower-qualified millennials are more likely to be unemployed than counterparts in previous generations, damaging their chances of developing their human capital in a workplace setting

The first test of whether work can help an individual develop their skills is whether that person has a job to begin with. For younger cohorts as a whole, the news on this score has been good: record employment in recent years has meant they have experienced lower unemployment rates than their predecessors at the same age. However, the picture looks somewhat different if we focus instead just on those members of younger cohorts who did not achieve high levels of educational attainment.

Figure 2 illustrates the point. It sets out unemployment rates between the ages of 25 and 30 for six successive cohorts, showing how these have differed by the highest level of qualification obtained in each cohort. The pattern is obviously cyclically-affected, with unemployment spiking at ages 25-30 among the 1981-85 cohort, reflecting the timing of the financial crisis. What stands out though is the contrast between cross-cohort comparisons of unemployment by qualification level. Rates are higher among those members of the 1991-95 cohort with A level-equivalent qualifications and below; but they are similar for those with some higher education (HE) and lower for those with degrees.

Figure 2: Unemployment rose most for lower-qualified people in younger cohorts

Unemployment at ages 25-30 by birth cohort and highest qualification held, UK-born only: UK, 1996-2018



Notes: Unemployment is indicated by Labour Force Survey variable of ILO unemployment.

Source: RF analysis of ONS, Labour Force Survey

Of course the relative sizes of these different qualifications groups have shifted significantly over this period, helping explain why the overall unemployment rate has fallen among millennials even though the rates within many of the individual qualification categories have risen. We might also speculate that the general upskilling of the population over the timeframe has altered the composition of each qualification group, with the profile of the below-GCSE group being particularly changed. Nevertheless, it remains the case that millennial members of this group are less likely to be employed today than was the case previously, thus denying them an important opportunity to develop their human capital in the workplace.

## Lower-qualified millennials who are in work are also more likely to be in part-time or insecure roles, again reducing their scope for skills development

On the surface, the share of younger-people working part-time has fallen substantially over recent cohorts: 22.1 per cent of those born in 1961-65 worked part-time while aged 25-34, as did 19.1 per cent of those born 1966-70. In contrast, 18.2 per cent of those born 1981-85 and 17.6 per cent of those born 1986-90 worked part-time while in the same age range.

Again, however, we observe a difference between such aggregate trends and those in place for lower-skilled workers. In this instance there is also a gender dimension. The proportion of women working part-time fell across all qualification levels, but it rose (again across all qualification levels) for men. And growth in male part-time work was largest among those who had sub-degree tertiary qualifications and GCSEs as their attainment level.<sup>13</sup>

Beyond employment mode, there have also been shifts in the average number of hours worked by men: average hours of men at the lower end of the earnings distribution fell from 44.3 in 1997 to 42.2 in 2016, as compared to men at the top of the distribution whose hours rose from 36.8 to 37.3.<sup>14</sup> This implies that lower-skilled, and hence lower-paid, males are increasingly working fewer hours, with implications for job quality and training opportunities.

The rise of insecure employment, such as agency work and relatively new forms of employment like zero-hours contracts, also appear to be concentrated among younger cohorts. Recent Resolution Foundation research has shown that nearly half of people on zero-hours contracts are aged 16 to 29 for instance<sup>15</sup>, with the same proportion of agency workers being aged 16 to 34.<sup>16</sup> It would appear that the groups experiencing the largest rises in insecure and part-time work are also those most in need of human capital development.

13 For men born 1961-65 at ages 25-34, 2 per cent of men with sub-degree tertiary qualifications and 2.6 per cent of men with GCSE-equivalent qualifications worked part-time. For those born 1966-70, these figures were 2.7 per cent and 2.6 per cent, respectively. This rose for later cohorts; for example for those born 1981-85 the proportion working part-time was 8 and 6.7 per cent, respectively. For those born 1986-90 the figures are 12.4 and 9.6 per cent, respectively. See: ONS, Labour Force Survey

14 S Clarke and G Bangham, [Counting the hours: two decades of changes in earnings and hours worked](#), Resolution Foundation, January 2017

15 S Clarke 'Atypical day at the office' in S Clarke (eds) [Work in Brexit Britain: reshaping the nation's labour market](#), Resolution Foundation, July 2017

16 L Judge & D Tomlinson, [Secret Agents: Agency workers in the new world of work](#), Resolution Foundation, December 2016

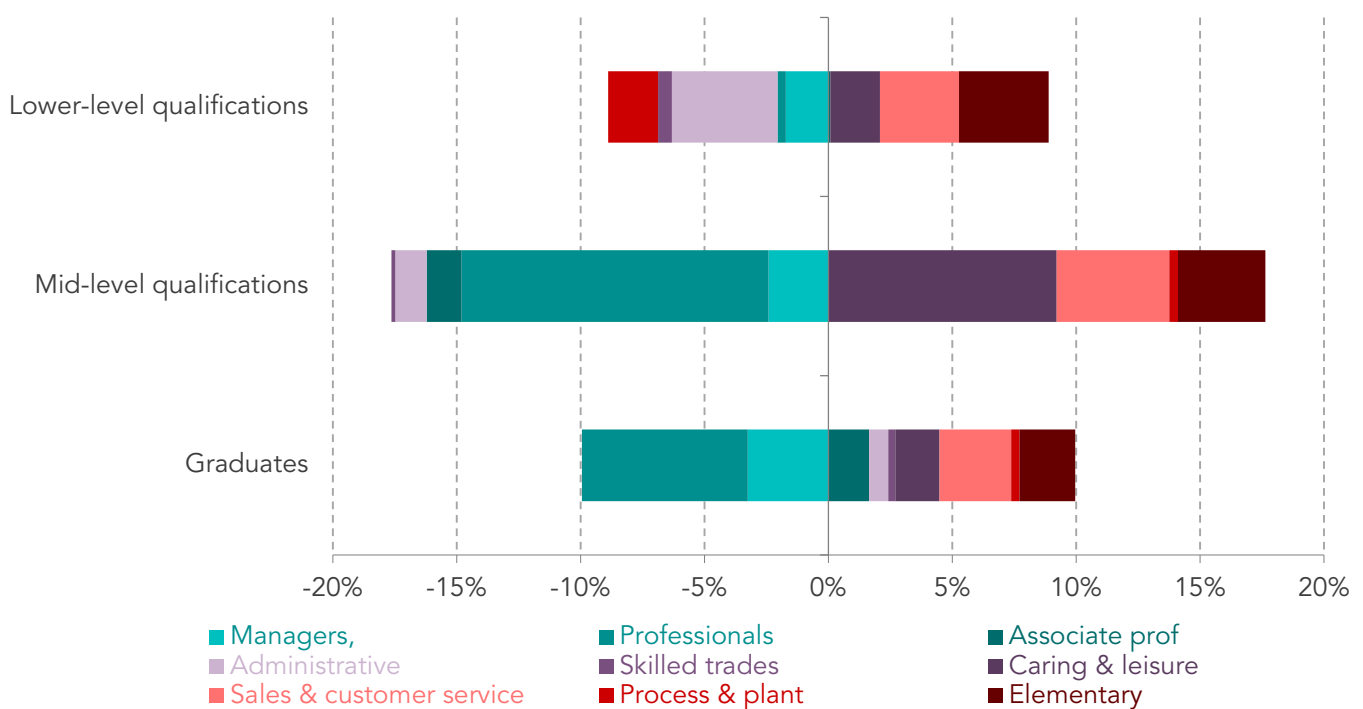


## Younger generations are also shifting into lower-skilled work

As employment patterns have changed, so too have the occupations and industries that younger people work in. Figure 3 breaks down 25-34-year-olds into three groups, those with lower-level qualifications (GCSE-equivalent or below), mid-level qualifications (A levels and sub-degree tertiary qualifications) and those with degrees or higher. For each qualification group, it shows changes in the share of young people (those aged 25-34) working in different occupations, comparing those born 1961-65 and those born 1981-85. Bars to the right of the axis represent occupations where there has been a rise in the share of young people working in them over the two cohorts; bars to the left represent those occupations that have had a reduction in share. Occupations shaded in pink/red are classed as lower-skilled, those in purple as mid-skilled and those in blue/green as higher-skilled.<sup>17</sup>

Figure 3: A larger share of lower-qualified young people are in lower-skilled jobs than in cohorts past

Percentage point change in occupation held at ages 25-34, cohorts born 1961-65 and 1981-85, UK 1996-2018



Note: 'Graduates' include those with degrees or higher. 'Mid-level qualifications' include those qualified to Level 3 (A level) to Level 5 (HNC/HND). 'Lower qualifications' include those whose highest qualification level is at GCSE A\*-C equivalent or below.

Source: RF analysis of ONS, Labour Force Survey

The chart shows that across all qualification groups, there has been a reduction in the share of young people working in higher-skilled roles, and an increase in the share working

17 Classifying occupations according to their skill levels is an imprecise exercise when done at such high level. The classification used here is informed by the ONS Standard Occupational Classification 2010 skill descriptors. The ONS states that managerial, professional and associate professional roles a significant amount

in caring and lower-skilled roles across the two cohorts. This change is largest among the mid-level qualifications group. For example, 22.3 per cent of the 1961-65 cohort with mid-level qualifications worked in professional roles while aged 25-34. In contrast, just 9.9 per cent of those born 1981-85 did at the same age (a 12.4 percentage point decrease). And 5.6 per cent of those born 1961-65 worked in caring and leisure roles, as compared to 14.8 per cent of those born 1981-85 (a 9.2 percentage point increase).

Of course, the level of change should be considered against the current shape of employment. While the absolute level of occupational change among graduates is slightly higher than that which occurred among those with lower-level qualifications, the stock of graduates working in lower-skilled occupations remains much smaller: 9 per cent of graduates born 1981-85 were in lower-skilled work (sales, process or elementary) when aged 25-34. This is in contrast to a fifth (20 per cent) of those with mid-level qualifications and a plurality (43 per cent) of those with lower-level qualifications.

There have also been shifts by industry: a substantially greater proportion of the entire 1981-85 cohort worked in sectors like retail, hotels, restaurants, and community and social care at age 25-34 than did the 1961-65 cohort at the same age. However, the change is larger for those with mid- and lower-level qualifications. What's more, the sectors which have experienced the largest increase of mid- and low-qualified young adults – retail, and hotels and restaurants – are found to be two of the hardest to escape low pay from within.<sup>18</sup>

## Training rates and training length are also down – even when we factor in the effects of occupational change

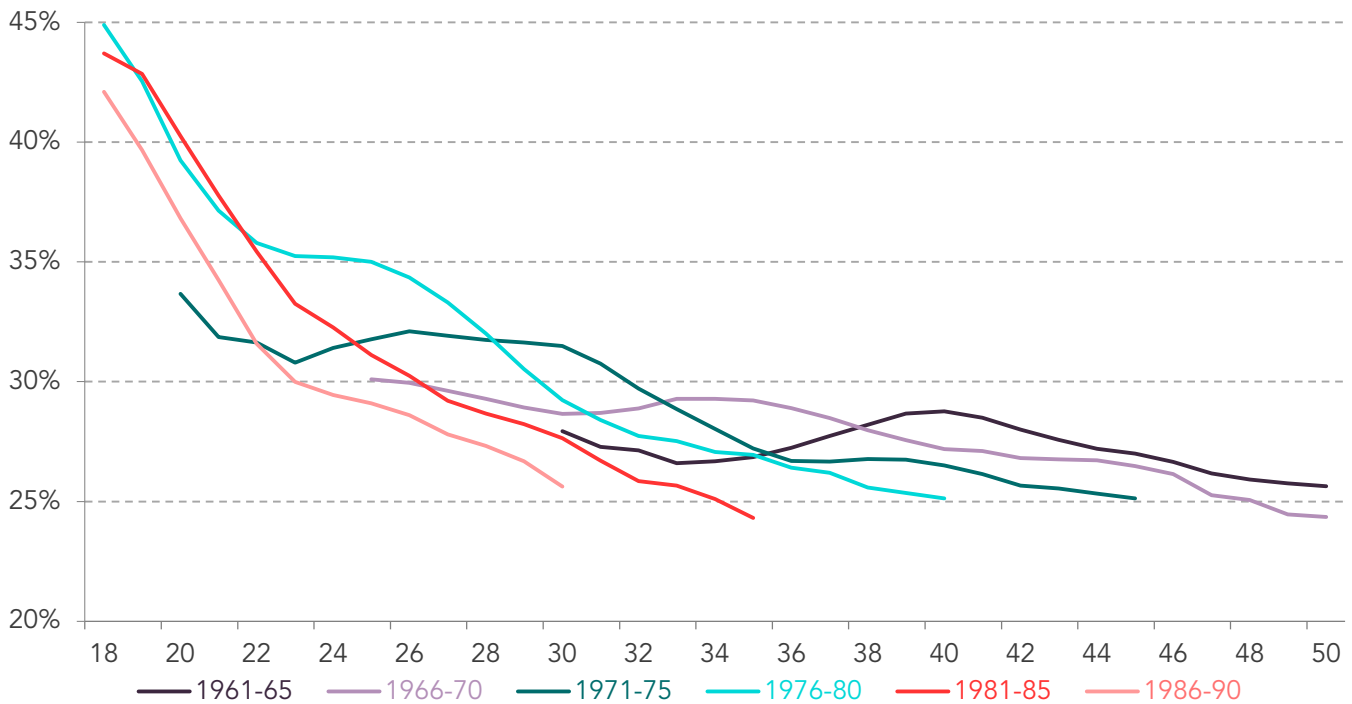
On top of the unemployment, occupational and industrial shifts outlined above, there has also been a cohort-on-cohort decline in the training rate, here defined as the proportion of employees who report having received training in the past 13 weeks. Figure 4 depicts the training rate for six recent cohorts at different ages. It shows, for example, that while over 32 per cent of 28 year-olds born in the 1970s reported recent training, just 29 per cent and 27 per cent of those born 1981-85 and 1986-90 had recently been trained at the same age. Given that it is during a person's early career when work (and work-related training) has a seemingly large effect on skills development, a reduction in training at this stage is cause for concern.

---

of knowledge and experience (managerial roles) or high levels of education and training (professional and associate professional). Roles that we classified as mid-skill (administrative, skilled trades and caring) are said to require either a substantial period of training (skilled-trades) or a "good standard of general education." Finally, lower-skilled roles (sales, process and plant, and elementary) either "general education" (sales), a "minimum standard of competence" and task-based knowledge (process and plant) or a "minimum level of general education" (elementary). See: ONS, [Standard Occupational Classification 2010, Volume 1: Structure and descriptions of unit groups](#), Palgrave Macmillan, 2010

18 C D'Arcy & A Hurrell, [Escape Plan: Understanding who progresses from low pay and who gets stuck](#), Resolution Foundation, November 2014

Figure 4: Younger cohorts are trained less often than previous cohorts at the same age



Notes: "Training" refers to the proportion of people who reported having had work-related in the past 13 weeks.

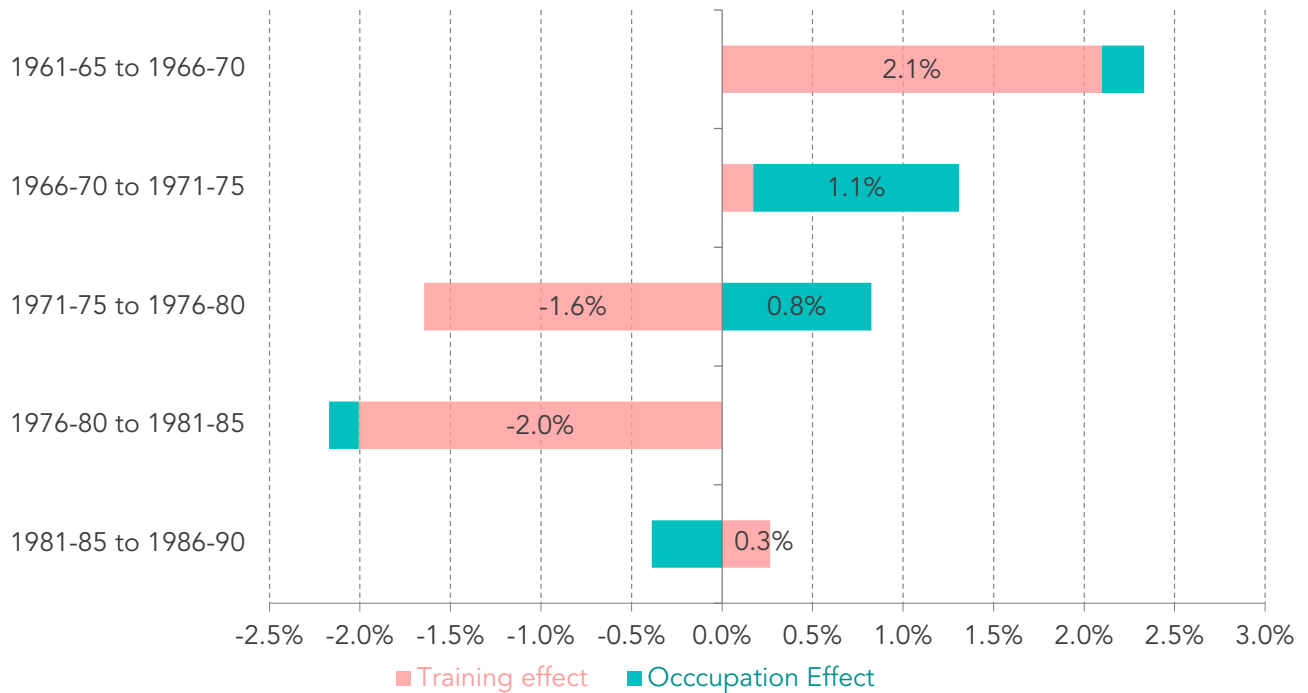
Source: RF analysis of ONS, Labour Force Survey

We might suppose that these reductions are – at least in part – simply a function of the occupational shifts already discussed: that is, young people may have moved into roles that have historically trained less than average. We can test this by breaking down the proportion of the cohort-on-cohort training rate changes that is accounted for by firms actually training less than they had in the past and the proportion of change that is accounted for by the fact that younger people today have a different occupational mix than in the past.

Figure 5 presents the results of this 'shift share analysis,' and indicates that the overall fall in cohort-on-cohort training rates has in fact been driven primarily by shifts in firm behaviour. The positive cohort-on-cohort growth between 1961-65 and 1971-75 was buoyed by both training (pink bars) and by occupational effects (green bars). But subsequent falls in training were driven more by firms training less than they were by changes in younger cohorts' occupational composition. The (positive) change in training between the 1981-85 and 1986-90 birth cohorts stands out as an exception, but comes after particularly sharp cohort-on-cohort falls in earlier years and is likely associated with some unwinding of the post-crisis downturn.

Figure 5: Falls in training are driven by firm behaviour more than occupational change

Cohort-on-cohort change in training rate associated with occupation and training effects: UK, 1996-2018



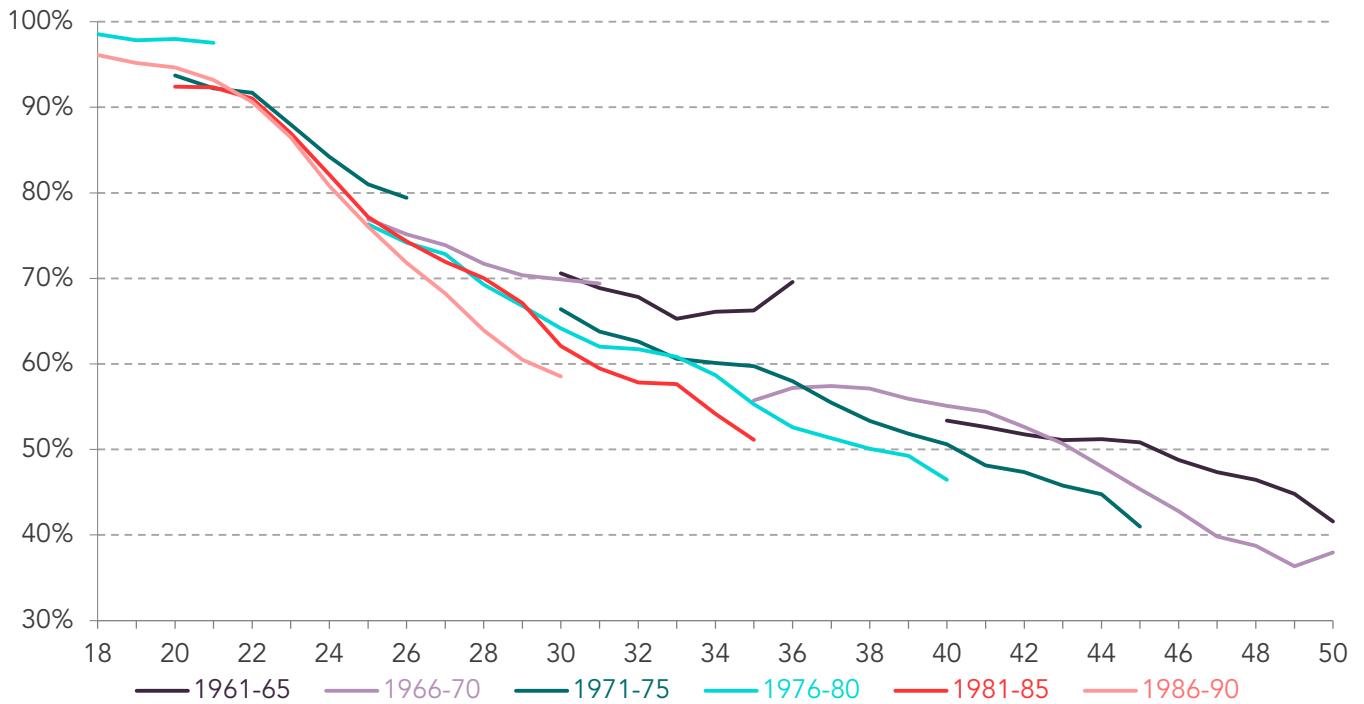
Source: RF analysis of ONS, Labour Force Survey

Shift share analyses for cohort-on-cohort training rates by *industry* similarly attribute greater weight to training effects, rather than a change in the industrial composition of younger cohorts.

Of course, the proportion of people trained within the past 13 weeks is a somewhat reductive skills development measure; it tells us little about how intensive, or indeed how educative, the training was. However there is limited data on the subject. By way of proxy, we can look additionally at training length, with Figure 6 taking the sample of people who reported having been trained in the past 13 weeks and breaking it into two categories: the proportion whose training lasted less than a week, and the proportion whose training lasted one week or longer. As with training rates, there have been cohort-on-cohort falls in the proportion who received longer levels of training. For example among those who reported having recent training, 72 per cent of 28 year-olds born 1966-70 said that training lasted longer than a week. That compares with 70 per cent of those born 1981-85, and 64 per cent of those born 1986-90 at the same age.

Figure 6: Younger cohorts are trained for less time than previous cohorts at the same age

Proportion trained whose training lasted 1 week or over, by age and cohort, three years rolled, UK, 1996-2018



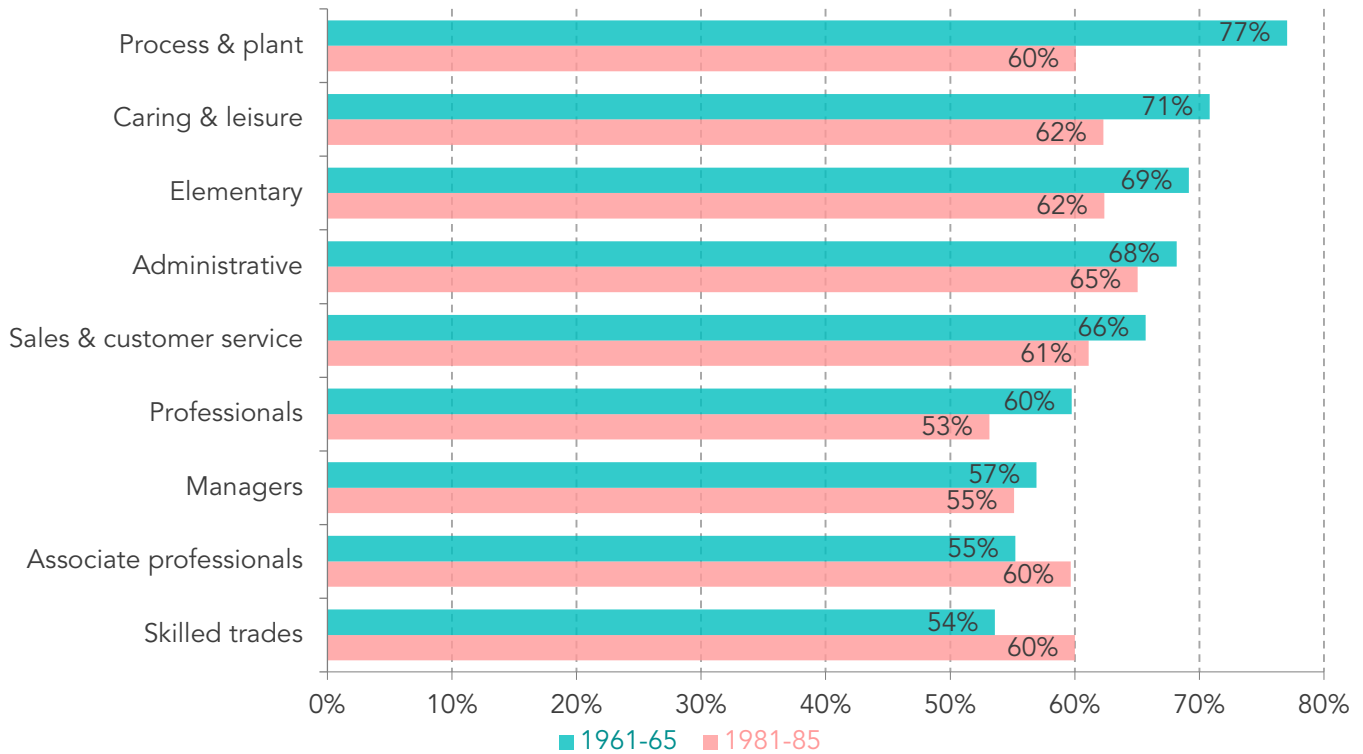
Notes: The Labour Force Survey did not include the above question on training length from 1997 to 2006, resulting in gaps in the training length lines for cohorts 1961-65 to 1976-80. Figures are available for 1996 and 2006 to present.

Source: RF analysis of ONS, Labour Force Survey

Beneath this headline change in training length, trends have varied across different occupations. Figure 7 shows that the proportion of those trained for more than a week at ages 25-34 held roughly flat from cohorts 1961-65 to 1986-90 among those working in managerial and administrative roles. However, there were substantial falls (of between 7 percentage points and 10 percentage points) among professionals and among all lower-skilled occupations.

Figure 7: Training length has fallen most for those in lower-skilled occupations

Proportion of trained whose training lasted 1+ weeks at ages 25-34; UK, 1996-2018



Source: ONS, Labour Force Survey

Again, a shift share analysis shows that cohort-on-cohort changes – which have steadily trended downwards – cannot be explained solely by change in different cohorts’ occupational composition: much of the change appears driven by a shift in firms’ behaviour.

Moreover, today’s younger people tend to stay in their jobs for longer periods of time than younger people have done in the past. While aged 24-26, 20.5 per cent of those born between 1975 and 1977 had been with their employer for more than five years; that figure was 24.3 per cent for those born between 1987 and 1989 at the same age. Job-to-job moves out of a sector are 16 per cent below the pre-financial crisis average for 18-35-year-olds.<sup>19</sup> The upshot of this (relative) immobility is that younger people have fewer chances to move from a low-training to a high-training role. And more generally, even before we turn to formal training figures, lower rates of job-to-job moves represent a drag on human capital development by reducing the number of new experiences and learning opportunities faced by younger workers.

The downward shifts we have described here in relation to job mobility, security, hours, occupations, training rates and training length combine to build a picture of a labour market that is less hospitable for skills development, and particularly so for lower-qualified younger adults.

<sup>19</sup> S Clarke & C D’Arcy, [The kids aren’t alright: a new approach to tackle the challenges faced by young people in the UK labour market](#), Resolution Foundation, February 2018

## Restarting generational skills progress requires a twin-track approach, underpinned by a focus on clarity, quality and funding

The combination of slower progress on educational attainment and reduced opportunities for human capital development in the labour market poses a clear challenge for younger cohorts. In this report – one in a series of *policy options* papers published ahead of the Intergenerational Commission’s final report – we consider how the UK might rise to this challenge by tackling both aspects of the problem.

More specifically, we focus on both ‘fixing’ the 16-24 phase of the education system for those yet to enter it, and better supporting those who have already passed through it but who now find themselves less well served by the labour market than were those who came before them. We concentrate on those young adults not following the standard A level-to-university route, reflecting the fact that it is this group which appears most exposed to both weaknesses in our education system and changes in the labour market.

Our contention is that funding cuts, unnecessary complexity and too-frequent changes in the workings of the system have fostered a substantial fall in further education (FE) participation among young adults. The total number pursuing FE fell by 28 per cent between 2011-12 and 2016-17,<sup>20</sup> despite there being over 40,000 courses on offer.<sup>21</sup> In contrast to the very stable and clear pathway open to those who choose to move from GCSEs to A levels and then university, options for both young people and adults on the technical education track have been in a state of near-continual flux. The Institute for Government has noted, for example, that England’s further education system has had 28 major pieces of legislation and 30 secretaries of state over the past 30 years.<sup>22</sup>

Restarting generational progress on human capital requires us to meet the triple challenge of building *clarity*, *quality* and *funding*. We argue that instilling clarity into the skills system would allow potential learners to better understand and navigate the options before them. But we recognise that such clarity will be of little use without quality: skills development depends upon thoughtful course design and delivery, upon rigorous assessment and upon a wider view of the eventual outcomes for students. And quality in turn requires appropriate funding. It is critical to recognise that the start-up and operational costs of developing human capital are high, particularly in technical areas. A desire to restart generational progress on skills requires an honest assessment of – and willingness to provide – the required resources.

### Navigating this report

This report is split across three further sections, covering the two elements of our proposed ‘twin-track’ approach in turn in Section 2 and Section 3, before offering some conclusions in Section 4. In common with other papers in this *policy options* series, it offers not just analysis of the problem but also a number of potential solutions which will inform the thinking of the Intergenerational Commission ahead of publication of its final report.

---

20 Department for Education, [Further Education and Skills: November 2017](#), 23 November 2017

21 Office of Qualifications and Examinations Regulation (Ofqual), [Approved Qualifications Register](#), accessed 23 March 2018

22 R Wolf in E Norris and R Adam’s [All Change: Why Britain is so prone to policy reinvention, and what can be done about it](#), Institute for Government, 2017

## *i* Box 2: Terminology used in this report

The post-16 education and skills landscape contains an array of terminology which can be confusing. We provide a non-exhaustive guide to some of the most-commonly used terms in this box.

### **Qualification level definitions**

Level 2: GCSE A\*-C (or grades 4-9) equivalent; young people typically pursue these between ages 14 and 16.

Level 3: A level-equivalent; young people typically pursue these between ages 16 and 18.

Level 4/5: Post-secondary, sub-degree level study. These include Higher National Certificates (HNCs), Higher National Diplomas (HNDs), Foundation degrees, and other sub-degree level qualifications. Often, these have a specific technical purpose.

Level 6: Degree-equivalent (higher education).

### **Educational 'period' definitions**

Upper-secondary education: Refers to the 16-19 phase, including Level 2 (GCSE-equivalent) and Level 3 (A level-equivalent).

Tertiary education: Post-secondary education, inclusive of Levels 4+.

Adult education: Study taken up outside of university by those over the age of 23

### ***The distinction between 'academic', 'vocational' and 'technical' education***

The terms 'vocational' and 'technical' education tend to be used interchangeably, referring to courses that do not align with traditional perceptions of 'academic' study. They are perceived as courses taken in further education colleges or through apprenticeships rather than through A levels or university. This is often an oversimplification: a law degree allows access to a clear vocation, just as engineering degree is arguably technical.

However, in the absence of better terminology, this report draws a distinction between academic options (namely, those subjects that are taken at A level and allow a clear path to university) and technical options (often called vocational courses that tend to facilitate entry into a specific occupation more so than entry into university).

We recognise that there is indeed a large amount of technical study that exists in perceived academic tracks from Level 3 (A levels) and upwards (higher education), however the purpose here is to identify courses not traditionally seen as 'academic' that span from Level 2 upward into sub-degree tertiary education at Levels 4 and 5.



## Section 2

---

# Reforming technical education for future cohorts of young people

*Having shown that cohort-on-cohort progress in human capital accumulation has slowed down in recent years – with the proportion of young people qualified to only GCSE-equivalent levels holding flat – we turn in this section to consider why this has happened and how we might change things.*

*We first outline the shape of the post-16 education system, splitting out the proportion of 17 year-olds and identify where these different groups progress on to by age 20. We then go on to highlight differences in the clarity and quality between these two tracks.*

*Faced with a need to improve both the clarity and quality of non-higher education routes, the government has started to move in the right direction. The emphasis it has placed on reforming technical education and apprenticeships is welcome, but current efforts need to be supported by intensive quality requirements and regulatory infrastructure, and by more substantial funding. Below we outline both the current structure of post-16 technical education and recent government reforms to it, before concluding with a series of policy options.*

## A majority of young people do not follow the traditional A level-to-university pathway and many find themselves 'stuck' with lower-level qualifications

The picture of the UK's 16-24 education system is dominated by headlines about A level results and university participation figures. Yet more than half of young people do not follow the established route leading from A levels at age 16 to university at age 18, and we need to do a better job of supporting this 'neglected majority'.

By breaking down the educational activity of 17 year-olds, we can roughly sketch the composition of this group in England. In total, 44 per cent were enrolled on A levels in 2016. As shown in Figure 8, the remaining 56 per cent of 17 year-olds are fragmented across a series of education and training programmes. 21 per cent were studying for a technical Level 3 qualification, such as a BTEC National or an Applied General<sup>23</sup> and 2 per cent were on an Advanced (Level 3) apprenticeship. 18 per cent were still enrolled on Level 2 courses or apprenticeships, with many in this group resitting their English and Maths GCSEs alongside Level 2 technical courses.<sup>24</sup> The remainder were either in studying for lower-level (Level 1 or other) courses, in training, employed or not in education or training.<sup>25</sup>

---

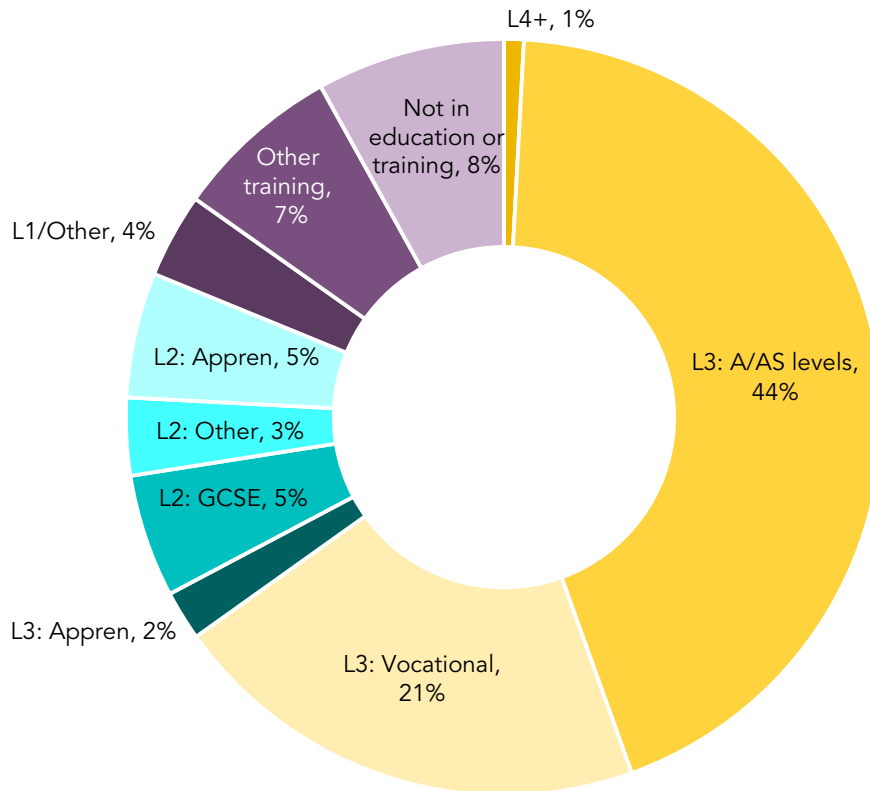
23 Some students enrol on a mix of A levels and other qualifications like BTECs.

24 As a condition of funding, 16 year-olds who do not achieve a Grade C (now Grade 4) in their English and Maths GCSEs at age 16 are required to resit these exams until they achieve the required mark.

25 Recent rule changes require that young people are either be in full-time education, work-based learning (such as an apprenticeship) or part-time training and working until aged 18.

Figure 8: A majority of 17 year-olds are not on the traditional A level-to-university path

Composition of 17 year-olds' educational participation, 2016: England



Notes: A small proportion of 17 year-olds are recorded as having participated in both full-time education and in an apprenticeship; they appear in the 'other training' category.

Source: Department for Education, 'Participation in education, training and employment: 2016,' SFR 29/2017, 29 June 2017

The one-third of 17 year-olds studying at Level 2 or below are unlikely to move up to courses at Level 3 – a factor that is in part driven by GCSE requirements. Those students who fail to attain grades A\*-C (or grades 9-4 under the new system) in their GCSE English and Maths exams are required to spend the next year repeating – and then resitting – these.<sup>26,27</sup> They often do this on top of other technical courses, usually at Levels 1 or 2.

Unfortunately, less than a third of this group achieve successful resits. These resit years hamper their ability to progress onto higher technical courses and thus reduce the odds of their being able to develop the skills that will allow them to succeed in mid and higher-skilled occupations. They also place pressure on colleges' staffing requirements and budgets.<sup>28</sup>

The upper-secondary education system presents a number of challenges for the 'neglected majority'. First, it places a substantial number of young people into a 'Groundhog Day' scenario: resitting (and never achieving) qualifications at Level 2. Second, too few

26 R Adams, S Weale & H Bengtsson, 'Proportion of students getting good GCSE grades falls after reforms', *The Guardian*, 24 August 2017

27 Those in apprenticeships are able to study for a functional skills qualification in these subjects, in lieu of the GCSE.

28 D Thomson, 'GCSE results day 2017: Good news about resits in English', *Education Datalab blog*, 24 August 2017

people achieve mid-level qualifications at Level 3: more than a third exit the system with low-level qualifications (i.e. Level 2 and below). Third, those who do achieve a Level 3 and wish to pursue study technical (non-HE study) at the next level face a dearth of options.

Underpinning all of this is the crucial fact that the routes for those outside of the A level-to-university track are complex, difficult to navigate, underfunded and in many cases of a lower quality – issues we turn to below.

## Students outside of the A level-to-university path are confronted with un navigable routes

Upon entering into upper-secondary education young people are presented with a large number of options: there are currently over 13,000 courses that 16-19-year-olds can choose from. Although a high level of choice should be welcomed, there is a sense that too often the technical education landscape is characterised less by choice and more by confusion.

First a young person has to choose the subject, course or apprenticeship (and sometimes, awarding organisation, provider or employer) that they think will suit them best. Second they may look to the future, in order to understand where these courses or apprenticeships will take them. On both counts, the options that sit before students on the technical track are more complex than those before students on the A-level track. Specifically, the number of options that sit before them at Levels 2 and 3 are greater, while the number that sit before them at Levels 4 and higher are smaller, with fewer direct follow-on options.

For example, there are 322 different GCSE courses for young people to choose from; these are in 24 different subject areas and offered by five different awarding organisations. 16 year-olds entering onto A levels can choose from 283 different courses in 27 different subject areas offered by five different awarding organisations.

While the number of subject areas available to young people outside of the GCSE and A/AS-level routes is slightly larger, at 48, the number of awarding organisations and actual courses to choose from is incredibly more so: as of April 2018 there are over 12,500 approved qualifications offered by over 130 awarding organisations.<sup>29</sup>

The number of qualifications on offer does not in and of itself reflect a troubled system. For example, some specialist provision is of a very high quality and is critical to industry, and should therefore be protected. We would *expect* to see more subjects offered on the technical education route, because many are designed to lead to a specific occupation.

However, a system that features a large number of overlapping qualifications, offered by several different awarding organisations and providers – often with variable quality and quality assurance – can prevent an individual from developing a coherent suite of skills or from progressing upwards through a clearly delineated route. At a minimum, there should be support mechanisms that allow young and older people alike the ability to make an informed choice.

Looking beyond decision-making at Levels 2 and 3, we turn to progression routes – again, pathways for the neglected majority appear less clear.

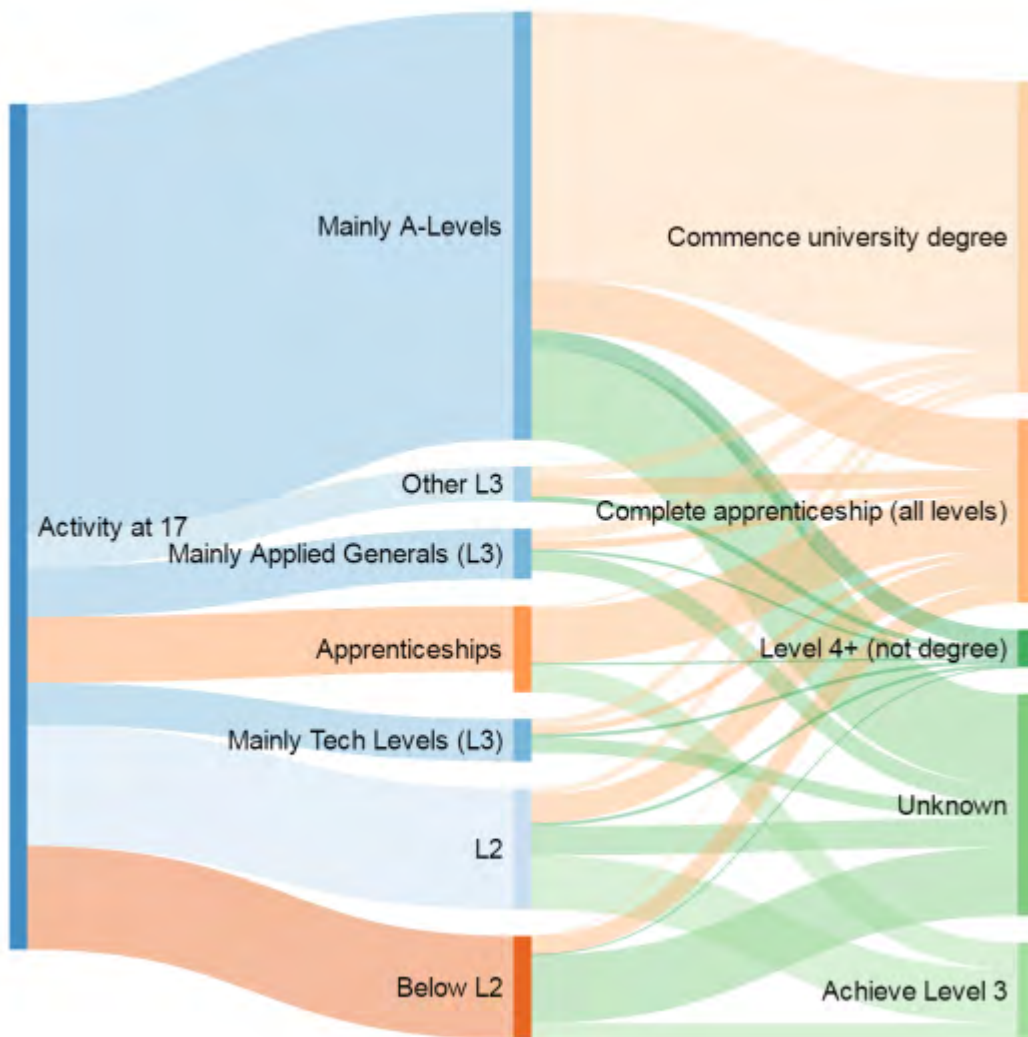
---

<sup>29</sup> Department for Education, [Section 96 Qualifications](#), 9 April 2018

Although the number of options that technical students have at Levels 2 and 3 greatly exceed the number of options available to A level students, their choice of courses to progress onwards to at a higher level (e.g. Levels 4+) is lower. This is particularly the case if they wish to study a related subject outside of the higher education system.

Figure 9 tracks individuals at age 17 (in 2010/11) and at age 20 (in 2013/14), to display the multitude of pathways that this cohort followed. The route from A level to university, while not encompassing all A level students, is by far the clearest and the most dominant pathway. Progression choices for those on other Level 3 courses, and indeed those studying below Level 3 at age 17, are far more complex. A large proportion of this group end up being classed as ‘unknown,’ meaning they have left the formal education and training system. Very few students go onto achieve higher level qualifications outside of degrees.

Figure 9: Routes outside of the A level to university option are difficult to navigate



Notes: Figures denote student activities at ages 17 and 20. Totals do not sum to 100 per cent as some students may have taken on multiple activities between 17 and 20. The cohort covers students who turned 16 during the 2009/10 academic year.

Source: S McNally, J Ruiz-Valenzuela & G Ventura, *Post-Compulsory Education in England: Choices and Implications*

## Those who fall behind in their teens will struggle to make up lost ground

Students who did not achieve a Level 2 or 3 by the age of 20 (a large proportion of the 'unknown' category in Figure 9) do have the option of returning to education, although age restrictions apply. Anyone without a 'good' GCSE (grades C or 4) is eligible to take an English or Maths course up to and including Level 2 free of charge – as if they were still a young person in the education system. However, those over-23 and pursuing study at Level 3 will be required to pay fees for a course that, if they were still a young person, would be free of charge. Box 3 provides more detail.

So for example, the 10 per cent of the 1986-90 cohort (now aged between 27 and 32) that have not attained a good GCSE or other Level 2, can return and study an English or Maths course up to that level. But the further 20 per cent of the 1986-90 cohort who have Level 2 qualifications but not Level 3 are not entitled to free provision due to their age.

It is worth repeating that younger people without Level 3 qualifications display on average lower skill levels than their counterparts abroad; they may also be unable to access the levels of in-work skills and training as generations past. Blockages and complexities that prevent them from progressing in the first place added atop funding restrictions that hinder them from progressing their studies later in life serve to limit the stock of human capital.

### *i* Box 3: Adult education entitlements

Level 1 & 2: English, Maths and some ICT courses are free to adults (all ages) who have not attained any 'good' GCSEs.

Level 3: Free to young people aged 19-23 who do not already have a Level 3. All other adults can finance through an income-contingent Advanced Learner Loan.

Take-up of these loans is low however: just 113,200 individuals took out an Advanced Learner Loan in 2016/17, compared with the 1.3 million who took out a university tuition fee loan.<sup>1</sup>

Level 4+: Subject to fees. Students on FE courses can pay for these courses through an Advanced Learner Loan, while students on higher education courses pay through tuition fees. Full-time higher education students also have access to maintenance loans.

- 1 Student Loans Company, [Advanced Learner Loans Paid in England, Academic Year 2016/17](#), August to July Inclusive, Department for Business, Innovation and Skills, October 2017
- 2 Student Loans Company, [Student Support for Higher Education in England 2017: academic year 2016/17 payments, 2017/18 awards](#), Table 2, Department for Education, November 2017

## Technical learners struggle to estimate the value brought by different courses, with the problem compounded by a lack of course comparison and application facilities

Alongside the confusion associated with the vast range of pathways students who don't follow the A level-to-university route can take, young people in the education system also suffer from a lack of clarity on the financial returns they can expect from pursuing different options. In part, that's due to a gap in our knowledge base.

Until recently, there were few resources that allowed researchers to link education and lifetime earnings. Information was typically gathered through surveys. Some of these provided data on how much people earned over the course of their working life but they had small samples which made it difficult to link specific levels and subjects with employment outcomes. Others had big samples which allowed for more detailed study/earnings analyses but they only surveyed each person once, providing a snapshot in time. This hampered efforts to assess different qualifications' labour market value. As such, the evidence on financial 'returns' offered by technical qualifications is mixed. Results vary not just by personal characteristics such as gender and region, qualification subject and level, awarding organisation and provider type (e.g. a college or training provider), but also by data source and methodology.<sup>30</sup>

For example, research by Dearden et al. finds that, controlling for personal characteristics including ability and background, individuals who hold lower-level (Level 1 and 2) NVQs earn less than similar individuals without such qualifications.<sup>31</sup> Their conclusion is that such course offer little value apart from acting as a stepping stone to other – perceptibly higher value – qualifications. In contrast, research by Bibby et al. find significant and positive returns for all technical qualification levels, including Levels 1 and 2, albeit with significant variation by gender, age and location studied.<sup>32</sup> Reconciling methodological differences, Conlon et al. reach something of a middle ground between the two approaches.<sup>33</sup>

It is fair to say that such confusion does little to aid learners' (or their parents') decision making processes. And yet, there are facilities that could help. From 2014 the government began linking individuals' education and tax records, building up a dataset called 'Longitudinal Education Outcomes' (LEO). Held privately, the government has allowed a small number of researchers access so as to understand the nuanced and long-term links between education, employment and earnings.

The Department for Education (DfE) is increasingly using the figures to aid prospective university students' course decisions, and has already published figures detailing

---

30 See for example F Buscha et al, [Estimating the Labour Market Returns to Qualifications Gained in English Further Education Using the Individualised Learner Record \(ILR\)](#), Department for Business, Innovation and Skills, 2013. Studies vary according to data sources (representative surveys or administrative data such as tax and education records), the definition of a 'return' (namely, whether researchers are interested in the effects of study on employment or earnings, and what their reference point or comparison group is (individuals with a qualification below the one of interest, or individuals who started the qualification of interest but did not complete it) and whether weekly or hourly measures are compared.

31 L Dearden, L McGranahan & B Sianesi, [An in-depth analysis of the returns to National Technical Qualifications obtained at Level 2](#), Centre for the Economics of Education, Discussion Paper No. 46, December 2004

32 D Bibby et al, [Estimation of the labour market returns to qualifications gained in English Further Education](#), Department for Business, Innovation and Skills, BIS Research Paper 195, December 2014

33 G Conlon et al, [The Payoff to Technical Qualifications: Reconciling Estimates from Survey and Administrative Data](#), Centre for Vocational Education Research, Discussion Paper 009, November 2017.

graduates' median earnings one three, five and ten years after university according to subject studied. Looking forward, there are plans to publish employment and median earnings by both subject studied and university attended, with these figures affecting how universities are rated in the new Teaching Excellence Framework.<sup>34</sup>

It is possible to produce similar figures for technical courses and apprenticeships, which would aid students' decisions regardless of whether they are progressing through the education system for the first time or returning as an adult. But, while there have been publications that report post-course employment and earnings for different technical qualifications and apprenticeships, they have – unlike in higher education – been irregularly published.

Relatedly, prospective university students have access to *Unistats*, a publicly funded course comparison website with figures on course content, student demographics, satisfaction and employment outcomes. They also have access to the Universities and Colleges Admissions Service (UCAS), a central application portal. There is no similarly comprehensive data source for apprenticeships or FE courses, nor an application portal akin to UCAS.

The difference in access to these search and application functions helps to underscore the uneven levels of resource and attention devoted to post-16 education routes. The fact that students outside of the traditional A level-to-university path lack access to these functions lends confusion to what is an already complex system.

## The different structures and standards that underpin 'academic' and 'technical' routes can leave technical learners with lower quality options

The previous section highlighted that young, lower-qualified adults in England display lower-skill levels than do their counterparts abroad. It also showed that, unlike most other OECD countries, the performance of those in the bottom half in England actually worsens between age 15 and early adulthood. Much of this is attributed to the structure of upper-secondary education and the relatively unequal standards of quality that have, at least in the past, underpinned it.

Specifically, research has shown that the larger intra-cohort differences that emerge in England during this education stage can be attributed to differences between 'technical' and 'academic'<sup>35</sup> tracks during secondary education. They include different completion rates, different programme lengths and a lack of standardisation – such as core language and Maths curriculum – across the different tracks.<sup>36</sup>

In fact, there also appears to be a duality of quality between different types of education and training providers. For example, during the 2016/17 academic year, Ofsted labelled

---

34 J Morgan, '[Name Change for England's TEF reflects 'student outcomes' shift](#)', Times Higher Education, 9 October 2017

35 See Box 2 in Section 1 for a discussion of the difference between 'academic' and 'technical' courses.

36 The authors summarise: "[T]he primary reason would seem to lie in the very unequal access they provide to core skills learning: the learning of Maths and the national language is not mandated; programme durations are very diverse; and rates of completion of full upper-secondary education are relatively low." See: A Green & N Pensiero, '[The effects of upper-secondary education and training systems on skills inequality. A quasi-cohort analysis using PISA 2000 and the OECD survey of adult skills](#)', *British Educational Research Journal*, 42(5), October 2016

51 per cent of apprenticeship training providers as either “requir[ing] improvement” (40 per cent) or “inadequate” (11 per cent). This compares to just 21 per cent of secondary schools (15 per cent “requires improvement” and 6 per cent “inadequate”) and 19 per cent of sixth form colleges (18 per cent “requires improvement” and 1 per cent “inadequate”).<sup>37</sup>

## Further education has become something of a ‘Cinderella’ sector with continual levels of underfunding

Problems around complexity and quality are compounded by low levels of funding for technical education. The FE sector has experienced significant cuts in recent years. Since 2010/11, total 16-19 expenditure has fallen by £600 million (or 17.5 per cent) in real terms, with expenditure specifically on upper-secondary education providers (sixth form colleges and FE colleges) falling 16.3 per cent in real terms.<sup>38</sup> As a result, the projection for per-pupil spending<sup>39</sup> in 2019-20 – near to when T levels first come online – is £1,137 (2019-20 prices) lower than it was when FE spending was at its peak in 2011-12. Filling this gap alone, assuming a 16-18 FE population of 700,000 students, would require roughly £796 million in 2019-20.<sup>40</sup>

And this is neither just a recent nor an education-wide phenomenon: the IFS has stated that spending on FE “fell faster during the 1990s, grew more slowly in the 2000s, and has been the only major area of education spending to see cuts since 2010.”<sup>41</sup> Figure 10 replicates these findings, setting out the difference in per-pupil spending in 2016/17 prices across different education stages. It shows that per-pupil spending on FE was nearly £1,600 (146 per cent) higher than the per-pupil spend on secondary school pupils during the early 1990s, but no more than matched it by 2007-08 and now stands at £630 less. Likewise, having been nearly £900 less than per-student higher education spending in 1989/90, spending per pupil in the FE sector is now £3,630 lower.

---

37 Ofsted, [The Annual Report of Her Majesty's Chief Inspector of Education](#), Children's Services and Skills 2016/17, 13 December 2017

38 D Foster, [16-19 education funding in England since 2010](#), House of Commons Library, Briefing Paper No 7019, 15 January 2018

39 Here referring to 16-18 education in FE and sixth form colleges.

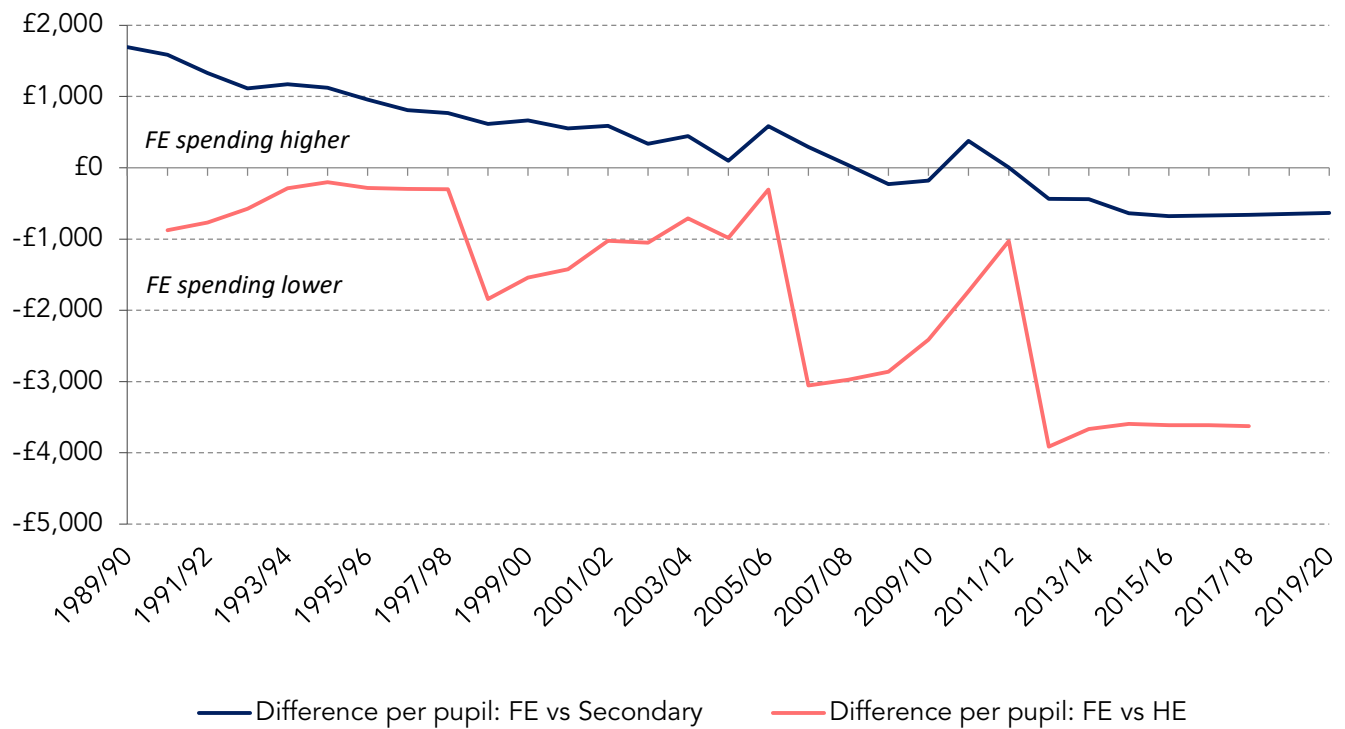
40 Pupil number projections are not available however the numbers have averaged 681,000 since 2011/12. See: C Belfield, C Crawford & L Sibieta, [Long-run comparisons of spending per pupil across different stages of education](#), Institute for Fiscal Studies, Report 126, 27 February 2017.

41 C Belfield, C Crawford & L Sibieta, [Long-run comparisons of spending per pupil across different stages of education](#), Institute for Fiscal Studies, Report 126, 27 February 2017



Figure 10: Further education spending has fallen relative to that of other education stages

Difference in per-pupil spending: further education vs. secondary education and higher education, 2016-17 prices



Source: RF analysis of C Belfield, C Crawford & L Sibieta, [Long-run comparisons of spending per pupil across different stages of education](#), Institute for Fiscal Studies, Report 126, 27 February 2017

## Against this backdrop the government has acted, reforming the apprenticeships system with an increased focus on quality

The technical education system has a long history of policy change. As previously highlighted, it has faced 28 major pieces of legislation since the 1980s alone.<sup>42</sup> That change is still in motion. The structure, standards and funding mechanisms that sit behind apprenticeships in England have recently been overhauled. And the current structure of 16-18 year-old technical education is to be replaced by a new series of two-year technical qualifications. Some of these reforms could help restart generational progress on human capital, but to do so they need to be underpinned by mechanisms that bring clarity, quality and money into the system.

Apprenticeship *numbers* have grown substantially in recent years, but there are question marks over what this has meant for *quality*. What's clear is the too many apprenticeships have been used to 'rebadge' existing forms of training, or substitute for low-wage labour.

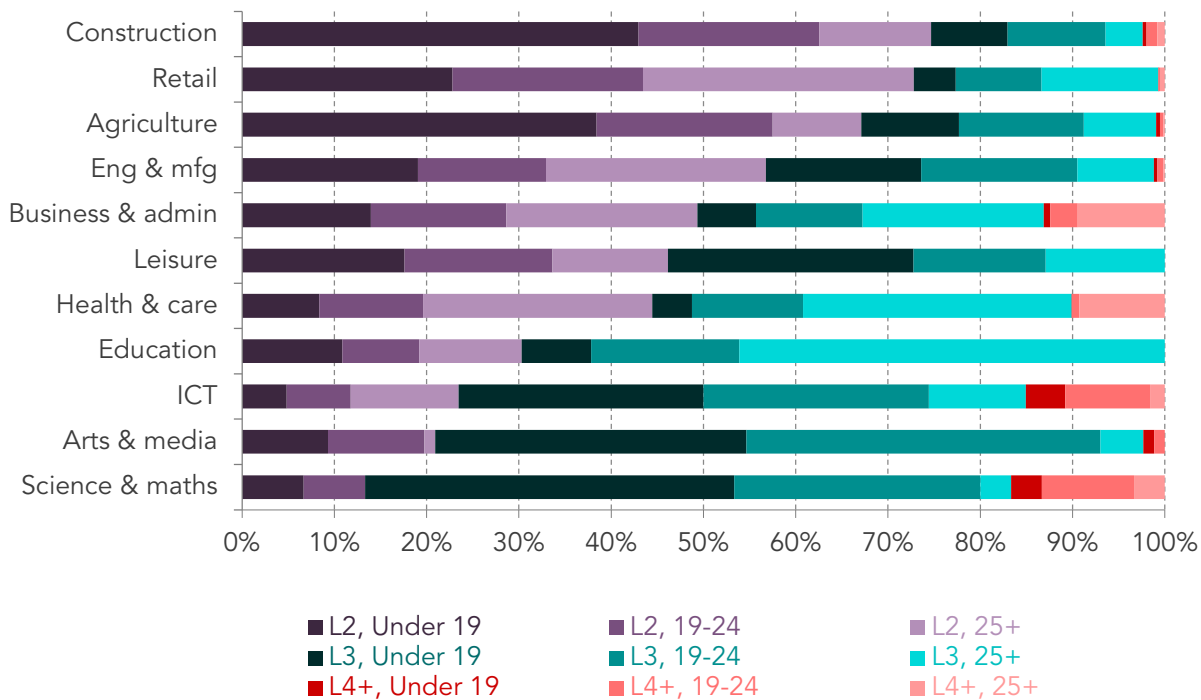
<sup>42</sup> E Norris & R Adam, [All Change: Why Britain is so prone to policy reinvention, and what can be done about it](#), Institute for Government, 14 March 2017

Starts rose by nearly 200 per cent in the ten years to 2015/16, but the majority of these new starts were accounted for by workers aged 25 and over – often those already working with an employer, rather than younger adults just entering the labour market. Around two-thirds (67 per cent) of the growth in starts was accounted for by people aged 25 and over, with older apprentices starting Level 2 course alone representing 36 per cent of the increase.<sup>43</sup>

Digging further into this, Figure 11 breaks down apprenticeship starts in 2016/17 by age, level and sector. It shows that nearly a third of starts within the health and care sector were taken up by those aged 25 and older at Level 2, with those aged 25 and over accounting for roughly three-quarters of the starts in total. Similar patterns exist in retail and in business, where between 40 per cent and 50 per cent of starts, respectively, were taken up by older apprentices. Once again a plurality were accounted for by older apprentices at Level 2.

Figure 11: In some sectors starts are dominated by lower-levels and older apprentices

Sector apprenticeship composition by age and level: England, 2016/17



Source: RF analysis of Department for Education, [FE Data Library: Starts by Sector Subject Area, Level and Age](#), November 2017

<sup>43</sup> Figures before 2010/11 are not directly comparable with later years due to the introduction of single Individualised Learner Record, which reduced duplicate recordings of learners. As such the figures cited for 2005/06 may overstate the number of apprentices in that year (i.e. the growth between 2005/06 and 2015/16 that we reference could in fact be larger). See: Department for Education, [FE Data Library: Apprenticeships by framework, level and age: starts 2002/03 to Q1 2016/17](#), January 2017

The suspicion that many apprenticeships have done little more than rebadge existing training is supported by findings from the 2017 *Apprenticeships Evaluation*, which found as many as 30 per cent of Level 2 and 3 apprentices were unaware that their work-related course or training were in fact apprenticeships. And this varied substantially by age: while five per cent of Level 2 and 3 apprentices under-19 were unaware of their status, more than half (55 per cent) of those aged 25 and older were unaware. Sectoral differences were in evidence too, with 8 per cent of construction apprentices being unaware compared with 29 per cent in business, law and administration, 30 per cent in leisure, 37 per cent in retail and 45 per cent in health.<sup>44</sup>

Training is obviously a key element of any apprenticeship. Yet rates of training varied substantially across sectors in 2016/17, and were frequently low. Apprentices reported receiving 7.5 hours of formal (inclusive of on- and off-the-job training) training a week on average, with that figure dropping to 4.4 hours in education, 4.7 hours in business and administration and 4.9 hours in health. The highest figures were recorded in construction (13.4 hours) and in engineering (13.5 hours).<sup>45</sup>

The picture on pay too is disappointing. The apprenticeship minimum wage was £3.30 in 2016 (currently £3.70) for those in the first year of their apprenticeship. For those aged 25 and older and in their second year, it was the same as the national minimum wage – £7.20 (currently £7.83). However, according to the 2016 *Apprenticeship Pay Survey* as many as 31 per cent of over-25s in England were paid less than the legal minimum when in their second year.<sup>46</sup> Non-compliant pay is clearly a significant issue: that, along with the gap between the national minimum and the apprenticeship minimum raises questions about whether some apprenticeships have been used simply as a form of low-wage work.<sup>47</sup>

A final marker of apprenticeship quality worth considering is the outcomes – in terms of whether apprentices progress onto higher levels of training or are rewarded with pay rises at the end of their programme – they lead to. Looking at the 2016/17 data, we see that less than a quarter (22 per cent) of Level 2 apprentices progressed onto higher levels of apprenticeship training. This varied across sectors, from 17 per cent in retail to 33 per cent in education.<sup>48</sup> There was variation too in relation to pay, with 71 per cent of construction apprentices reporting receiving a pay rise upon completion, compared with 53 per cent in business and administration, 42 per cent in retail and just 37 per cent in leisure.<sup>49</sup>

While there are longstanding examples of apprenticeships that develop skills and result in higher-levels of pay<sup>50</sup> a large number clearly have not achieved this. The figures on awareness, training, pay and outcomes discussed here raise clear red flags: that some apprenticeships are used to subsidise more typical forms of employee training, and that some are used to avoid paying the appropriate minimum wage. These are issues that we'll return to in forthcoming Resolution Foundation research.

---

44 Department for Education, [Apprenticeships Evaluation 2017: learners](#), 16 November 2017

45 Department for Education, [Apprenticeships Evaluation 2017: learners](#), 16 November 2017

46 Department for Business, Energy and Industrial Strategy, [Apprenticeship Pay Survey 2016: England](#), July 2017

47 See: K. Henahan, '[The gender pay gap at the top of the BBC is making headlines, but what about pay at the bottom?](#),' *Resolution Foundation blog*, 24 July 2017

48 Department for Education, [Further Education: Outcome based success measures, academic years 2013/14 and 2014/15](#), 26 October 2017

49 Department for Education, [Apprenticeships Evaluation 2017: learners](#), 16 November 2017

50 See: C Cavaglia, S McNally, G Ventura, [Apprenticeships for young people in England: Is there a pay off?](#), Centre for Vocational Education Research, Research Discussion Paper 010, November 2017

Following more than two decades of apprenticeship reforms, a government-commissioned review of the English apprenticeship system, led by Doug Richard, commenced in 2011. The review picked up on a ‘clarity versus quantity’ theme, noting that many apprenticeship frameworks were out of touch with employer needs, overlapping, lasted less than a year and offered little actual training. Richard’s report aimed to address employer concerns by instituting a new series of employer-designed apprenticeship ‘standards,’ which would gradually replace the old frameworks. It approached the second by limiting the number of standards in existence: “preferably one per occupation.”

His recommendations have gradually been implemented: frameworks are in the process of being replaced by the new employer designed standards; Level 2 Maths and English requirements have been added for 16-19-year-olds; and apprenticeships must last a minimum of one year. However, serious concerns remain about the content of some standards. For example, a recent advertisement for a “Bar and waiting apprentice” on the ‘Hospitality team member’ standard includes day-to-day tasks like “present our food and drink products perfectly” and “be part of great team moments”. These may prepare someone very specifically for a bar *job* but do not provide the competencies for a skilled *occupation*<sup>51</sup>.

On the positive side, rules came in during 2017 which mandated that 20 per cent of an apprentice’s time (roughly equivalent to seven hours per week) must be spent in off-the-job training. This applies regardless of whether the apprentice is on an older framework or a new standard. Apprenticeships are also now required to include an independent end-point assessment. These test knowledge and skills gained by the end of the programme, and contrast with the old process wherein apprentices could pass their programme by submitting smaller pieces of portfolio-style evidence, to an often non-independent assessor.<sup>52</sup>

Although their ultimate effects remain unclear, the changes mandating increased training and rigorous assessment could bode well for quality.<sup>53</sup> Specifically, they may serve to reduce incentives for rebadging. That’s because employers who previously used the system to subsidise staff training would now essentially lose that staff member for as much as a full day a week. They may also reduce incentives for employers to use apprenticeships as a form of low-wage labour: in addition to losing that staff member for a day a week, employers will need to cover extended training and end-point assessment procedures.

While the Richard Review was focused more on clarity and quality than on targets/quantity, it ran alongside a larger government drive to boost apprentice numbers. The 2010 Conservative Manifesto promised to create 20,000 additional young apprenticeships,

---

51 For example, the ‘hospitality team member’ standard is used to train Level 2 apprentices in areas like food and beverage service, such as working behind a bar

52 The Review stated that “Continuous and time consuming assessment, driven by paper tests and assessors with a vested interest in learners passing the test, demeans the accomplishment,” adding that it evidenced “individual tasks or competencies at a very detailed level, rather than focussing on the whole outcome expected to be achieved at the end.” See: D Richard, [The Richard Review of Apprenticeships](#), Department for Business, Innovation and Skills, 2012

53 The 20 per cent off-the-job training requirement has come under fire from many across the business and training landscapes. One line of argument suggests that the length of time training away from the main workplace does not itself serve as a mark for learning or skills development. While this is a reasonable line of argument, flexible systems could – at this stage – risk employers using the levy to rebadge short bouts of less intensive training. See: B Camden, ‘[Off-the-job training rule hangs over AELP autumn conference](#),’ *FE Week*, 01 November 2017

as well as “400,000 work pairing, apprenticeship, college and training places over two years”.<sup>54</sup> In 2015, the government put into place a target to achieve 3 million additional apprenticeship starts by 2020.

## The new apprenticeship levy has been blamed for a fall in starts, but it may be weeding out some poor quality programmes

In order to make employers more accountable for skills development, and in theory, boost apprenticeship numbers, the government put an apprenticeship levy into force during May 2017. Under this system, employers whose pay bills exceed £3 million pay a levy of 0.5 per cent into a fund. The employer can then use this fund to train apprentices, with government providing an additional 10 per cent co-investment. While the new scheme has much to recommend it, its implementation has not been without controversy.

One concern relates to what it might mean for smaller employers who do not pay into the levy, but who currently comprise a large proportion of the overall apprenticeships market.<sup>55</sup> Such firms can access the levy funds, but only to the value of 90 per cent of any apprentice training. They must come to an agreement with training providers who have themselves successfully bid for funds from the Education and Skills Funding Agency’s (ESFA) non-levy training tender, and anecdotal evidence suggests such providers have suffered a reduction in funds – meaning they can no longer train as many apprentices from smaller firms as they had in the past.<sup>56</sup>

While the structure of the levy may have (at least temporarily) restricted the number of smaller employers who can afford to train apprentices, the large amount of funds generated by the levy appears to have attracted a surge of new training providers into the system. There are currently 2,588 approved training providers on the ESFA register,<sup>57</sup> an increase of 84 per cent since March 2017.<sup>58</sup> And 66 of the providers are recorded as having no financial track record.<sup>59</sup>

This increase brings problems, with concerns about Ofsted’s ability to monitor the growing number of training providers. It inspected just 189 apprenticeship training providers in total in 2016/17 – and as noted above, it returned verdicts of “requiring

---

54 Conservative Party, *‘Invitation to Join the Government of Britain: The Conservative Manifesto 2010’*, 2010

55 During 2015, nearly 60 per cent of all apprentices worked in firms with fewer than fifty employees. See: K Henehan, *‘Five tests on which to judge the success of apprenticeships’*, Resolution Foundation blog, 19 July 2017

56 See: J Owen, *‘Exclusive: ESFA gives millions to apprenticeship providers that have failed to meet standards’*, *TES Further Education*, 20th February 2018; B Camden, *‘Ten colleges failed to secure apprenticeship funding for small employers, DfE reveals’*, *FE Week*, 8 February 2018

57 Education and Skills Funding Agency, *ESFA register of apprenticeship training providers*, last updated 16 April 2018

58 N Linford, *‘Cambridge University and Greggs among 354 organisations added to the register of apprenticeship training providers’*, *FE Week*, 31 January 2018

59 The Education and Skills Funding Agency (ESFA), which approves providers for the register, had committed to audit those new providers with no past experience of apprentice training, although reports from September 2017 indicate that none had been conducted. The ESFA has no funding limits for new training providers, such as those that would gradually scale up providers’ access to public funds in line with their trading experience. See: J Burke, *‘ESFA breaks its promise to audit untested providers’*, *FE Week*, 22 September 2017

improvement” or “inadequate” in more than half of those cases – raising the prospect that it won’t get around to assessing many of the newly-entered providers for quite some time.<sup>60</sup> Funding is another area in which there is much uncertainty. The levy was expected to bring in over £2 billion in 2017/18, and up to £2.2 billion in 2018/19 – well above the pre-levy apprenticeships budget of £1.8 billion in 2016/17.<sup>61</sup> But there have been widespread predictions of a levy underspend, in part because of a backlog in the number of apprenticeship standards being approved that means many levy payers are without relevant programmes to place apprentices onto. In addition, many levy-payers will not have the capacity to absorb the number of new apprentices that their funds would allow.<sup>62</sup>

The biggest controversy surrounding the levy is that, after two quarters of operation, apprenticeship starts are down 42 per cent relative to the same quarters in the previous year. The reasons for this are not yet clear, and it remains to be seen whether it will prove permanent. Has it been driven by employers who are still getting to grips with the system, or waiting for new standards to come online? Is it due to smaller employers having less access to training subsidies than in the past, or to employers finding that the new training and assessment requirements render the apprenticeship model less cost efficient than in the past?<sup>63</sup> These may well be factors but, somewhat positively, digging beneath the headline trend uncovers some potentially encouraging findings in relation to *quality*.

August to October (the first academic quarter) are the most popular months to start an apprenticeship. There were 38,000 fewer starts in the first quarter of this (2017/18) academic year than there were at the same time in 2016/17 (before the levy came in). Figure 12 compares the two periods and shows the percentage change in starts by age and level: while there was growth, from a low base, in the number of starts taken up at higher (Level 4+) levels, there were falls in all other types.

However, the largest drop occurred among older apprentices: the number of Level 2 apprenticeships started by the over 25s fell by over half (51 per cent), the number of Level 3 apprenticeships started by the over 25s fell by nearly a quarter (25 per cent).

Given that these older apprentices comprise such a large portion of the overall market (taking up 40% of all starts in 2016/17), it is unsurprising that they also comprise the largest share of the quarter-on-quarter fall: of the 38,000 fall in starts those taken up by the over 25s comprised 49 per cent.

---

60 Ofsted, [The Annual Report of Her Majesty's Chief Inspector of Education](#), Children's Services and Skills 2016/17, 13 December 2017

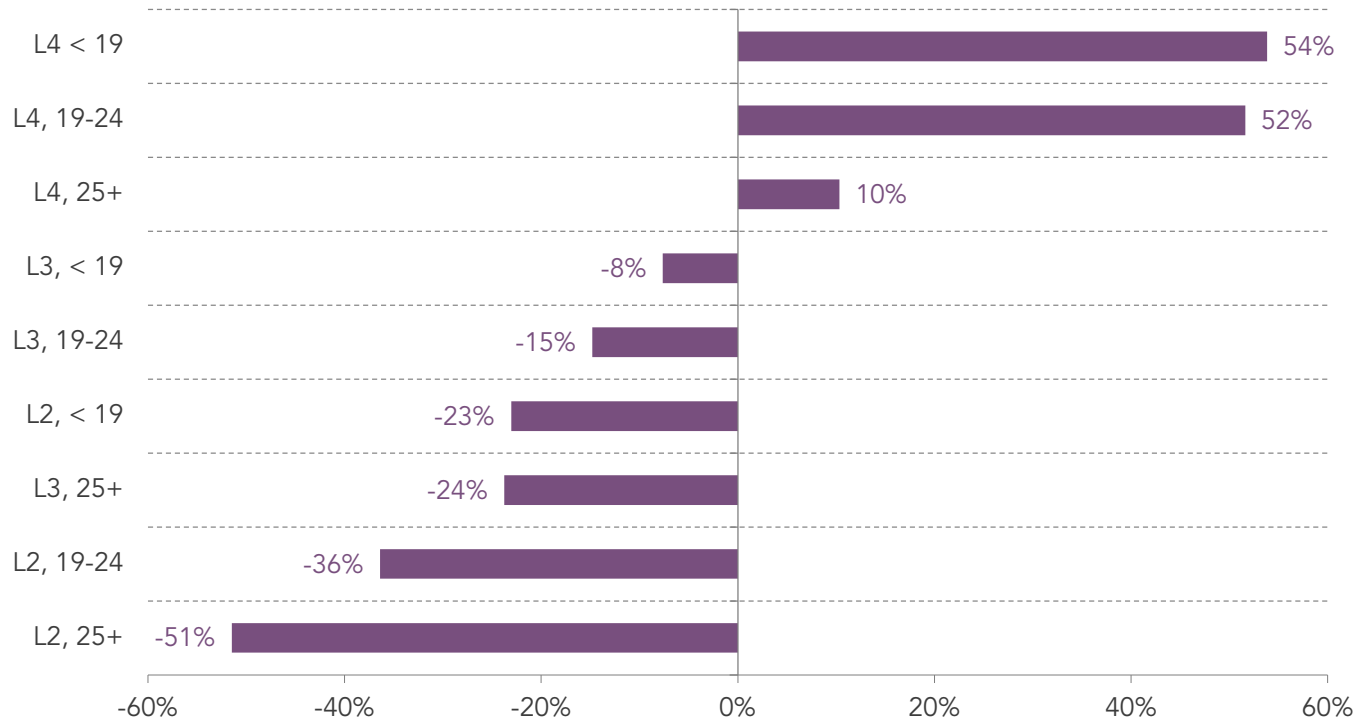
61 Department for Education, [Information on apprenticeship levy Data broken down by size and sector and the total apprenticeship budget](#), August 2016

62 From April 2018 levy payers can share 10 per cent of their levy funds with other businesses on their supply chain. See: Chartered Institute of Personnel and Development, [Assessing the early impact of the apprenticeship levy – employers' perspective](#), January 2018. Levy-paying firms have two years (until May 2019) to spend their training funds, after which it will be recouped by the Treasury, with – it is expected – the balance to be allocated to non-levy payers' training subsidies.

63 K Henehan, [The latest data on Apprenticeship starts offers cause for hope and concern](#), Resolution Foundation blog, 18 January 2018

Figure 12: Lower-level starts taken up by older people fell most

Change in starts by age and level: England, Q1 2016/17 to Q1 2017/18

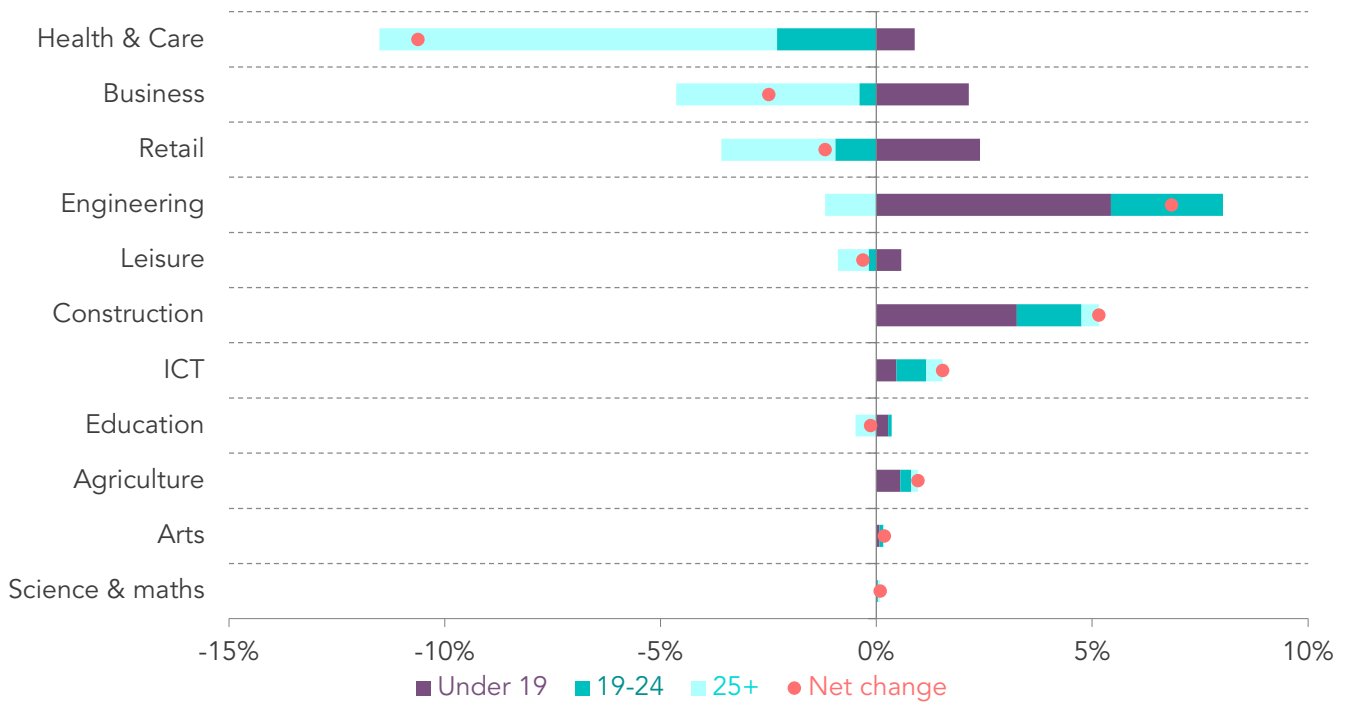


Source: RF analysis of Department for Education, Further Education and Skills: March 2018

The sectoral composition has also changed post-levy implementation in a way that might be considered consistent with improved quality. Figure 13 compares the share of starts taken up by different age groups and sectors in the first quarter of 2017/18, relative to 2016/17 (where, for three academic quarters the levy had not yet been in place). The share of starts accounted for by those aged 25+ in health and social care fell by 9 percentage points while the share in engineering accounted for by those aged 24 and younger rose by 8 percentage points. It is very early days however, and because the composition of starts varies by quarter (we normally expect a larger share of younger apprentices to start in the first quarter of the academic year) we shouldn't use these figures to project medium- or longer-term trends.

Figure 13: The share of apprenticeship starts accounted for by health, business and retail has fallen since the introduction of the levy

Percentage point change in share of apprenticeship starts by sector and age, Q1 2017/18 from 2016/17 academic year



Notes: This chart compares the share of starts taken up by each sector in 2016/17 and provisional sectoral figures for Q1 2017/18. Figures from 2016/17 are derived from the apprenticeship starts by geography and sector subject area data table; figures from Q1 2017/18 are from the apprenticeship starts by sector subject area, ethnicity, gender and age data tool.

Source: RF analysis of Department for Education, [FE Data Library: apprenticeships](#)

To the extent that these trends represent a weeding out of lower quality schemes, we might be more welcoming of the drop in starts associated with the levy than many people have been. There is no reason to celebrate a reduction in opportunities for skills development however, and we must be careful not to shift to a system in which higher-quality apprenticeships at Levels 2 and 3 are lost. In particular it will be important to ensure that the levy supports the expansion of those that allow younger people higher-quality learning and progression routes. Balancing improved quality with a continued focus on increasing opportunities will be vital to ensuring the new system works.

## The government should hold firm on its apprenticeship reforms, letting the levy bed in and retaining the focus on quality alongside quantity

Following the fall in apprenticeship starts, several firms and representative bodies called for the levy's use to be widened, such that employers could spend their funds on the type and mode of training that they see fit rather than just apprenticeships. A survey commissioned by the CIPD found that 53 per cent of levy payers "would prefer to see it replaced with a more flexible training levy".<sup>64</sup>

64 J Wells, 'More than half of employers who pay the apprenticeship levy want an overhaul', *Chartered Institute for Personnel and Development*, 19 January 2019



Such a watering down of the levy would be a mistake. Given weak progress on human capital accumulation, the levy can – and should – serve to root out poor quality programmes that do little to build the skills of, and enhance progression for, future generations. As such, we recommend that the government allow the levy to bed in.

This doesn't mean operational problems should go unchecked: rather, they should not be allowed to put the wider system at risk. For example, it is critical that the government understands the extent to which the levy system has affected smaller employers' access to apprentices and apprentice training funding. It would be worrying if longstanding apprentice-hiring firms were being left without sufficient training resources.

Training is the critical underpinning of an apprenticeship; without it an apprenticeship would simply be a job. And yet, figures from before the levy and its funding rules came into place suggest that a large proportion of apprentices may not receive the required amount. If an apprenticeship is to serve as a means for boosting skills, rather than cushioning wage bills, the government should hold firm on its training requirements.

It is the quality – not just the quantity – of training that matters. Bodies in receipt of

### *i* Policy option 2.1

The Institute for Apprenticeships should remain firm on its requirement that apprenticeships now include 20 per cent off-the-job training; firms who do not provide this should face sanctions.

public funding to train apprentices should be held to the same standard as schools, colleges and universities. It is worrying that training providers already have far lower than average Ofsted ratings, and even more so that a large number of providers with little experience may not receive an Ofsted inspection anytime soon.

### *i* Policy option 2.2

Ofsted should inspect every apprenticeship training provider within the next three years.

In the medium-term, it is important to develop evidenced, thoughtful definitions of apprenticeship quality. One area of interest is a proposal from the CBI, calling for employers in the same sector to be able to pool apprenticeship funds and combine efforts with colleges so as to develop apprenticeship 'centres for excellence'.<sup>65</sup>

65 See: A Frean & J Hurley, ['The 'huge reform' yet to prove it is up to the job'](#), *The Times*, 5 March 2018

Such informed measures of apprenticeship quality – and an understanding of how to achieve it – should help form the basis of government apprenticeships policy. These more nuanced measures stand in contrast to the government’s target to achieve 3 million apprenticeships by 2020. While a quantitative target may be set in the hopes of boosting provision, it risks perverse outcomes and detracts from questions around quality and skills development.

### *i* Policy option 2.3

The government should replace its numerical target of achieving 3 million apprenticeship starts by 2020 with three directional targets:

» An aim to boost the number of apprenticeships each year;

» An aim to boost the share of apprenticeship starts at more advanced levels (L3+); and

» An aim to boost the share of young apprentices progressing from one level of apprenticeship training onto the next.

Restarting generational progress on skills requires having a sufficient number of training opportunities and ensuring that those opportunities are of a high quality. If over the next two years there is a sustained fall in the number of apprenticeship starts the government should commit to a review to understand the causes of the fall, and whether they have been driven by the funding system.

### *i* Policy option 2.4

If in the medium term the current drop in the quantity of apprenticeship starts is sustained, the government should commit to a review of its causes and whether they are linked to the funding system.

## ‘T levels’ have the potential to boost future generations’ skills acquisition, but their success is far from guaranteed

On top of the major reforms to apprenticeship training and funding discussed above, the college-based technical system has also been subject to significant change. Although the upper-secondary education system that we earlier outlined is complex, it used to be more so.

Some simplification occurred as a result of the Wolf Review of 2011. This recommended switching provider funding from a per-qualification to a per-student basis, thereby removing the incentive for the provision of cheaper programmes that had little regard for the skills students were being furnished with.<sup>66</sup> These recommendations were accepted, as was the shift to study programmes and the inclusion of English and Maths provision

<sup>66</sup> A Wolf, *Review of Technical Education: The Wolf Report*, Department for Business, Innovation and Skills, 3 March 2011

in all Level 3 technical qualifications. From 2015, all 16 year-olds were required to attain at least a C (Grade 4) on their English and Maths GCSEs and as noted earlier, those who do not are required to resit their exams until they pass or leave compulsory education.

Building on these reforms, the 2016 Sainsbury Review sought to improve college-based technical education. This called for the streamlining of non-A level options into either Level 3 “employment based education” (i.e. apprenticeships) or college-based technical education. The latter would be composed of 15 occupational routes leading to small number of more occupationally-specific qualifications at Level 3 called Technical Levels, or “T levels.”<sup>67</sup> They would have the same duration (two years) as A levels and would include a core curriculum, based on occupationally relevant digital, English and Maths requirements. Importantly, they would include “high quality, structured work placements” lasting 45-60 days.

Sainsbury acknowledged the substantial proportion of 16 year-olds who fail to achieve good GCSEs in English and Maths, hindering their progression to study at Level 3, and proposed a T level ‘transition year’ for these students. Recognising that some students may wish to switch between technical and traditional academic ‘tracks,’ the review included a note on ‘bridging’ provision too. The report also called for the development of technical courses at Levels 4 and 5 which are related to T levels. The idea was that, that upon completion of their course, T level students would have a clear pathway onto related learning and training at a higher level.<sup>68</sup>

The government accepted all of the Sainsbury Recommendations, “wherever that is possible within existing budgets”. It has since filled in specific programme and funding details,<sup>69</sup> though some elements are still in development. For example, it is not yet clear what the ‘transition year’ will look like, nor what the ‘bridging’ provision will entail and whether it will be fully-funded for learners.

The 2017 Spring Budget stated that the total number of learning hours for T levels would be 900 per year, up 50 per cent from the 600 typically allotted to 16-18-year-olds. In the same announcement, the Chancellor also committed additional funding for T levels. This would amount to £115 million for the year in which qualifications from the first three of the 15 routes come online – now scheduled for 2020. It would then rise over time to reach £500 million once all 15 routes are in operation, expected to be 2024.<sup>70</sup>

The T level proposals are bold. They call for Level 3 non-A level courses to be streamlined and underpinned by core skills, work experience and a clear, optional, pathway onto

---

<sup>67</sup> The eleven classroom-based routes are: agriculture, environmental and animal care, business and administrative, catering and hospitality, childcare and education, construction, creative and design, digital, engineering and manufacturing, hair and beauty, health and science, legal, finance and accounting. The four apprenticeship routes are: protective services, sales, marketing and procurement, social care, and transport and logistics. In total, there would be 26 options subsumed under the fifteen routes.

<sup>68</sup> It further recognised that some students, presumably those who at 16 did not achieve good GCSEs in English and Maths may not be ready to commence a T level, proposing a ‘transition year’ for these students as they resit their GCSEs. However further details are to be determined. See: Department for Education, [Implementation of T level Programmes: Government consultation](#), 30 November 2017

<sup>69</sup> The Department for Education have recently opened a work placement Capacity Development Fund, in which they will trial work placements with employers and offer colleges £250 per student placed onto one; See: Department for Education, [Work Placement Capacity and Delivery Fund: principles for high quality work placements](#), 28 September 2017

<sup>70</sup> Department for Education, [Post-16 technical education reform: T level action plan](#), October 2017

higher-levels of related study. The combined policies could go some way towards boosting the number of options available to people 'stuck' at Level 2, improving the quality of options available at Level 3 and, in a broader sense, restarting generational progress on human capital accumulation. Their success, however, remains contingent on a host of challenges. As discussed below, these range from course design and delivery, to student and parents' interest, to provider quality – and, of course, to funding.

## The success of T levels will be heavily contingent on securing employer commitment and appropriate levels of funding

From a practical perspective, one of the biggest stumbling blocks in the new system is likely to relate to the introduction of work placements. Each year, firms around the country will need to open their doors to well over 100,000 students and offer them work placements lasting at least 45 days.<sup>71</sup> This is not only a significant operational challenge but also a challenge to the current relationship that exists between business, education and young people.

There is time to make this change. The first three T level routes (digital, construction and childcare) will come online in 2020, with the next three (legal finance and accounting, engineering and manufacturing, and health and science) operational from 2021 (together, these six categories form the DfE's 'priority' T level routes). It will be a full six years before all T levels, and their required work placements, will be in full swing. The clock is ticking though, and evidence of a current lack of awareness and readiness among many firms is somewhat worrying.

That evidence comes from a YouGov a survey of 1,299 senior business decision makers, which ran 22-30 January 2018, commissioned for the Intergenerational Commission.<sup>72</sup> The survey found that nearly three-quarters (73 per cent) had not seen or heard anything of T levels; this included 64 per cent of employers who stated that technical education (excluding apprenticeships) should be the government's main education priority.

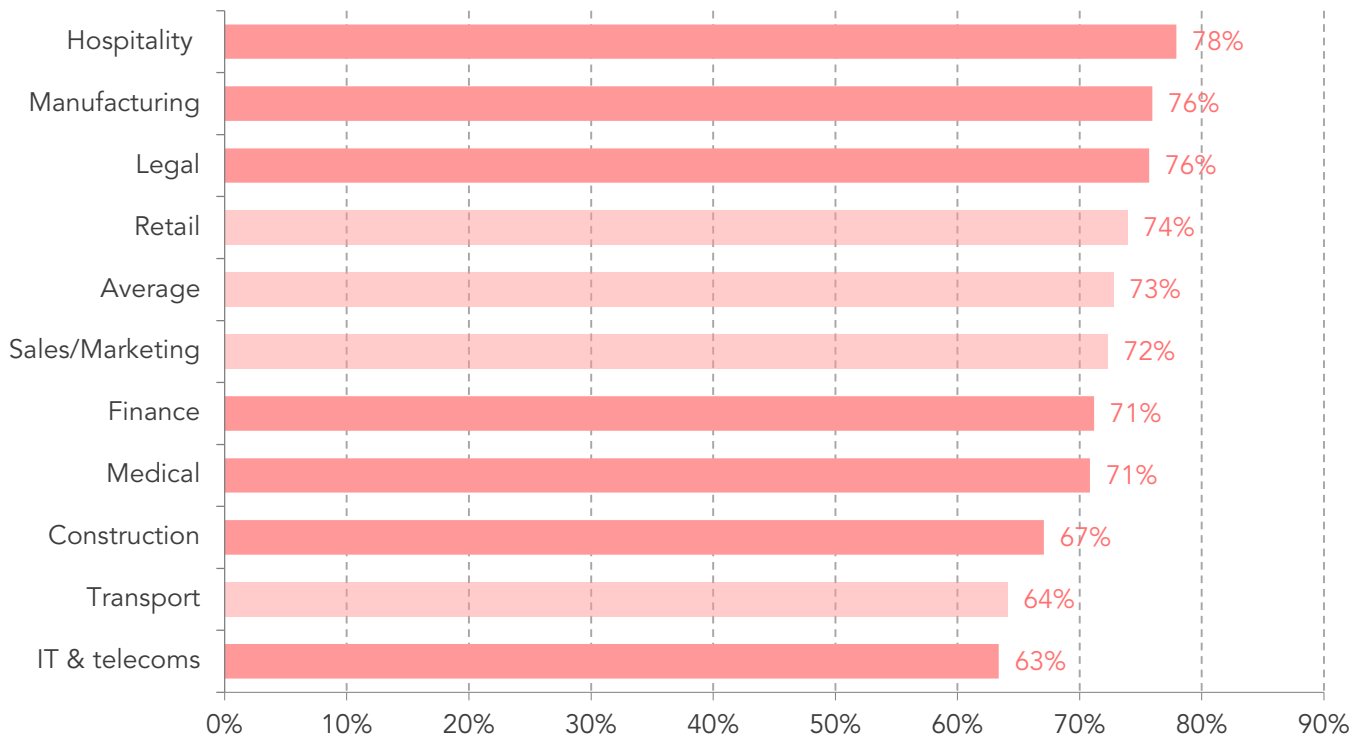
The proportion reporting not having heard of the new qualifications ranged from roughly two-thirds to three-quarters across different categories of business. For example: from 68 per cent of employers with 250 or more employees, to 77 per cent of those with 50 or fewer employees; from 62 per cent in the West Midlands, to 79 per cent in the East of England; and from 76 per cent in the manufacturing sector, to 63 per cent in IT & Telecoms. Figure 14 details awareness among business decision makers across the full range of industries (those industries in bold are linked to a T level 'priority' route). It shows that over two-thirds of decision makers in priority sectors like manufacturing, legal and medical are reportedly unaware of plans for the new post-16 routes.

71 In 2016, 408,600 17 year-olds were studying for a Level 3 qualification; 277,500 for a A levels (of which 36,000 studied for a mix of A level and technical qualifications such as BTECs) and 131,100 were studying for other Level 3 qualifications, such as BTECs, Tech-Levels or other. In addition, there were 54,500 17 year-olds at Level 2. See: Department for Education, [Participation in education, training and employment: 2016, SFR 22/2016](#), 28 June 2017, Table T4

72 All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,299 Business Decision Makers. Fieldwork was undertaken between 22-30 January 2018. The survey was carried out online. The figures have been weighted and are representative of British business size.

Figure 14: Nearly three-quarters of business decision makers are unaware of T levels

Proportion of senior business decision makers that have not heard of T levels, UK, Jan 2018

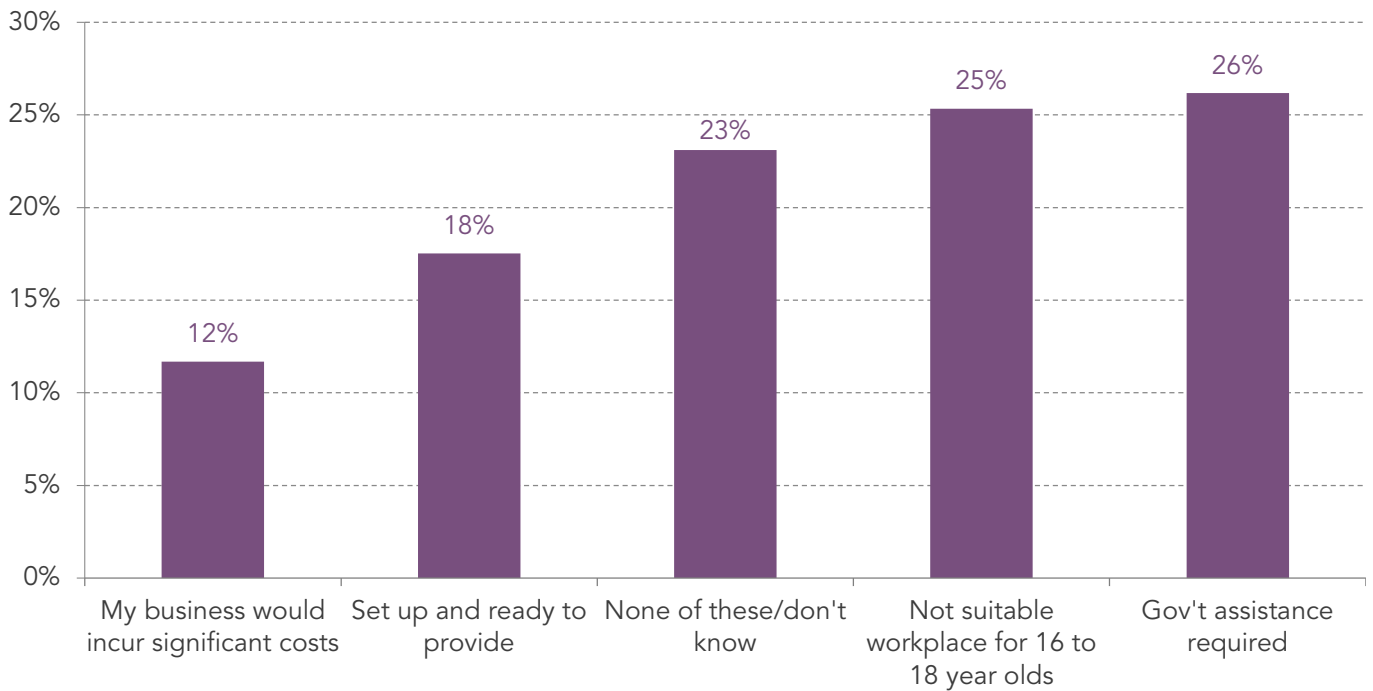


Notes: Bolded columns indicate sectors involved in T level 'priority' routes. The survey question asked "Before taking this survey, in which, if any, of the following ways had you seen or heard anything about the plans to introduce T-levels?" Respondents here reported "Not applicable - I have not seen or heard anything about the plans to introduce T-levels"

Source: YouGov polling commissioned w/c 22 January 2018

More worrying still is the answer that respondents gave on whether they would provide a work placement. As Figure 15 shows, a larger proportion (25 per cent) responded that they *would not* provide them because their workplace is not suitable for 16 to 18-year-olds than said that their business is already set up to or could easily be able to provide work-placements (18 per cent). A quarter (26 per cent) said they would require cost assistance from government to do so, although it remains unclear whether firms who sponsor work replacements will receive administrative assistance or compensation.

Figure 15: Response to how T level work placements apply to their workplace, polled Jan 2018, UK

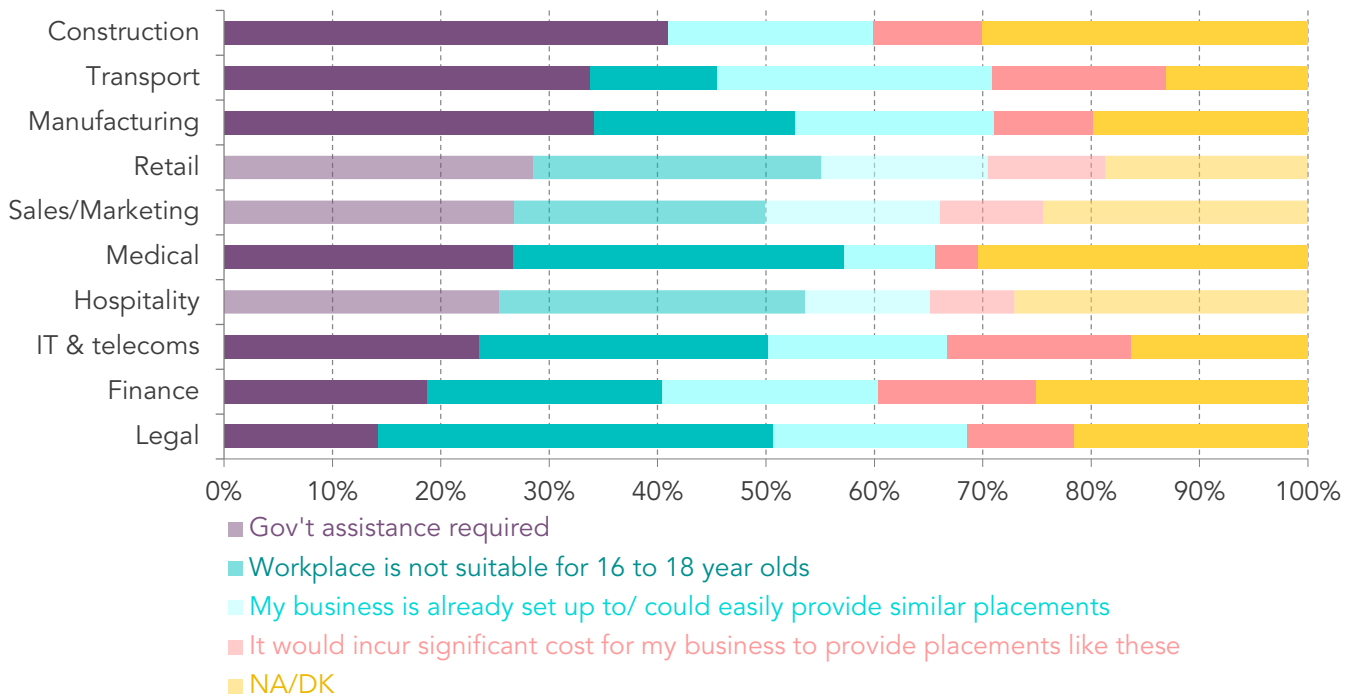


**Notes:** The survey question stated: "As a reminder, by 'T-levels', we mean the new vocational educational courses planned by the UK Government for 16 to 18 year olds to be introduced in 2020. Every student who studies for a T-level will be required to take a 50-day work placement. Which, if any, of the following statements apply to your business? (Please select all that apply)"

**Source:** YouGov polling commissioned w/c 22<sup>nd</sup> January 2018

Such reticence is perhaps unsurprising. There are practical challenges to hosting a work placement: these include administrative concerns around recruitment, scheduling and retention. However they also include challenges that are unique to hosting a young person, such as safeguarding, pastoral care and the pedagogy of a training programme. Responses of course vary by sector too, even among firms likely to be within the six priority routes, as shown in Figure 16.

Figure 16: Likelihood to provide T level work placements, by industry



**Notes:** Bolded bars indicate sectors involved in T level routes. The survey question stated: "As a reminder, by 'T-levels', we mean the new vocational educational courses planned by the UK Government for 16 to 18 year olds to be introduced in 2020. Every student who studies for a T-level will be required to take a 50-day work placement. Which, if any, of the following statements apply to your business? (Please select all that apply)"

**Source:** YouGov polling commissioned w/c 22<sup>nd</sup> January 2018

These survey results hint at the scale of the challenge. Making employers aware of the new scheme will be a significant hurdle, but bringing them on board will require a step change in how business interacts with the skills system. And enthusiasm will vary across different firms, with the Federation of Small Businesses (FSB) arguing for instance that the burden of providing placements could be particularly heavy for small and medium size employers.<sup>73</sup>

The good news is the DfE has recently opened a work placement development fund with the aim of building work placement capacity over the 2018/19 academic year. Over 2,500 students are expected to participate in a pilot work placement programme in this period. The fund is directed towards colleges, which will receive a base rate of £250 for each young person that they place into a substantive work placement that is similar to those required under T levels. The exercise should help the DfE identify where barriers to work placements exist: in rolling out T levels, it is important the government applies the lessons of the pilot.<sup>74</sup>

<sup>73</sup> Federation of Small Businesses (FSB), 'Low appetite for T level work placements among small firms,' FSB Press Release, 11 October 2017

<sup>74</sup> Department for Education, [Work Placement Capacity and Delivery Fund: principles for high quality work placements](#), 28 September 2017

## *i* Policy option 2.5

The Department for Education (DfE) should prioritise the communication and culture change challenges of delivering T level work placements. It should engage with employers and ensure that the lessons learned from work placement trials inform future policy.

The work placement challenges are even greater when viewed through a regional lens. In some areas, colleges and young people will be able to find employers in every sector that T levels are offered; in other areas, their options will be far more limited. So, while T levels will be offered in 11 different subjects/sectors – from hairdressing, to digital to construction – the number of locally available placements will vary by the size and composition of firms in a given area. There is a risk that mandatory work placements could reinforce existing regional disadvantage, leaving students who live in rural or deprived area with no opportunities to take T levels in their subject of interest.

To counter this possibility, the government should consider how more flexibility could be provided for students. Advancements in technology mean that online courses and ‘virtual placements’ might offer some opportunities. Additionally, students could benefit from opportunities to relocate and live with ‘host families’ in locations near to relevant work providers.

## *i* Policy option 2.6:

DfE should assess where regional T level work placement gaps exist and build in flexibility for those students who wish to pursue a course even where there are no related employers locally, such as through online work experience platforms or homestay options.

While the T level plans have been welcomed by business groups such as the CBI for their opportunity “to develop a stable framework for skills in England”,<sup>75</sup> some have raised fears that a new system splitting 16 year-olds into distinct ‘academic’ and ‘technical’ paths would create a “binary divide” and risk young people becoming locked in to decisions they made at 16.<sup>76</sup> As discussed earlier, details around the ‘bridging’ provision that allows students to transition between academic and technical (i.e. T level) routes remain unclear. It is also unclear whether, if a student is over the age of 18 when they decide to switch tracks, that bridging provision would incur fees. Nor do we know which T level courses will have direct follow-on study options at Levels 4 and 5.

These are valid concerns: were T levels to reduce opportunity to progress or to change one’s mind, they risk leaving individuals stuck in ill-suited occupations, with the potential to further dampen generational skills progress. More details are needed.

75 BBC News, ‘[CBI criticises short-term policies to improve skills base](#),’ 17 January 2018

76 See: G Galbraith, ‘[T Levels’ Risk Creating a Binary Divide at 16](#)’, HuffPost blog, 9 February 2018; S Kelly, ‘[To build a better skills system we need a stronger core](#)’, Higher Education Policy Institute blog, 15 January 2018



## *i* Policy option 2.7

DfE should deliver the 'bridging' provision that will allow someone to switch between the 'academic' and T level tracks, and also that clarify whether (and which) T level courses will have options for further study at Levels 4 and 5.

Alongside these various practical challenges, establishing T levels as a programme akin to technical options in countries with more advanced technical education systems<sup>77</sup> will require sufficient levels of funding. The 50 per cent increase in weekly hours associated with the introduction of T levels implies an increase in costs. The Chancellor has committed additional funding, but we should expect start-up and other operational costs to be extensive. Getting T levels right will therefore require a concerted effort to fix the relative funding levels between FE and other education stages. We look again at this issue in the next section.

Finally in this section, we present an option for improving students' ability to make informed decisions on apprenticeships and technical study. Clear, comparable information on course content and outcomes would allow students to make informed decisions and boost the odds of choosing a programme that best develops their human capital.

## *i* Policy Option 2.8

The government should make available comprehensive information on further education options, availability and

employment outcomes; it should present this information on a course comparison website akin to the publicly funded higher education comparison platform, Unistats.

Combined, these measures could build clarity and quality into the technical education system and help to 'fix the future' of education for the neglected majority that do not follow the A level to university track. However there remains a substantial cohort of lower-qualified young adults who have already passed through the formal education passed through the education system but find themselves with fewer work-based opportunities for training and development than those had by previous cohorts. The second half of our 'twin-track' approach is aimed providing them with the skills and opportunities to either move up or move on to better careers. It is to that which we turn next.

<sup>77</sup> See: OECD, '[Chapter 4: Taking Advantage of Workplace Training](#)', in *Policy Review of Technical Education and Training: Initial Report*, 2009

## Section 3

---

### Human capital for those in work

*In the last section we discussed a number of ways in which intergenerational progress on human capital accumulation might be restarted by 'fixing the future' of non-higher education routes. However, there remains a cohort of young adults who were poorly served by the post-16 education system and who have entered into a labour market increasingly less hospitable for skills development. In this section we review recent efforts to develop the skills of young, lower-qualified adults and then present our own policy options for providing targeted support to this group.*

#### The adult skills landscape has been buffeted by policy interventions, with little lasting progress secured

Adult skills policy has been designed to meet a host of different ends, from leading people off benefits and into work, to raising firms' productivity and preparing for automation. This multitude of ends is reflected by the frequency with which adult skills-related policies are rolled into election campaigns and Budget speeches: across all Budgets and Spring/Autumn Statements since 2011, there have been over 65 commitments to post-16 skills provision.

Many of the policies outlined below were designed to support a broad set of beneficiaries. This paper is concerned more narrowly with efforts to provide targeted support for lower-qualified young adults who will be too old to benefit from the effects of the technical education reforms discussed in Section 2, but potentially too young to benefit from the more secure forms of employment and in-work training that previous generations experienced at the same age. This primarily refers to young adults who are 24 and over and who are part of the cohorts born in the 1980s and early 1990s that have borne the brunt of labour market changes discussed in Section 1.

We can divide efforts to develop adult skills into two basic types: those that encourage employers to invest in their staff and make better use of the skills that they have, and those that encourage individuals to invest in their own skills. We look at both in turn below.

#### Employer-led interventions have a mixed record of success, with regulation of quality being a key factor

There is a long history of initiatives that encourage – if not require – employers to invest in and better utilise their workforce's skills. For example, some sectors operate skills levies that are not entirely dissimilar from the structure of the apprenticeship levy. These include the Construction Industry Training Board (CITB) and the film industry's Skills

Investment Fund (SIF). These levies have long been in operation, in part, because they are used to fund specific skills training that would be expensive, and potentially risky, for either individuals or small firms to invest in on their own.<sup>78</sup>

There are also nascent examples of firms and unions working together to achieve a set of defined skills-related goals. The National Retraining Scheme, announced as part of last year's Industrial Strategy and developed further in the 2017 Autumn Budget, brings together the CBI and the TUC in order to "drive up adult learning and retraining."<sup>79</sup> It remains unclear whether the scheme's structure will be based on employers' or individuals' demand (i.e. a system where training subsidies are demanded by and allocated to employers, or demanded by and allocated to individual adults).<sup>80</sup> However, its initial focus will be centred on mechanisms to boost productivity and address skills shortages in sectors that the Industrial Strategy identified as 'growth' areas, specifically digital and construction.

There are numerous examples too among firms that tend to rely on more generalist skills. Under graduate training schemes and rotations recruits are provided with a suite of training courses, the opportunity to 'try out' different arms of the business and, in many cases, select from a number of career pathways. These schemes benefit both individuals and employers by facilitating a 'match' in the skills that an individual has and those that a particular section of the business requires.

The above examples are largely skill- or cohort-specific: incentives are used to train either a very particular type of skill or a specific cohort of workers. In contrast, 'Train to Gain' – a programme which ran between 2006 and 2010 – had a more generalised remit.

The programme offered employers both advice and subsidies for employee training schemes. The schemes were to be targeted at employees with lower-level qualifications; they offered firms a 100 per cent subsidy for a Level 2 qualification (typically an NVQ) and 50 per cent for full Level 3 qualification (i.e. a complete qualification rather than an individual module that contributes to a qualification).

Employer interest in Train to Gain exceeded expectations, with 1.4 million learners (5 per cent of the workforce) having participated by 2009.<sup>81</sup> The roll-out of subsidies also encouraged growth in training providers, with the number jumping from 500 in 2006-07 to 900 by 2009. There were concerns about the content and quality of training though, with a 2012 report by the Institute for Public Policy Research (IPPR) arguing that many of the qualifications simply assessed competence rather than the skills that an individual gained.<sup>82</sup>

---

78 For example, a 2015 report on training levies published by the UK Commission for Employment and Skills found: "A starting condition [for a sector-based levy] is that there should be evidence of long-term skills shortages and gaps caused by market failure, in particular in terms of poaching externalities, but also informational deficiencies and asymmetries." See: H Gospel & P Casey, [Understanding Training Levies: Final Report](#), UK Commission for Employment and Skills, Evidence Report 47, July 2012.

79 HM Government, [Industrial Strategy: Building a Britain fit for the future](#), November 2017

80 See: S Pember, [Shaping the National Retraining Scheme](#), National Council for Further Education, March 2018

81 House of Commons Committee of Public Accounts, [Train to Gain: Developing the skills of the workforce](#), Sixth report of the session 2009-10, 11 January 2010

82 The report says of Train to Gain: "It was based on low level competence-based qualifications (invariably NVQs) that were cheap and could be delivered on a mass scale. Often, these simply assessed employees' existing skills and did not offer any additional training, and as such had weak currency in the wider labour market." See: T Lanning & K Lawton, [No Train No Gain: Beyond free market and state-led skills policy](#), Institute for Public Policy Research, April 2012

Learner outcomes also varied substantially. Among the largest 100 providers, completion rates ranged from 8 per cent to 99 per cent.<sup>83</sup> This was likely a result of lax quality assurance in the early stages of the programme.<sup>84</sup> Train to Gain was ultimately shut down by the incoming Coalition Government in 2010. It helped confirm however that: i) under particularly generous circumstances, employers are likely to take up training incentives; ii) the training provider market will nimbly respond to public money; and iii) that regulation of quality plays a substantial role in determining skills outcomes.

## New approaches to employer-led adult skills policy must put regulation of quality at their heart

As previously discussed, several organisations have called for the apprenticeship levy to be widened into a broader use training levy, allowing firms to spend funds on training and development in a mode and manner they see fit. However the Train to Gain experience points to the need for strong regulation of content (to ensure additionality) and of providers (to ensure quality and completion). It is also worth recalling that under the pre-levy apprenticeship system (which also included more relaxed training and assessment requirements) many employers did in fact use public subsidies to train adult workers, but with very questionable outcomes.

That is not to say that there couldn't be more cost-efficient mechanisms for encouraging employers to both invest in, and make better use of, their staff's skills, specifically those that allow younger, lower-qualified workers to move up in their careers. Taking a sectoral approach could prove fruitful. For example, a recent Intergenerational Commission report focused on labour market policy options found that there are nearly 1 million 18-35 year-old non-graduates working in lower-paying and low-productivity sectors, like retail, hospitality and social care.

Young people in these sectors often have little scope to develop their skills, and little room to progress upwards. And firms in these sectors often struggle to utilise their workforce's skills. Building on the recent Industrial Strategy white paper, which stated that "some of the biggest opportunities for raising productivity come in sectors of the economy that have lower average productivity levels" including "hospitality, retail and tourism," the Intergenerational Commission report called for 'sector deals' between the government lower-paying sectors.<sup>85</sup> Here we replicate the earlier paper's policy option in this area.

### *i* Policy option 3.1

The government should develop sector deals with low pay industries like care, retail and hospitality. These deals should incentivise firms to design clearer progression paths, make better use of the skills they have and improve the skills of the skills of their workforce. They should also include targeted funding for filling skills gaps.

83 National Audit Office, [Train to Gain: Developing the skills of the workforce: Report by the Comptroller and Auditor General](#), HC 879, 21 July 2009

84 House of Commons Committee of Public Accounts, [Train to Gain: Developing the skills of the workforce](#), Sixth report of the session 2009-10, 11 January 2010

85 S Clarke & C D'Arcy, [The kids aren't alright: a new approach to tackle the challenges faced by young people in the UK labour market](#), Resolution Foundation, February 2018

These sector deals will offer lower-qualified young people a certain sense of clarity – allowing them to understand the options that sit before them and the skills required to progress. They would also allow employers a clear facility for filling skills shortages and boosting productivity. For example, the government could incentivise employers to place mid and lower-qualified workers onto technical courses such as Higher National Certificates (HNCs) or Diplomas (HNDs) should there be a skills shortage in a relevant area.

If successful, the government should consider expanding these deals to a wider number of sectors. A host of mechanisms could be used to incentivise firm behaviour here. For example, the Centre for Vocational Education Research (CVER) recently put forward a case for extending tax credits to employers' investment in education and training.<sup>86</sup>

Regardless of the mechanism used to encourage employer-led training, the UK's past experience with large scale training incentives (namely, Train to Gain) highlights how a programme can be torpedoed by operational issues, questions of additionality and regulatory oversight. Getting these right will be key to ensuring that employer-led incentives succeed in developing human capital.

## Individual-led interventions have frequently suffered from a lack of clarity and a dearth of quality

Turning to that part of adult skills policy which is directed at individuals, we can again identify a wide range of recent interventions. The provision of free courses, student loans, or learning entitlements (such as a learning account) can all help people whose best chance for human capital development and career progression will come from moving out of their current occupation or sector. Yet, as with the employer-led interventions discussed above, outcomes have been somewhat mixed. We consider a number of issues below.

As outlined in Section 2, young adults aged 19-23 are able to access a Level 3 qualification for free. But older adults can also access some free education if they have lower (or no) qualifications. During 2016/17, just over 750,000 older adults took advantage of such publicly funded English and Maths provision. However, the number was down 4 per cent on academic year 2015/16, and 30 per cent on 2011/12.<sup>87</sup> Understanding this drop-off is difficult. Some of the blame has been directed towards recent cuts in adult education funding, the teaching element of which has fallen 54 per cent since 2011.<sup>88</sup> The argument follows that participation has fallen because fewer colleges can afford to offer the courses. Other factors are likely to be at play too however, many of which have long been a problem.

For example, many lower-skilled adults have work or caring responsibilities that may put them out of reach of traditional targeting campaigns and which make it hard to fit in any time for studying. Some may be put off by negative education experiences from the past as well. And where adults have to reduce their working hours (or even change jobs) to make time for study, their 'investment' is – at least in the short to medium term

---

<sup>86</sup> R Costa et. al, [Investing in People: the case for human capital tax credits](#), Centre for Vocational Education Research, Briefing Note 007, March 2018

<sup>87</sup> Department for Further Education, [Further Education and Skills: November 2017](#), 23 November 2017

<sup>88</sup> D Foster, [Adult Further Education Funding in England since 2010](#), House of Commons Library, 7 November 2017

– larger than that put in by a young person, to whom further study is the logical next step in the life course. The return on that investment may therefore appear less clear than it does for younger people.<sup>89</sup>

Overall, we are left with the impression that colleges struggle to fund free basic skills courses and many adult learners struggle to access them.

Turning next to the majority of mid-level adult education courses which are subject to fees, we can see that the specific financing mechanism for each type of course varies according to whether that course is pursued in further or higher education.<sup>90</sup> In both cases, however, the introduction/raising of fees resulted in a substantial drop-off in adult participation.

Adults pursuing a full higher education course (i.e. study at Level 4 or higher that leads to a qualification, not a single module) may take out an income-contingent tuition fee loan. Full-time degree level students are also eligible for a maintenance loan to assist them with costs of living while they study. When university tuition fees trebled to £9,000 (FTE) in 2012/13, participation for full-time students held up, even among students from lower socio-economic status backgrounds.<sup>91</sup> However, there was a substantial drop-off in the number of part-time university students (whose maximum fees under the new system roughly trebled to £6,750): participation fell by 56 per cent between 2010 (when fee changes were announced) and 2017.<sup>92</sup>

In 2013/14 an FE loans scheme ('Advanced Learner Loans') was introduced, making courses chargeable when they had previously been provided free of charge.<sup>93</sup> As with university tuition fee loans, repayments are income-contingent but loan eligibility is restricted to 'full-level' courses: modular and shorter courses are not eligible for loan funding. Currently, maintenance loans are not provided.<sup>94</sup> The introduction of fees on adult FE students – most of whom are mature and study part-time – again coincided with a fall in participation. In the year after FE loans were introduced, student numbers fell by 30 per cent. Take-up of Advanced Learner Loans remains limited.<sup>95</sup>

The inability to secure a loan for modular study (i.e. taking a single unit or module at a time) is, in part, linked to low loan take-up: many adults are unsure about whether returning to study will reap returns and thus prefer to try a module or two before making

---

89 Mature part-time students are also more likely to come from disadvantaged backgrounds, have disabilities or maintain caring responsibilities. See: Open University, *Fixing the Broken Market in Part-time Study*, November 2017; C Callender & J Thompson, [The Lost Part-Timers: the decline of part-time higher education in England](#), Sutton Trust, March 2018

90 From 2018/19 maintenance loans will also be available for part-time higher education students.

91 Higher Education Funding Council for England (HEFCE), *Higher Education in England 2015: Key Facts*, July 2015

92 A Fazackerley, '[Part-time student numbers collapse by 56 per cent in five years](#),' *The Guardian*, 2 May 2017

93 The loans were introduced within the context of adult education funding cuts.

94 Both Advanced Learner Loans and HE loans (tuition fees and maintenance) operate on an income contingent basis, with repayments only commencing once a borrower is earning £25,000 and higher. In the 2017 Spring Budget the Chancellor committed to offering maintenance loans to Level 4 and 5 students enrolled at National Colleges or Institutes of Technology. See: HM Treasury, *Spring Budget 2017: Philip Hammond's Speech*, 8 March 2017

95 Since 2013, 58 per cent of public loans funding went unspent. See: J Burke, '[Large fall in advanced learner loan applications](#),' *FE Week*, 30 November 2017

a decision.<sup>96</sup> However, simply allowing funding for this type of study may not be enough to boost participation: research has also shown that adults who complete modules on an irregular basis (and in particular at different providers) struggle to stitch these together into a qualification – thus reducing their odds of yielding a pay rise through study.<sup>97</sup>

There are examples adult learning loans that operate – or have operated – on a highly flexible basis. For example, Australia introduced a technical education loan for adults that financed modular study and had repayment terms to its HE loan system. Loan take-up rose rapidly but due to low-level regulation of providers, many providers were fraudulent and many other courses were of a very low quality [see Box 4].

### *i* Box 4: Experience abroad: lifetime learning loans in Australia

The Australian government, building on the pre-existing higher education loan system, opened a similar scheme for technical education in 2012. The system offered a lifetime loan limit of AUD 93,000 (in current terms £53,000) which students would begin to pay back once their earnings exceeded roughly £31,000. Initially designed such that only modules that offered credit towards a higher-education level (e.g. Level 4+) qualification were eligible, the scheme was expanded in 2012. From then, it covered all forms of adult education and training, whether offered by public, private and private non-for-profit providers.

A review by the Federal Government stated that the lower barriers to entry that exist when offering lower-level qualifications helped drive an expansion of both providers – many small with no prior history – and of learners. The number of students accessing the system doubled from

roughly 50,000 in 2012 to 100,000 in 2013, reaching nearly 275,000 by 2015.<sup>1</sup> Students signed up to nearly £4 billion worth of courses in 2015 alone.<sup>2</sup>

Much of this growth was in low quality, if not fraudulent, courses. The scheme was replaced in 2016, with strict limitations placed on provider and course eligibility. These included the introduction of subject-based fee caps and the requirement that providers have at least a five year track record. Further, providers' relationships with industry, their students' completion rates and employment outcomes all came under scrutiny.<sup>3</sup>

- 1 Department for Education and Training, *Redesigning VET FEE-HELP*, Discussion Paper, Australian Government, 2016.
- 2 M Bachelard, 'Technical education: how the shonks and shysters took control', *Sydney Morning Herald*, 26 September 2015.
- 3 M Knott, 'Technical loans scheme scrapped, loans to be capped under major Turnbull government shake-up,' *Sydney Morning Herald*, 5 October 2016

<sup>96</sup> See: C Callender, *It's the finance, stupid! The decline of part-time higher education and what to do about it*, *Higher Education Policy Institute*, October 2015

<sup>97</sup> See: Association of Colleges, *Making credit accumulation and transfer work: Final report on research and evaluation of the Credit Transfer and Accumulation Transfer Scheme (CATS) pilot projects*, December 2014

These patterns suggest that a single funding scheme can yield different responses from different types of learners, with mature and part-time students appearing to have particular challenges in balancing care, work and study, and also in realising returns on their wider education ‘investment.’

Focusing finally on individual entitlements, we can see that the UK’s experience with Individual Learner Accounts (ILA) illustrated an appetite for subsidised adult learning – but also the risks of poorly regulated provision.

ILAs were introduced in September 2000 and in effect represented an online system to allocate subsidised courses to all adults, with the programme specifically targeted at those with lower-level qualifications. Demand exceeded expectations. The government had set a target of 1 million account holders after two years, but that was achieved six months early. Two months after that, participation grew by a further 50 per cent. Total expenditure was £273 million – well over the £199 million budget.

The aim was for the courses to be flexible and to spur competition by allowing a range of providers to come into the market. As with Train to Gain and the Australian adult loans [see Box 4], the experience underlined the fact that the provider market will nimbly respond to incentives: by November 2001 there were 8,910 different providers registered in the ILA system. While they had to demonstrate public liability insurance however, there was no requirement that providers have experience in education, and quality assurance mechanisms were limited.

Again, as with Train to Gain, the experience pointed to a need for stronger regulation, and in particular, a stricter criteria around market entry. According to the National Audit Office, “some learning providers were abusing the system, offering low-value, and poor quality learning; and there were increasing numbers of complaints from learners”. The system closed in November 2001 as it emerged that individual account numbers had been accessed and were offered for sale – leading to a potential government liability of tens of millions of pounds.<sup>98</sup>

## Once again, new approaches to individual-led policy must tackle the issue of quality – along with providing more clarity of choice

The three types of individual funding mechanisms outlined above – free provision, loans and subsidised courses – appear to have yielded different responses from different types of learners. The main lesson would seem to be that a ‘one-size-fits-all’ approach to adult skills will not work. Alongside this, a number of other conclusions relevant to future policy design stand out.

First, funding matters: recent falls in adult and community education owe much to reduced FE funding, and thus a reduced number of courses on offer. Second, context matters: adults in work may have particular challenges in balancing work, caring responsibilities and study – a factor which potentially resonates more strongly in the face of the uncertain returns to qualifications. Third, quality and regulation is vital: entitlements like ILAs encourage a surge of training providers but raise questions over cost effectiveness and highlight the importance of provider entry criteria and regulation. Fourth, access to clear information is insufficient: the decision making tools available for prospective

---

98 National Audit Office, [Individual Learning Accounts: Report by the Comptroller and Auditor General](#), HC 1235, 25 October 2002



university students on factors like post-study employment rate and earnings are for the most part unavailable for FE courses and apprenticeships – this is particularly worrying given that most adult learners will not have help from a teacher or careers advisor when selecting their route.

There is also the question of what sort of progression we want adult skills policy to facilitate. Often the default assumption is that we are looking at options for helping people advance within their current job or career; that is certainly the assumption underpinning many employer-led approaches. For some individuals however, skills development and the associated opportunity to advance will depend on their ability to move into a new occupation or sector. Individual-led interventions are likely to lend themselves more readily to such an outcome.

Again there is overlap here with a previous *policy options* paper for the Intergenerational Commission, which found that many young people in lower-paying roles struggle to move into better-paying jobs because they lack the resources to invest in re-training or to move locations.<sup>99</sup> Here we restate another of its suggested reforms.

### *i* Policy Option 3.2

The government should adopt a 'Better Jobs Deal' which would include mechanisms to help young, lower-qualified career 'switchers,' such as providing support with the upfront costs of a new career, including the costs of training.

A number of mechanisms for achieving this have been proposed in recent years, with many suggesting revisiting the idea of entitlements to adult education. Recognising the regulatory, and in particular systems management, failures of the early 2000s ILA scheme, most of these proposals reference stricter criteria for providers. The details have varied significantly however, with differing approaches to learner eligibility (a targeted group vs the wider adult population), funding levels and mechanisms (loans, grants or tax relief) and, in some cases, course coverage. It is worth outlining a few of these proposals below.

The Association of Colleges has called recently for a personal learning account that individuals and employers could contribute to, with the balance spent on courses for learners aged 18 and older.<sup>100</sup> Additionally, the IPPR has argued for a £700 personal training credit to be extended to adults without a Level 3 qualification; those in work would be required to co-invest at least half of the credit, so as to “help ensure learner commitment.”<sup>101</sup> And the Taylor Review similarly targeted a specific subset of the adult population – stating that the government should use the £40 million flexible learning fund announced during the 2017 Spring Budget to develop a new approach to ILAs, starting with those “who need to retrain and those in receipt of Universal Credit.”<sup>102</sup>

99 A Wolf, *Remaking Tertiary Education: can we create a system that is fair and fit for purpose?* Education Policy Institute, November 2016

100 Association of Colleges, [Manifesto 2017](#)

101 J Dromey & C McNeil, [Another Lost Decade? Building a Skills System for the Economy of the 2030s](#), Institute for Public Policy Research, July 2017

102 M Taylor, [Good Work: the Taylor Review of Modern Working Practices](#), Department for Business, Energy and Industrial Strategy, July 2017

A recent report published by the Institute of Education (IOE) proposed a £10,000 learning entitlement, granted to every young person at age 18 and offered to any adult without a Level 3 qualification.<sup>103</sup> While the IOE authors have suggested placing a grant entitlement on top of the existing student loan system, others have called for more wholesale reform of the post-18 education system. Both Alison Wolf<sup>104</sup> and Policy Exchange<sup>105</sup> have called for England's current tertiary funding system to be replaced by a unified lifetime learning account, offered in the form of a loan that can be accessed multiple times for both higher education and FE courses.<sup>106</sup>

Ultimately, any proposal to place an entitlement into younger adults' hands will likely come up against some of the design and regulatory challenges discussed earlier in this section: namely funding, context, quality and clarity. The ability of a learning entitlement to engage with the younger, less-qualified cohorts will therefore depend on policymakers' ability to understand barriers to study.

A specific barrier relates to way in which modular study operates. Learners can be dissuaded from further study both because of the lack of financing for modular study and by the difficulty in accumulating and transferring credits earned over a longer period of time.<sup>107</sup> A system of credit transfer could help here.

### *i* Policy Option 3.3

DfE should review barriers to adult learning and consider whether a system of credit transfer would boost educational participation among lower-qualified

adults. It should prioritise these challenges – specifically those around technical study and adult learning – within its major review of post-18 education.

103 Those on track to pursue an undergraduate degree (which currently has a fee cap of £9,250 per year, multiplied by the three years it takes an average full-time degree to complete), would offset their £10,000 grant against tuition fees and use the current student loan system to cover the shortfall. Those pursuing sub-degree level education could use the grant as they see fit; in chunks over the course of their lifetime. Assuming 80 per cent of 18 year-olds take up the offer and the cost of adult learners engaging with the system would cost £1 billion, the authors estimate its total annual cost at £8.5 billion a year. See T Schuller, A Tuckett and T Wilson, [A National Learning Entitlement: Moving Beyond University Tuition Fees](#), Centre for Learning and Life Chances in Knowledge Economies and Societies, LLAKES Research Paper No 63, Institute of Education, London, February 2018.

104 S Clarke & C D'Arcy, [The kids aren't alright: a new approach to tackle the challenges faced by young people in the UK labour market](#), Resolution Foundation, February 2018

105 N Porter & J Simons, [Higher, Further, Faster, More: Improving higher level professional and technical education](#), Policy Exchange, 19 October 2015

106 The Policy Exchange proposal was open to all education taken up by those aged 19 and older while Wolf proposed limiting the system – at in the “short to medium term” – to qualifications at Level 4 (e.g. HNC/HND equivalent), so as to ease immediate administrative burdens. Take-up, and thus cost, estimates are not detailed.

107 C Callender & J Thompson, [The Lost Part-Timers: the decline of part-time higher education in England](#), Sutton Trust, March 2018

## Revitalising our approach to adult skills requires plugging the funding gap

The validity of schemes to fill skill shortages and reskill young adults requires a frank discussion around both cost and financing mechanisms: costs do not simply relate to expenditure on provision (which may indeed be higher when catering to adult learners with lower levels of education) but also the elements that are critical to holding up the system, such as systems management, regulatory capacity, careers advice, capital investment, and staff training and recruitment. These costs are particularly sharp within the context of an adult education sector that has had its core teaching budget cut by 54 per cent since 2010.

Moreover, the viability of high-quality technical routes for young people discussed in Section 2 would require high-quality educational institutions. The relative level of under-funding that exists in FE will not suffice. At a minimum, FE funding should be brought back to the (real terms) level of 2011-12. To do so would cost roughly £765 million in current prices (£800 million in 2019-20).

We therefore need a robust funding mechanism to kick-start generational progress on skills and human capital. One obvious candidate is corporation tax.

In a bid to boost the competitiveness of British business, the government has pushed through a series of cuts to the UK's corporation tax: having stood at 28 per cent in 2010, the rate is now just 19 per cent. It is now one of the lowest in Europe and one of the lowest in the OECD, yet there are plans to cut it further still – to 17 per cent in 2020. The boost to competitiveness a cut of this magnitude would confer is highly debatable, given how low the UK's relative rate already is. Since businesses frequently cite human capital in the UK as a major barrier to international competitiveness, it would appear to make more sense to prioritise funding this area instead.

Halving the remaining corporation tax cut to 1p (taking it to 18 per cent rather than 17 per cent) would yield £2.1 billion by 2020.<sup>108</sup> At least £1 billion of the savings could be used to support technical education including £800 million (2020 prices) for bringing further education funding in England back to peak (2011/12) levels.

By 2022, the savings from halving the remaining corporation tax cut would yield up to 2.9 billion,<sup>109</sup> of which £1 billion could be used to support the 'Better Jobs Deal' and £1.5 billion for technical education. This £1.5 billion would include £846 million (2022 prices) for maintaining funding levels at further education colleges in England and provide £24 million in additional funding to Ofsted. This would help bring Ofsted funding back in line with 2011/12 levels, which would allow them to inspect more apprenticeship training providers. The savings would also support T level employer engagement efforts, with proportional allocations to other parts of the UK.<sup>110</sup>

---

108 Estimates from HM Treasury's Autumn Budget 2017 documents; See: HM Treasury, [Autumn Budget 2017 documents, Table 2.2: Measures announced at Spring Budget 16 \(or earlier\) that will take effect from December 2017 \(or later\)](#), November 2017

109 Estimates from HM Treasury's Autumn Budget 2017 documents; See: HM Treasury, [Autumn Budget 2017 documents, Table 2.2: Measures announced at Spring Budget 16 \(or earlier\) that will take effect from December 2017 \(or later\)](#), November 2017

110 This would involve a funding allocation to providers in England with Barnett consequentials providing funds to other nations.

*i* Policy Option 3.4

The government should limit the next corporation tax rate cut to 1 per cent, taking it to 18 per cent instead of in 2020 instead 17 per cent. The savings should be directed to supporting technical education, including bringing further education funding in England back to 2011/12 levels.

These measures could go some way towards building clarity, quality – and crucial funding – back into the technical education sector. In particular they could help to develop the human capital of those lower-qualified young adults who did not achieve high levels of attainment during their time in formal education and are struggling to build their skills through work. These policies will not solve all of the labour market’s skills challenges – far from it – but they could provide support to a cohort of people that lack the skills and training opportunities that were afforded to previous generations.

## Section 4

---

### Conclusion

The recent slowdown in educational attainment has put paid to expectations that each generation will outperform the one that came before it. Cohort-on-cohort progress on human capital growth has slowed such that a large proportion of people with lower-level qualifications appear ‘stuck’, with recent cohorts failing to make progress in reducing the stock of low-level attainment. In the past, young, lower-qualified adults were able to develop their skills and capacities through work and training. However, broader patterns of labour market change appear to be reducing the opportunities for them to do so.

This paper has proposed a ‘twin-track’ approach for restarting generational progress on human capital. On the one hand, the government could bring about human capital progress by ensuring that young people coming through the post-16 education pipeline have access to clear, quality routes outside of the traditional A level-to-university pathway. On the other, the government should provide targeted support to lower-qualified young adults who have struggled in the labour market and are too late to benefit from most of the reforms to the technical education system we propose.

Inherent in this approach are three key challenges: on *clarity*, to allow individuals to navigate routes that best serve their skills needs; on *quality*, to ensure that the skills they develop are genuine and retained; and on *funding*, because it is critical to recognise that the start-up and operational costs of developing human capital are high.

Each of the policy options discussed in this paper underpin the principles laid out above. They include helping both younger and older adults to identify routes and make informed choices, along with bringing forward a step change in employer involvement in the skills system. They also include providing educators with sufficient funding for skills investments, and ensuring that authorities have enough resource to ensure the education and training system is robustly regulated. These human capital investments could be financed simply by halving the scale of planned cuts to corporation tax

Reforming non-higher education options for 16-24-year-olds and providing targeted support to lower-qualified young adults is just one measure that could help to restore intergenerational progress on living standards. This paper is one of a series produced for the Intergenerational Commission that sets out options for its consideration as it formulates policy recommendations. Reflecting on these and other options, the final report of the Intergenerational Commission will propose a package of policies for a renewal of Britain’s intergenerational contract.

*Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:*

*undertaking research and economic analysis to understand the challenges facing people on a low to middle income;*

*developing practical and effective policy proposals; and*

*engaging with policy makers and stakeholders to influence decision-making and bring about change.*

*For more information on this Report, contact:*

**Kathleen Henehan** Policy and Research Analyst

[kathleen.henehan@resolutionfoundation.org](mailto:kathleen.henehan@resolutionfoundation.org)

020 3372 2980