campaign for learning

Learning in the Cold

The Cost-of-Living Crisis and Post-16 Education and Skills

October 2022

Julia Wright and Mark Corney (Editors)

Contents

Introduction

4 **Julia Wright and Mark Corney, Campaign for Learning**

Part One: Young People, Adults and Employers

14 **Louise Murphy, Economist, Resolution Foundation**
The Cost-of-Living and the Energy Crisis for Households

18 **James Kewin, Deputy Chief Executive, Sixth Form Colleges Association**
The Cost-of-Living Crisis and 16-19 Year-Olds in Full-Time Further Education

21 **Becci Newton, Public Policy Research Director, Institute for Employment Studies**
The Cost-of-Living Crisis and 16-18 Year-Olds in Jobs with Apprenticeships

25 **Zach Wilson, Senior Analysis Officer and Andrea Barry, Analysis Manager, Youth Futures Foundation**
The Cost-of-Living Crisis and 16-24 Year-Olds 'Not in Full-Time Education'

29 **Nick Hillman, Director, Higher Education Policy Institute**
The Cost-of-Living Crisis and Full-Time and Postgraduate Higher Education

31 **Liz Marr, Pro-Vice Chancellor – Students, The Open University**
The Cost-of-Living Crisis and Part-Time Higher Education in England

34 **Steve Hewitt, Further Education Consultant**
The Cost-of-Living Crisis: Access to HE and Foundation Year Programmes

37 **Sophia Warren, Senior Policy Analyst, Policy in Practice**
The Cost-of-Living Crisis, Universal Credit, Jobs and Skills Training

39 **Paul Bivand, Independent Labour Market Analyst**
Economic Inactivity by the Over 50s, the Cost-of-Living Crisis and Adult Training

45 **Aidan Relf, Skills Consultant**
The Cost-of-Living Crisis and Employer Demand for Level 2-7 Apprenticeships

49 **Mandy Crawford-Lee, Chief Executive, UVAC**
The Cost-of-Living Crisis and Employer Demand for Level 4+ Apprenticeships and Part-Time Technical Education

52 **Simon Parkinson, Chief Executive, WEA**
The Cost-of-Living Crisis and Adult Community Learning

Part Two: Post-16 Education and Skills Providers

56 **David Hughes, Chief Executive, AoC**
The Cost-of-Living Crisis and FE Colleges

59 **Jane Hickie, Chief Executive, AELP**
The Cost-of-Living Crisis and Independent Training Providers

62 **Susan Pember, Policy Director, HOLEX**
The Cost-of-Living Crisis and Adult Education Providers

65 **Martin Jones, Vice-Chancellor and David Etherington, Professor of Local and Regional Economic Development, Staffordshire University**
The Cost-of-Living Crisis – The Response of Staffordshire University

68 **Chris Hale, Policy Director, Universities UK**
The Cost-of-Living Crisis and Universities

Campaign for Learning

72 **Recommendations**

Past Publications

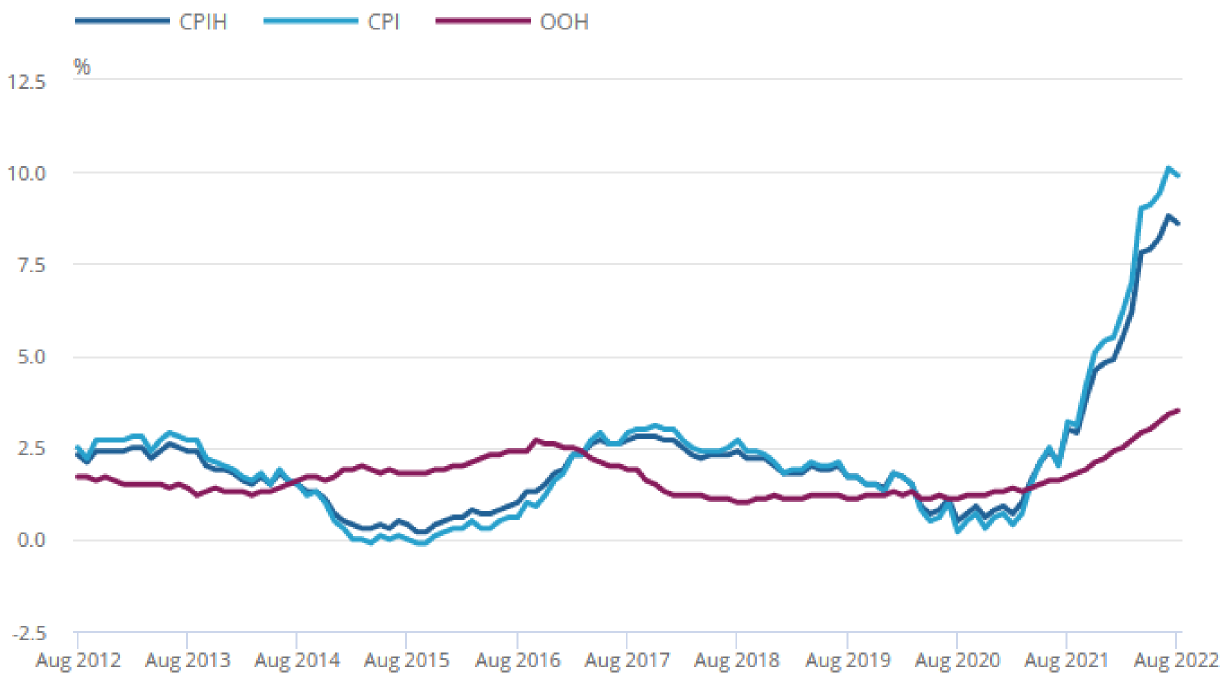
Introduction

The UK is in the middle of a severe and fast evolving cost-of-living crisis fuelled by political turmoil. Every individual, every household and every employer in the country is being affected by inflation running at 10% (see Box 1). An energy crisis and an interest rate crisis are reinforcing the cost-of-living crisis and risking recession.

Box 1

Figure 1: Annual CPIH inflation rate eases slightly

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, August 2012 to August 2022



Source: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2022

The Political Crisis

There is a saying that a week is a long time in politics. A more apt description of politics today is a phrase from the 1960s TV science-fiction show Stingray – "anything can happen in the next half hour"!

After less than five weeks in office, the Prime Minister replaced Kwasi Kwarteng as Chancellor of the Exchequer with Jeremy Hunt.

The new Chancellor announced on Monday 17th October the reversal of many of the tax measures set out in the Growth Plan published on Friday 23rd September (Chancellor brings Forward Further Medium-Term Fiscal Plan measures, HM Treasury). But there is more pain to come.

On the present timetable, the new Chancellor will publish the Medium-Term Fiscal Plan on Monday 31st October alongside the Economic and Fiscal Outlook, prepared by the Office for Budget Responsibility (OBR).

This will be followed on Thursday 3rd November by the publication of the quarterly Monetary Policy Report by the Monetary Policy Committee of the independent Bank of England where interest rates currently at 2.25% are expected to rise significantly.

If the Prime Minister and the new Chancellor of the Exchequer can hold on to office, these four days in autumn will, to a varying degree, affect the course of the cost-of-living crisis in the weeks and months ahead - including everyone engaged in the post-16 education and skills sector.

The Energy Crisis

The new Chancellor, Jeremy Hunt, has confirmed that the Energy Price Guarantee (EPG) for households - which limits average bills to £2,500 (see Box 2) - will only last for six months until March 2023 rather than two years. Similarly, the Energy Bill Relief Scheme (EBRS) will, as planned, last for six months until March 2023 (see Box 3). The EBRS provides a subsidy of 35% of electricity prices and 40% of gas prices depending upon market prices. The Growth Plan estimated the cost of these measures at £60bn during financial year 2022/23 (see Box 4). The new Chancellor has ordered a Treasury Review to develop a new plan for energy support to households and employers after April 2023.

Energy Poverty, Energy Uncertainty

Many households and families, especially those with the lowest incomes are struggling to cope with the rise in the energy price cap from an average of £1,277 in October 2021 to £2,500 in October 2022. Employers are concerned that the Energy Bill Relief Scheme might not be sufficiently generous if market prices for gas rise. Energy uncertainty is also rising as households and employers do not know what assistance will be in place from April 2023.

Box 2

Energy Price Guarantee

From 1st October, a new 'Energy Price Guarantee' will mean a typical UK household will now pay up to an average £2,500 a year on their energy bill for the next two years. This is automatic and applies to all households.

This will save the average household at least £1,000 a year based on current energy prices from October and is in addition to the £400 energy bills discount for all households.

This applies to all households in Great Britain, with the same level of support made available to households in Northern Ireland.

Source: https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market

Box 3

ENERGY BILL RELIEF SCHEME

Through a new government Energy Bill Relief Scheme, the government will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices. This support will be equivalent to the Energy Price Guarantee put in place for households.

It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial 6 month period for all non-domestic energy users. The savings will be first seen in October bills, which are typically received in November.

To administer support, the government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity. This is equivalent to the wholesale element of the Energy Price Guarantee for households. It includes the removal of green levies paid by non-domestic customers who receive support under the scheme.

Source: https://www.gov.uk/government/news/government-outlines-plans-to-help-cut-energy-bills-for-businesses

Box 4

Table 4.1: The Growth Plan 2022 energy package (£ million)

		Head	2022-23
Tackling energy prices[1]			
1	Energy Price Guarantee: support for households through a cap on the unit rate of electricity and gas bringing average household energy bills to £2,500	Spend	-31,000
2	Energy Bill Relief Scheme: support for businesses for a six month period	Spend	-29,000

[1] Costings are based on market prices taken from the ten workings days between 29 August and 12 September, after also taking green levies off of bills.

Source: https://www.gov.uk/government/publications/the-growth-plan-2022-documents

The Financial Crisis

In order to regain credibility with financial markets, the new Chancellor has reversed £32bn of the £45bn of unfunded tax cuts announced in the Growth Plan, as well as suspend indefinitely the cut in the standard rate of income tax from 20p to 19p. The aim is to bring the cost of government down and reduce debt interest to limit to some extent further tax rises and spending cuts, and ease pressure on short-term and long-term interest rate rises, although they will still rise significantly.

Earlier and Higher Interest Rates

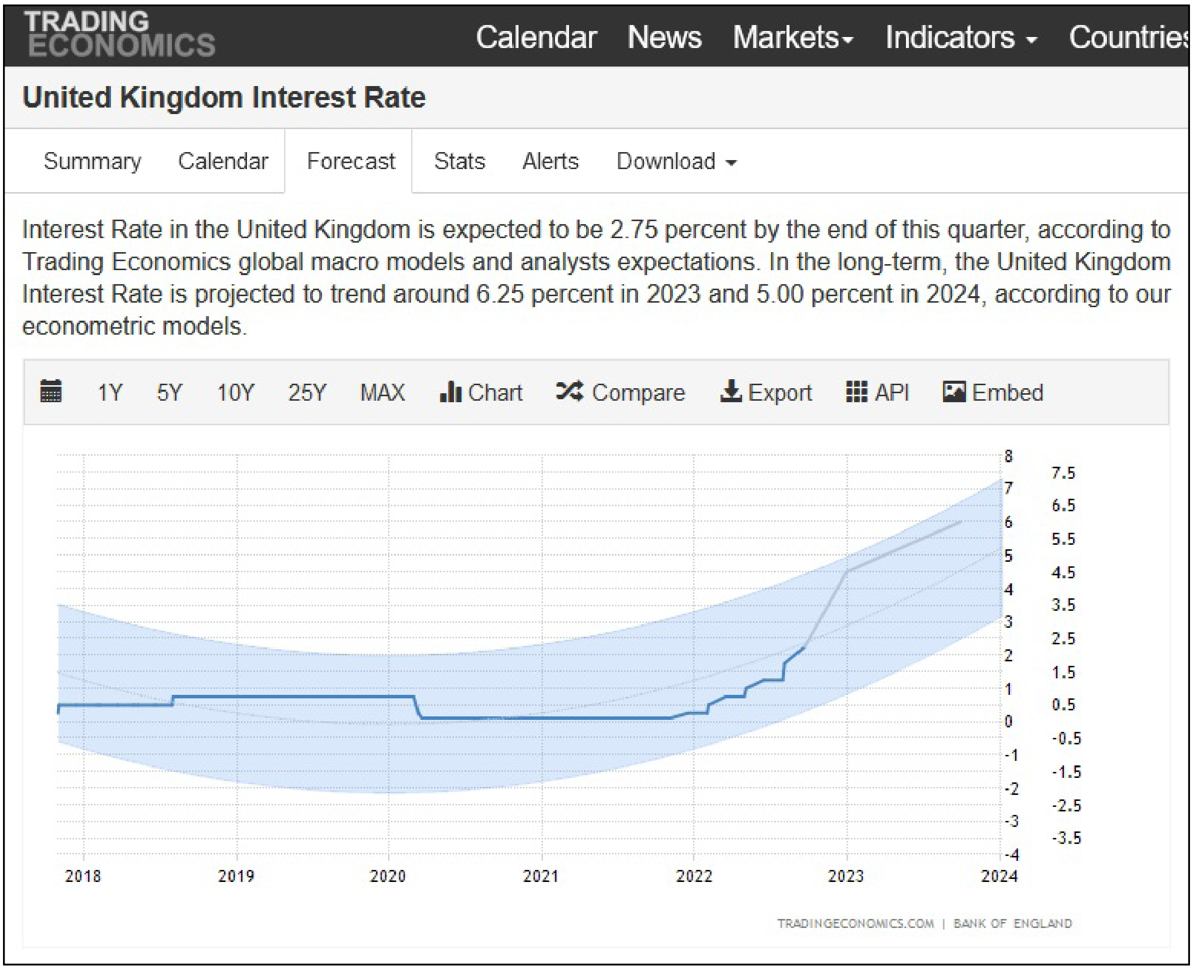
According to Trading Economics, interest rates are set to double from 2.25% to 4.5% by the new year and projected to trend around 6.25% in 2023 (see Box 5). The Bank of England is expected to raise interest rates significantly on Thursday 3rd November and has an opportunity to do again just before Christmas on Thursday 15th December.

Interest Rate Rises are Fuelling the Cost-of-Living Crisis

As well as contending with higher energy, fuel and food prices, households and employers now face an interest-rate cost-of-living crisis.

For households, a key concern is mortgage costs. According to the Resolution Foundation, mortgage rates have risen to 8% for variable rates and 6.25% for two-year fixed rates. The 1.2m mortgagors on variable rates are seeing increased monthly repayments immediately. Fixed rate mortgages will come to an end for a further 5.1m mortgagors by the end of 2024. Plus the poorest households will be paying an extra £1,700 per year whilst the richest will be paying an additional £5,100 per year (see Box 6).

Box 5

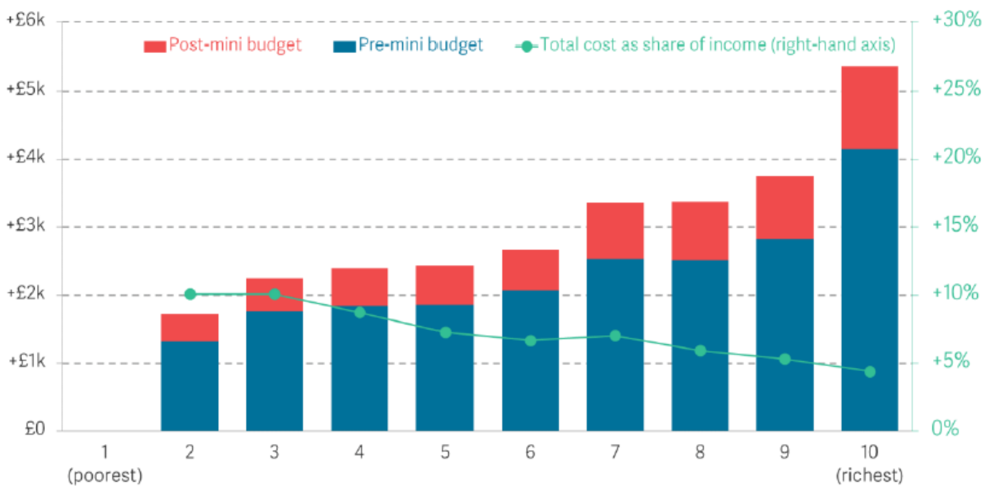


Source: https://tradingeconomics.com/united-kingdom/interest-rate as at1 5th October 2022

Box 6

Figure 5 **Higher-income mortgagors can expect to pay over £5,400 more a year in interest costs by the end of 2024**

Estimated cash increase in average annual mortgage cost, by net household income decile, and as share of net household income, since Q3 2022: GB, Q4 2024



Notes: Only includes one owner occupier mortgage per household, additional mortgages (where applicable) are excluded. Based on market interest rates as of 11 October 2022 and pre-mini budget refers to interest rates as of 22 September 2022. See endnotes for details of the estimation method. Income deciles are for mortgaged households only. Income is defined as regular income measured net of taxes and before housing costs. We exclude results for decile 1 due to well-known concerns about the reliability of income data for those on the lowest incomes.
Source: RF analysis of ONS, Wealth and Assets survey; Bank of England, Bankstats and Yield Curve.

Source: https://www.resolutionfoundation.org/publications/interesting-times/

Employers are also affected by rising interest rates. They will pay more for their overdrafts and longer-term borrowing for investment.

The UK is entering a new era of prolonged higher interest rates.

The Fiscal Crisis

Earlier in October, the Institute for Fiscal Studies estimated that the fiscal deficit would need to be cut by £60bn for national debt as a share of GDP (Gross Domestic Product) to stabilise by 2026/27 (The Outlook for the Public Services, 11th October 2022). Latest reports suggest that the OBR is now projecting that the fiscal deficit needs to be cut by £72bn.

Taking into account the £32bn worth of savings announced by the Chancellor on 17th October, the black hole in the public finances remains around £40bn. He also confirmed that there would be more difficult decisions to make at the publication of the Medium-Term Fiscal Plan, with further tax rises and lower public spending. All Whitehall departments have been asked to find efficiency savings.

The Public Spending Crisis

A key question is the extent to which the heavy lifting to balance the books is taken by higher taxes or lower spending. The greater the rise in taxes, the lower the cuts to public spending. There are three main sources of cuts to public spending:

- reducing departmental capital expenditure;
- reducing annually managed day-to-day spending such as welfare benefits, and
- reducing departmental day-to-day spending on public services.

Capital Spending

Reducing capital expenditure rather than day-to-day spending is perhaps politically easier than cuts to resource spending. The problem is that public investment is a major contributor to long-term economic growth.

Welfare v Public Services
If, however, the battle to find cuts lies between welfare and public services, the simple truism is that the lower the cuts in welfare spending the higher the cuts in public services, and vice-versa.

It is highly likely that state pensions will be uprated by inflation. If working age benefits are also uprated by inflation rather than earnings, pressure on public service spending will be intense. If working age benefits are uprated by earnings rather than inflation, people of working age will suffer a real terms cut in benefits at a time of a cost-of-living crisis.

Department for Education v The Rest of Whitehall
At this stage, it seems no department in Whitehall can expect their budget to be ring-fenced. Even health and defence will be expected to find savings. Of course, the greater the ring-fence for certain departments, the greater the cuts in spending in other departments. To this extent, the cuts to DfE spending might marginally less severe.

Pre-16 School Spending vs Post-16 Education and Skills Spending
In the past, protection has been given to pre-16 schools spending. As a consequence, spending on post-16 education and skills has been squeezed. If health and defence spending is not to be ring-fenced, pre-16 schools spending might also miss out on being ringfenced. In turn, the squeeze on post-16 education and skills might be marginally less.

Skills and Long-Term Growth

The mantra of the Growth Plan was growth, growth, growth. Today, economic policy has been reframed as growth with financial stability. Even though, the tax measures contained in the Growth Plan are being dropped by the day, the plan also outlined an agenda for supply side reforms. Key areas identified in the plan were: business regulation, agriculture, housing and planning, mobile and broadband, financial services, childcare, energy and immigration.

Ironically, investing in post-16 education and skills is not on the list, given the importance of this to any growth agenda. This is an omission not lost on anyone in the post-16 education and skills sector.

Devolution in the UK

The cost-of-living crisis is a challenge for the UK as a whole. Generally speaking, energy, fiscal and monetary policy responses apply UK-wide. Education and skills policy is a devolved matter. Welfare policy is generally GB-wide although active labour market policies are devolved. Our focus is on post-16 education and skills policy in England and welfare and active labour market policies where they impact on England.

The Pamphlet

The post-16 education and skills sector in England is confronted by an energy crisis, a new era of higher interest rates and acute public spending constraints. The aim of this pamphlet is to examine in a single volume the challenges of the cost-of-living crisis on:

- post-16 learners in all forms of education and training;

- post-16 year-olds who are employed, unemployed or economically inactive but not in full-time education and are claiming welfare benefits;

- employers and their own investment in training, demand for apprenticeships and engagement in publicly-funded post-16 education and skills more widely, and

- post-16 education and training providers as trading organisations, as employers of the education and training workforce, as owners of assets which could be used as warm spaces, and the deliverers of education and training opportunities during the winter and beyond.

Campaign for Learning appreciates the commitment of the 19 authors who have contributed to this policy pamphlet at a time of such political, economic and financial volatility. We are very grateful for their flexibility which enabled Campaign for Learning to bring forward the pamphlet's publication from November to October.

By bringing together different perspectives of the cost-of-living crisis on different parts of the post-16 education and skills system in England in a single volume, we hope that the Government will be better placed to formulate a comprehensive policy response to sustain participation in post-16 learning in the weeks and months ahead.

Campaign for Learning: Key Messages

For Campaign for Learning, there are four key messages for policy makers to bear in mind at this critical juncture.

Key Message 1: Potentially Lower Participation in Post-16 Learning
Policy makers should expect participation to fall in all forms of post-16 learning as learners have squeezed incomes to live and learn, and employers must put energy and wage bills before training.

Key Message 2: Prioritise Taxpayer Support for Living Costs
The policy response should emphasise taxpayer support for living costs. The focus should be on maintaining, increasing and extending 16-19 child benefit, 16-19 child allowances within Universal Credit, 16-19 bursary grants, maintenance loans, adult bursary grants and Universal Credit paid to out-of-work and in-work claimants.

Key Message 3: Provide Extra 16-19 Funding for Free Meals
In terms of funding of provision, 16-19 funding should be increased to deliver better and more free meals to students in schools and colleges this winter.

Key Message 4: Remove Up-Front Cash Contributions to Post-18 Provision
In relation to the funding of post-18 education and training, the policy response should be to remove any up-front cash contributions by adults and employers.

Campaign for Learning: Recommendations

The pamphlet is concluded with a series of recommendations by the Campaign for Learning on the cost-of-living crisis and the post-16 education and skills sector.

Julia Wright, National Director, Campaign for Learning
Mark Corney, Policy Adviser, Campaign for Learning
17th October 2022

Part One
Young People, Adults and Employers

Louise Murphy, Economist, Resolution Foundation

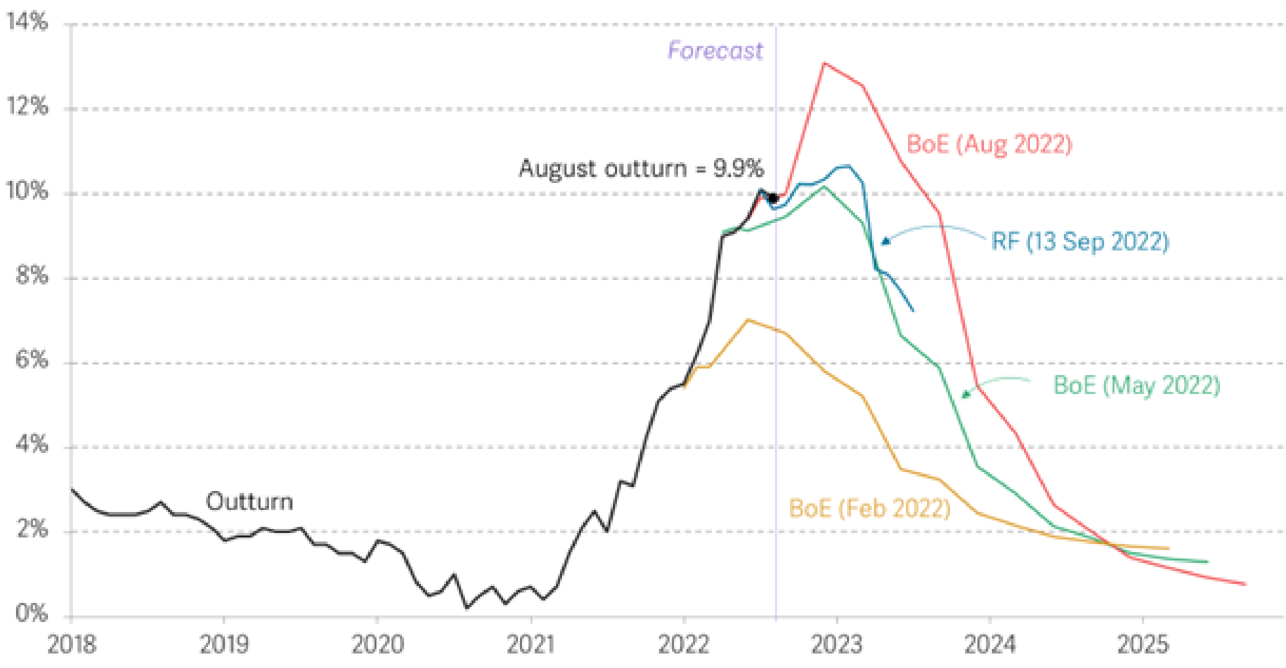
The Cost-of-Living and the Energy Crisis for Households

Households across the UK are facing huge cost-of-living pressures, with inflation close to a 40-year high and real wages falling fast. While significant support from the Government will help reduce the scale of the living standards catastrophe this winter, the outlook is not bright, with incomes for non-pensioner households set to fall by 8 per cent over the course of this year and next.

Inflation Reached a 40-year High in July 2022

Inflation has risen from close to zero at the start of 2021 to reach a 40-year high of 10.1 per cent in July 2022. Since the start of the year, inflation has consistently surpassed official forecasts, and is now set to remain high, at around 10 per cent, until spring 2023 (see Figure 1).

Figure 1: Inflation reached a 40-year high in the summer of 2022



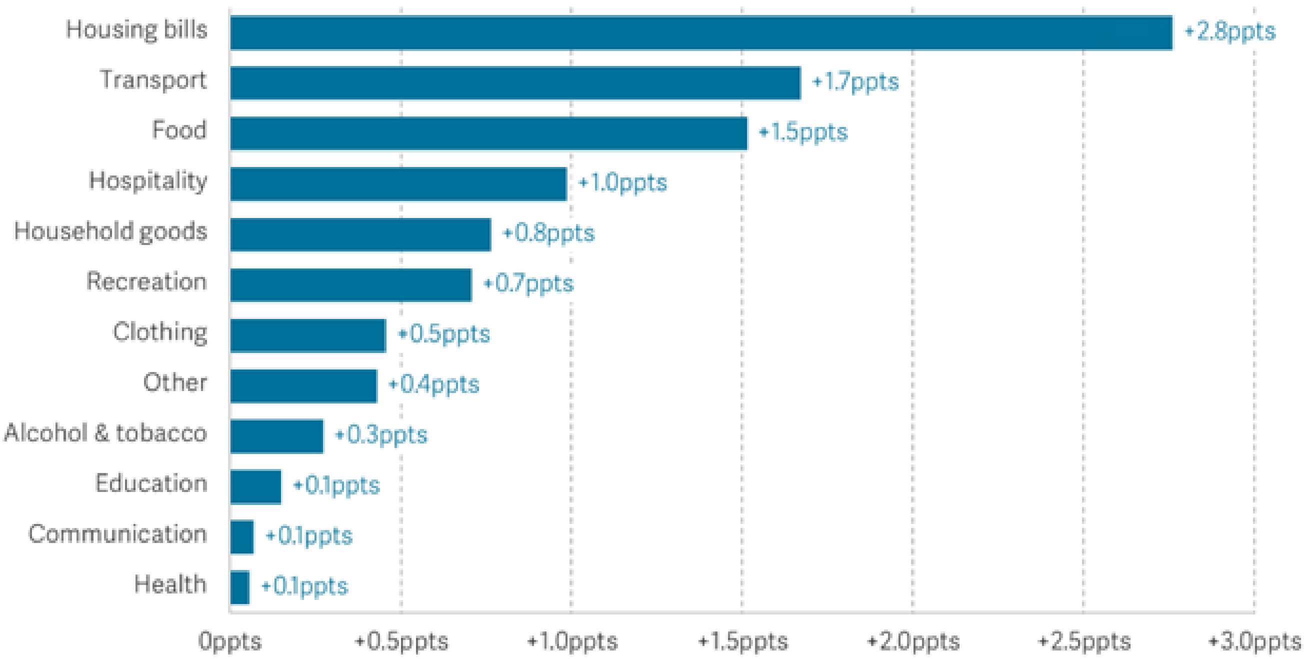
Outturn and select projections for CPI inflation: UK
Source: RF analysis of Bank of England, Monetary Policy Report, various; ONS, Consumer price inflation.

The good news is that recent government support will both help to support households through the winter and reduce inflation in the near term. The Energy Price Guarantee, announced last month, will mean that annual energy prices for a typical household are capped at £2,500 for six months until March 2023. As a result, the expected peak in inflation has fallen from around 13 per cent (the Bank of England's forecast in August) to slightly above the July peak of 10.1 per cent - a significant reduction.

Inflation is Higher Still for Low-Income Households

Current inflation is, unsurprisingly, driven by skyrocketing energy prices following the invasion of Ukraine; Figure 2 shows that housing bills (which include gas and electricity) contribute 2.8 percentage points to the annual inflation rate. However, other costs are rising fast too, with transport and food costs contributing 1.7 and 1.5 percentage points to annual inflation respectively. Indeed, while CPI rose by 9.9 per cent in the year to August 2022, food costs rose by 13.1 per cent over the same time period.

Figure 2: Skyrocketing energy bills are the biggest contributor to current inflation

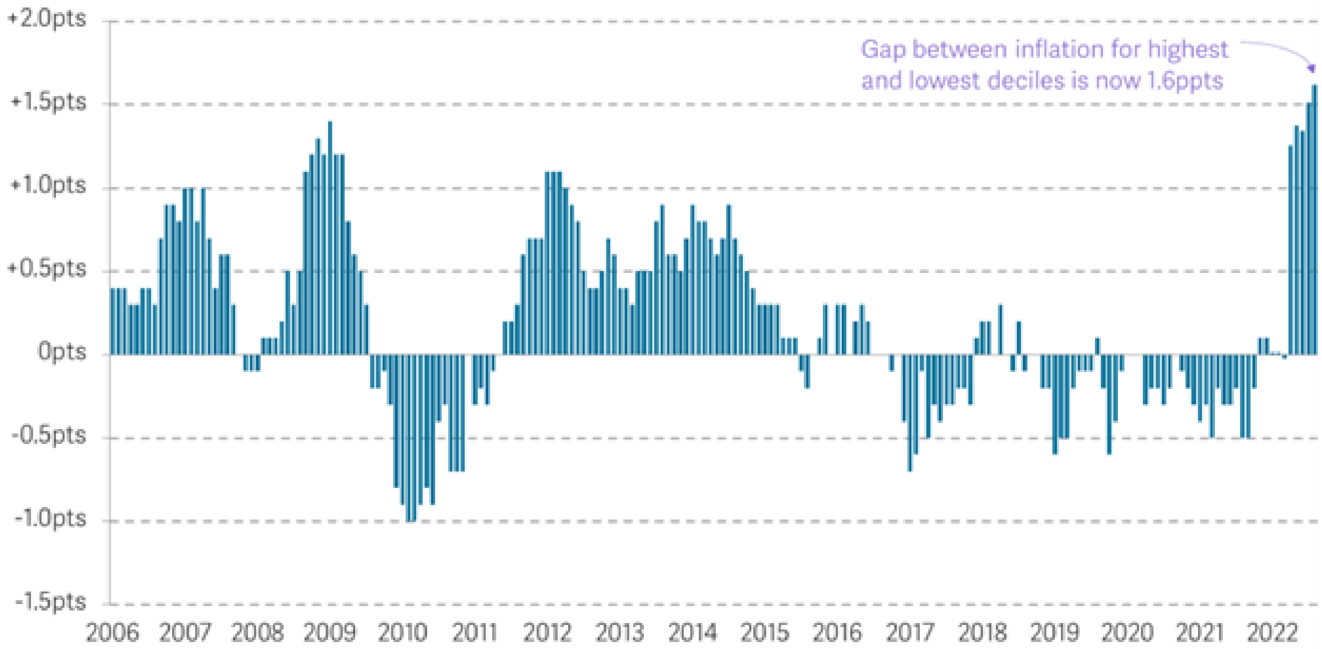


Contribution to annual CPI inflation: UK, August 2022
Source: RF analysis of ONS, Consumer Prices.

This type of inflation – driven by increasing costs of essential items like energy and food – hits low-income households the hardest. Not only are low-income families more exposed to the rising cost of living, since they are less able to cut back on spending – they also spend a greater share of their income on these essential items. Indeed, the poorest ten per cent of households spend three times as much as a share of expenditure on gas and electricity bills than the richest ten per cent.

This means that low-income households face an even higher inflation rate than the headline figure. As Figure 3 shows, in August 2022, the poorest ten per cent of households faced an inflation rate that was 1.6 percentage points higher than the richest ten per cent. So, while inflation reached double digits in July this year, the reality is that low-income households have been facing inflation of over 10 per cent since the spring.

Figure 3: Low-income households face a higher inflation rate than high-income households



Gap between estimated CPI-consistent inflation rate for lowest equivalised disposable income decile and highest decile: UK
Source: RF analysis of ONS, Consumer Prices & Living Costs and Food Survey.

When thinking about the impact of the cost-of-living crisis on young people, it is important to acknowledge that young people's circumstances vary considerably, meaning that young people have a wide range of personal inflation rates. For example, young people who live with family and are not responsible for household bills will be facing a lower-than-average inflation rate, since they aren't affected by skyrocketing energy bills. On the other hand, many young people who are working and living on their own will be at the sharp end of this cost-of -living crisis, since young people are more likely to be in low-paying jobs, receive lower levels of social security benefits and have low levels of savings, so on average will have fewer ways to cope with rising inflation.

Government Support will Reduce the Scale of the Cost-of-Living Crisis this Winter

Finally, it is worth remembering that government intervention can make a big difference. For example, the Energy Price Guarantee introduced last month means that typical energy bills will likely be £1,074 lower over the next six months than otherwise. Indeed, when all government support introduced in 2022-23 is taken into consideration, policy intervention will offset the vast majority of recent energy price rises for most households.

However, this winter will still be tough for many. An average household on a pre-payment meter will have to find £264 in cash to pay for energy in January alone, since they cannot smooth the cost of energy bills over the year. Furthermore, households in poorly-insulated homes will struggle to keep their homes warm this winter and will face high energy bills as a result, yet there is little government support to help households insulate their homes. And while recent support for energy bills will boost household incomes and prevent catastrophic bills this winter, household incomes are still on course for a dreadful few years. Among non-pensioners, incomes are projected to fall by 8 per cent over the course of 2021-22 and 2023-24 - this is significantly more than during the financial crisis, when incomes fell by 5 per cent between 2009-10 and 2011-12.

Recommendation 1

The Government should protect household incomes next year by increasing benefits in line with inflation, rather than earnings.

Recommendation 2

The Government should increase support to allow households to better insulate their homes, since the issue of high energy bills is particularly acute for those in poorly insulated homes.

Recommendation 3

The Government should include skills within any growth plan to deliver higher productivity, higher wages and higher incomes for households across the UK.

James Kewin, Deputy Chief Executive, Sixth Form Colleges Association

The Cost-of-Living Crisis and 16-19 Year-Olds in Full-Time Further Education

Financial support for 16-19 year-olds was already creaking before the cost-of-living crisis hit, but the spike in demand for support from sixth form college students this year has accelerated the need for the system to undergo a radical overhaul.

The Impact on Students

Many colleges have seen a significant increase in the number of students applying for the 16-19 bursary fund - the main source of student financial support funding (outside the mainstream benefits system). There has been a greater demand for free meals alongside reduced footfall in college canteens. More students are reporting that they cannot afford to go on educational visits or university open days.

A growing number of young people are working longer hours alongside their studies to make ends meet, with some eventually dropping out of education altogether when the pressure becomes too much. Plus, simply getting to college is now unaffordable for some students in areas without subsidised bus or rail fares.

Given all of the above, it is unsurprising that growing numbers of students are choosing to leave full-time education to enter the workplace or start an apprenticeship. For some young people, that will be the right pathway, but we must guard against students leaving college primarily because they cannot afford to participate in full-time education.

The Solution: Boost Funding and Reduce Bureaucracy

At a headline level, the Government can help sixth form colleges to address these problems by doing two things: boosting student support funding and reducing the associated bureaucracy. Increasing the size of the 16-19 bursary fund and providing colleges with more flexibility to determine the students that are eligible, and the support that is needed, would be a welcome first step. While colleges can currently set their own eligibility criteria, this must comply with the conditions and funding rules set by the Government and delivery is subject to audit. We need to create a higher trust environment where colleges can tailor support to meet the needs of students and adopt innovative approaches to delivery, even when they may not be in line with 'traditional' regulations.

A Higher Free Meal Rate

The free meal rate of £2.41 per student has not changed since the policy was first introduced almost a decade ago. Even before food prices started to rise, it was very difficult to provide students with a decent meal for this.

A minimum rate of £5 per student would be more realistic and would enable funds that are currently used to supplement free meals to be used on other elements of student support. The flexibility and funding to provide more than one meal a day would also be welcome – weighing up whether to have breakfast or lunch is a decision that no student should have to make.

More Help with 16-19 Travel Costs

For some students, the cost-of-living crisis has meant that simply getting to college is a challenge. The 16-19 bursary fund is used to help with the cost of travel, but this is a good example of an issue that now affects many students, not just those that are eligible for bursary support. Transport costs are already starting to have an impact on attendance and retention in sixth form colleges and can dissuade students from attending university open days and other events that help to raise aspirations. Free or heavily subsidised travel should be extended to all 16-19 year-olds in England along the lines of the Our Pass system that currently operates in Greater Manchester.

Keeping Colleges Open for Longer

The impact of the cost-of-living crisis is also not limited to students that would historically access the 16-19 bursary fund or free meals – the need for support is becoming increasingly widespread, and so the system must evolve to reflect this. The need for support is also not limited to term time. Funding for colleges to stay open before and after the traditional college day and during the holidays would enable institutions to provide students with the warmth and food they need to study that they may not be receiving at home.

Action Today

The cost-of-living crisis is disproportionately affecting disadvantaged students, while simultaneously creating more disadvantaged students. The Government's response must be targeted and immediate.

Recommendation 1

HM Treasury and the Department for Education should increase the size of the 16-19 bursary fund in England and provide colleges with more flexibility to determine the students that are eligible and the support that is needed.

Recommendation 2

HM Treasury and the Department for Education should increase the free meal rate to at least £5 per student and allow colleges the flexibility and funding to provide breakfast as well as lunch when it is needed.

Recommendation 3

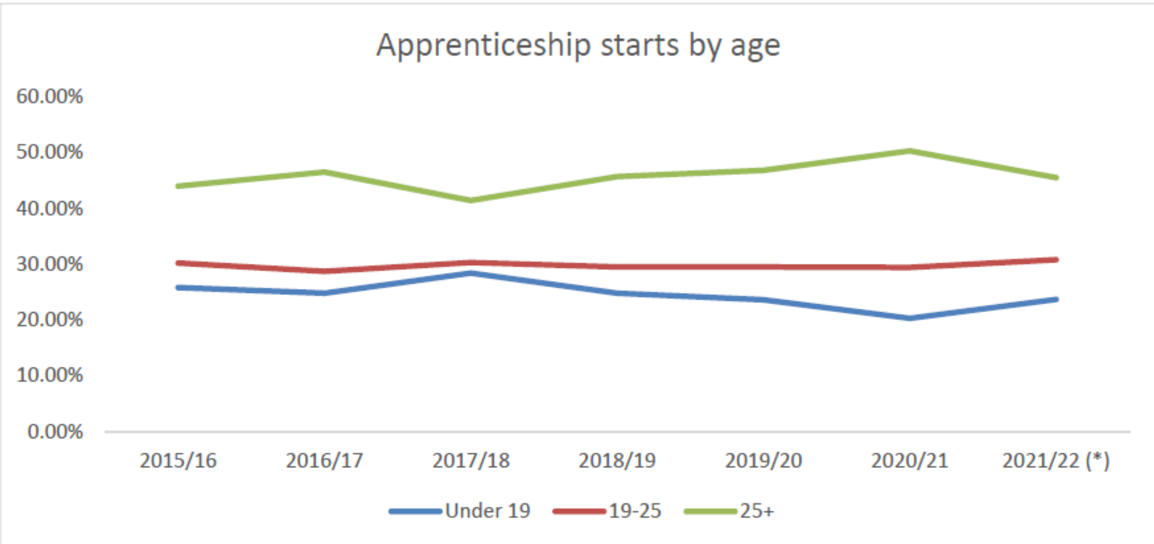
The Department for Education and Department for Levelling Up, Housing and Communities should introduce a free or heavily subsidised travel pass for all 16-19 year-olds in England, along the lines of the Our Pass system that currently operates in Greater Manchester.

Becci Newton, Public Policy Research Director, Institute for Employment Studies

The Cost-of-Living Crisis and 16-18 Year-Olds in Jobs with Apprenticeships

According to the latest data , 16-18 year-olds form 23.7% of the apprentice population. As Figure 1 illustrates, over time, their proportion had declined substantially so this is an improvement with 68,500 now involved. However, the published data allows us to know relatively little about this group particularly on the intersections between demographic factors, uptake and completion, and crucially, on individual economic contexts.

Figure 1

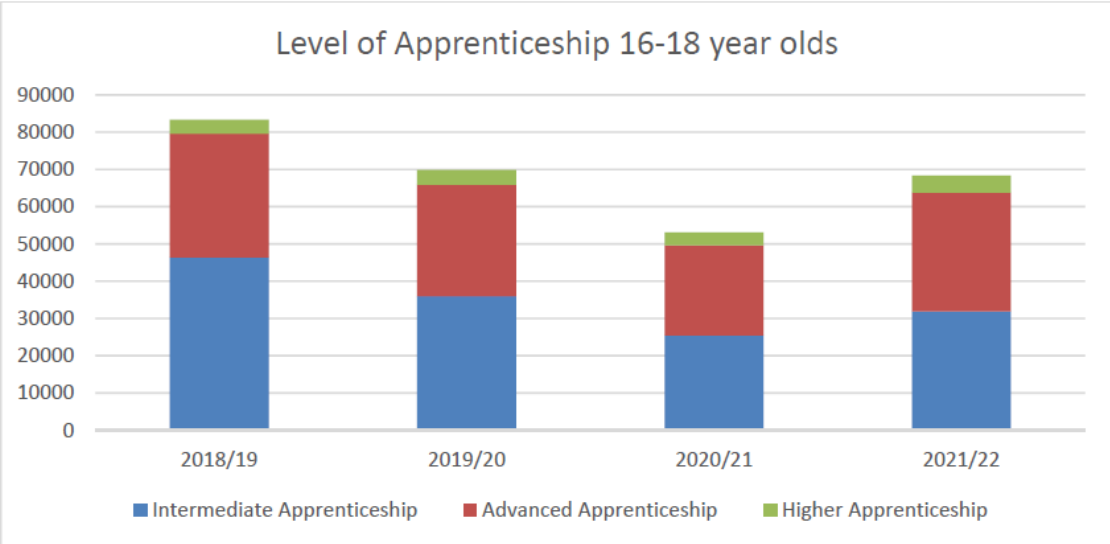


(* covering three-quarters of the academic year)

Future Earnings

The latest data contains a promising sign for longer-term financial gains for young people and the economy (Figure 2). Whilst training at Intermediate level (Level 2) was previously most common for 16-18 year olds, in 2020/21 there is a balance between training at Intermediate and Advanced levels (with close to 32,000 in each), so more 16-18 year-olds are now training at Level 3. If completed, CVER estimates 9% wage returns on average to apprenticeships at Advanced level, and achieving Level 2 predicts much better economic and social outcomes than not doing so.

Figure 2



Current Pay

We should also consider the pay that young apprentices attract; it is a key reason for young people to question whether apprenticeships are a good quality opportunity .

Hourly apprenticeship national minimum wage (ANMW) is £4.81, up from £4.30 in 2021, as it was reviewed and uprated due to a finding by the Low Pay Commission (LPC) that it *"did not ensure a decent standard of living for young people; left them struggling to cover basic living costs; and could cause hardship and distress"*.

An apprentice can be paid the ANMW through to their 19th birthday whereas an NMW employee will see a raise to £6.83 on turning 18. The 2022 ANMW is an improvement; in 2021, it was 32p less than the minimum wage rate for 16-17 year-olds. However, in the current context it may not be enough. Of apprenticeship vacancies, 40% are advertised at ANMW but employers can pay more. The median gross hourly pay for 16-18s is £6.58, which suggests a median monthly pay of around £958 including paid off-the-job training, when using an assumption of a UK working week average of 36.4 hours.

However, LPC indicates the *"fall in the number of apprentices doing lower-level apprenticeships has driven growth in median pay"* - hence, young people in Intermediate level apprenticeships may be most at risk. For these individuals, monthly wage could be around £700 although those who are care-experienced may attract a one-off payment of £1,000 in maintenance costs. However, the LPC records high levels of underpayment of the off-the-job training so monthly pay could be 20% less, and therefore closer to £560.

Impact of the Cost-of-Living Crisis

The current minimum wage rates are reproduced in Figure 3. The Low Pay Commission is considering the rates and structure of the minimum wage from April 2023.

In the context of the cost-of-living crisis, however, the Living Wage Foundation has increased its assessment of the basic income people need to 'get by' in the UK to £10.90 per hour (£11.95 in London). But as of yet, changes to NMW and national living wage rates have not been announced, and so a basic calculation indicates the ANMW is £6.09 adrift from a rate necessary to 'get by'.

Whether this pay rate is adequate depends on the circumstances of 16-18 year-old apprentices, and specifically the difference their pay makes to their household.

Figure 3

	Rate from April 2022	Current rate (April 2021 to March 2022)	Increase
National Living Wage	£9.50	£8.91	6.6%
21-22 Year Old Rate	£9.18	£8.36	9.8%
18-20 Year Old Rate	£6.83	£6.56	4.1%
16-17 Year Old Rate	£4.81	£4.62	4.1%
Apprentice Rate	£4.81	£4.30	11.9%
Accommodation Offset	£8.70	£8.36	4.1%

Source: https://www.gov.uk/government/publications/minimum-wage-rates-for-2022

For young apprentices in middle or high-income households who are supported by their family and are using their wage for their own lifestyles rather than as money their household relies upon, the implications of the inflationary economy may be manageable.

In contrast, young people in low-income households are seeing the value of their contribution to household income decline and travel and subsistence costs rise, and those attempting to live independently or building their own families on the ANMW, will struggle.

Entering Higher Paid Non-Apprenticeship Jobs

The risk is the creation of perverse short-term incentives with long-term consequences. The ability to attract a higher wage rate in a non-apprenticeship job on turning 18 - in a tight labour market - may encourage young people to drop-out of apprenticeships to access better paid work short-term. Longer-term, not achieving a Level 2 or 3 has consequences for wages, progression, and health and wellbeing as well as the economy. Completion rates are already weak – as such, we need to turn that around by improving 'the offer' to young people.

Recommendation 1

ONS and DfE should develop and publish data which identifies whether 16-18 year-olds in jobs with apprenticeships are living independently or with parents, and extend the 16-19 Bursary Grant to apprentices from poorer households accordingly.

Recommendation 2

HMRC should ensure greater compliance of employers, paying the relevant minimum wage rate to 16-18 year-olds on apprenticeships and seeking to recoup underpayments from offending employers.

Recommendation 3

18 year-olds on apprenticeships should be entitled to the current employed 18-20 year-old rate of £6.83 from day one of starting their apprenticeship.

Zach Wilson, Senior Analysis Officer and Andrea Barry, Analysis Manager, Youth Futures Foundation

The Cost-of-Living Crisis and 16-24 Year-Olds 'Not in Full-Time Education'

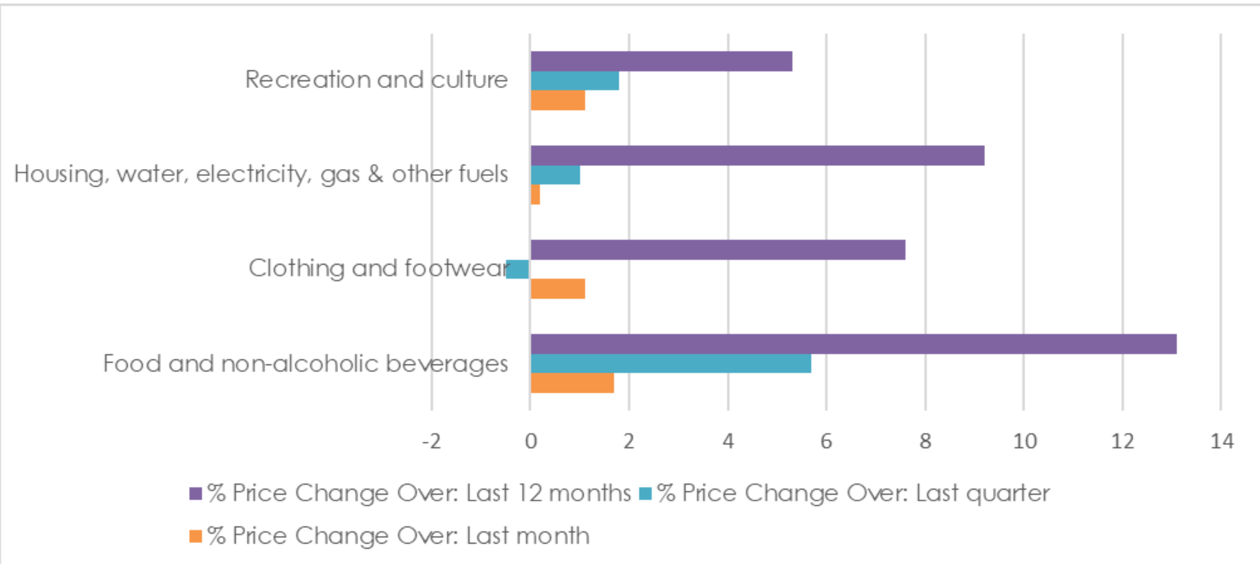
The pandemic posed a huge challenge for all of us. While there might have been a general enthusiasm about the return to 'normality', the cost-of-living crisis, looming large, brings a very real risk of *further* hardship.

Households With 16-24 Year-Olds

Even before the most recent dire predictions about inflation, from November 2021 to March 2022 alone, there was a 25% increase in adults who said their cost of living had risen from 62% to 87% (ONS, 2022). Furthermore, **29% of people aged 16-24** reported that their household would now not be able to afford an unexpected expense. This compares with just 19% of adults aged 65 to 74 and 16% of adults aged 75 and above.

Increases in the price of fuel have received considerable attention in the media and in policy. However, the cost of most everyday items has risen substantially (see Figure 1). The price of food and non-alcoholic beverages as well as clothing and footwear has increased significantly over the last 12 months. We are all affected when daily life gets more expensive, but the impacts are very different depending on personal circumstances and where we live.

Figure 1: Percentage price changes in essential and non-essential goods



Source: YFF analysis of ONS, Consumer price inflation, UK: August 2022

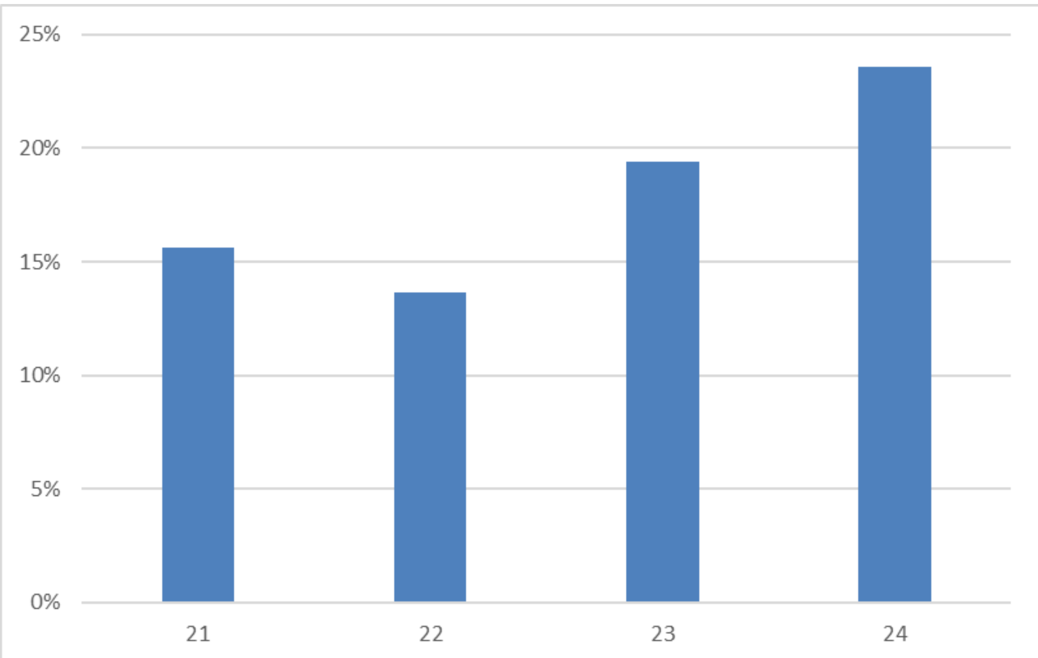
On average, costs have risen more as a proportion of the money available for poorer households than for better-off ones. Based on the percentage of budgets allocated to several broad product categories, the Institute for Fiscal Studies calculated that the annual inflation rate for the poorest 10% of households was 10.9% in April. In contrast, the lowest inflation rate of 7.9%, was experienced by the wealthiest 10% of households. This is because energy costs, the main source of recent inflation, account for a larger part of low-income households' budgets.

Among young people, those who live with parents or friends may still be affected by rising prices, and any financial 'safety net' that they've been able to rely on may become less secure. However young people who provide the main source of income for a household, whether this consists of a single person or a family, are likely to find themselves at greater risk of hardship. Some may even delay establishing their own home or family because rising energy, rents, and other costs price them out of living independently.

16-24 Year-Olds who are 'Heads of Household' and Not in Full-Time Education

Around 14.3% of young people aged 16-24, not in full-time education, are 'heads of household', with the most significant proportions in those aged 21 or above (see Figure 2). For 21-24 year-olds, 18.7% of those not in full-time education are 'heads of household'. Therefore, a relatively high proportion of young people will be facing a difficult winter, as they are the ones responsible for dealing with increasing costs.

Figure 2: Proportion of young people in each age band who are not in full-time education and are also heads of household: UK, April-June 2022



Source: YFF analysis of ONS, Labour Force Survey (April-June 2022)

Young People Not in Full-Time Education

In the UK, 3.15m people aged 16-24 are not in full-time education. Of these, 2.41m are in employment, 0.22m are unemployed and 0.513m are inactive (YFF analysis of ONS, Labour Force Survey, April-June 2022). The cost-of-living crisis will impact differently on young people not in full-time education depending on whether they are employed, unemployed or inactive, and whether they are the head of household.

Employed Young People who are Not In Full-Time Education: The Issue of Insecure Work

Around one-in-nine 18-24 year-olds not in full time education are on zero-hours contracts, agency, casual, seasonal, and low-paid self-employed work ((YFF analysis of ONS, Labour Force Survey, April-June 2022). Insecure work is especially common in this age group, significantly more than those aged 25-50. According to the Work Foundation Index, young workers are two and half times more likely to be in severely insecure work than those in the middle of their working lives (43% of 16-24 year olds vs. 17% of 25-65 year olds).

Disabled Young People who are Not in Full-Time Education

Even in normal times, disabled people face significantly higher living costs than people who don't have a disability. ONS figures show that disabled people in the UK are being harder hit than non-disabled people by the ever-increasing prices; 42% of disabled adults are spending less on food and other essentials compared to 31% of non-disabled adults. Young people who are disabled are also more vulnerable because they are less likely than others to be in work or full-time education.

16-24 Year-Olds who are Not in Education, Employment or Training (NEET)

The NEET category is different to the 'Not in Full-Time Education' category. The key difference is that it includes 16-24 year-olds who are unemployed or inactive, who are in part-time education. For this reason, the NEET estimate of 711,000 is slightly less than the Not in Full Time Education category of 733,000.

Young People and Mental Health

Research shows continually searching for employment, especially for young people who aren't in employment, education (full-time and part-time) or training, raises the risk of mental health issues.

Deprivation

Low-income households feel the impacts of rising costs more sharply than better-off ones. Moreover, risks for poorer outcomes (such as being NEET or heading up a household) are higher in the more deprived regions of England. For example, more than one-in-five of 16-24 year-old individuals living in the North West and North East are both NEET and head of household.

Recommendation 1

There needs to be a policy focus on getting 16-24 year-olds in insecure employment who are not in full-time education into more secure forms of employment. This would be helpful in order to mitigate any further hardship within this group - as the cost-of-living crisis progresses – especially for those who are heads of households.

Recommendation 2

There needs to be urgent policy focus on young people who are 'heads of household', especially those with other risk factors that may result in being hit harder by rising costs, such as disability, ethnicity and NEET status.

Recommendation 3

More regular updates from ONS on young people not in full-time education and NEET data for England and local areas, rather than just the UK, would also help stakeholders to more easily plan locally tailored interventions to support young people and track outcomes.

Nick Hillman, Director, Higher Education Policy Institute

The Cost-of-Living Crisis and Full-Time and Postgraduate Higher Education

University tuition fees have been debated endlessly across the UK since at least the Dearing Report over a quarter of a century ago. There is more than one way to pay for higher education and so it is of course reasonable to debate whether England, with its high fees and no student number caps, has a better or worse system than Scotland, with 'free' education and limits on the number of home students.

Maintenance and the Cost-of-Living Crisis

But to students already enrolled in higher education, debates about fees are largely irrelevant. Any change would take years and most of them will have graduated before it occurs. Rather, as the annual HEPI/Advance HE Student Academic Experience Survey confirms, today's students are much more worried about day-to-day living costs.

It is the amount of money you have access to right now that determines if you can afford your rent, travel costs and food. The level of your bank account can determine whether you feel like you belong at your institution and are getting the most out of your course, or whether you are at risk of dropping out.

Real Terms Cut in the Value of Full-Time Maintenance Loans

Sadly, the Westminster Government to date has largely ignored students when it comes to tackling the cost-of-living crisis, with – for example – English maintenance loans going up by just over 2% while inflation surges past 10%. They have got away with it to date for a number of reasons.

For example, the excessive focus on tuition fees over other higher education policy issues has sapped most of the attention – even the NUS has only recently started putting sufficient focus on the cost of living.

Moreover, because the overwhelming majority of students (and young people in general) lean towards the political left and show little inclination to vote for the party currently in power, their votes are deemed already lost by those making the big decisions on tax and spending.

A Concerted and United Response

The cost-of-living crisis for students, just like the overall cost-of-living crisis, needs a concerted and united response. It should not just be an issue for the Department for Education but also for the Treasury and the Ministry of Housing, Communities and Local Government as well as institutions and those to whom power has been devolved. Otherwise, students will continue to fall through the cracks, which is clearly bad for them as individuals but will also leave society without the higher-level skills that a university education imparts and a modern economy needs.

Recommendation 1

We know that students face a big gap between their income and their expenditure – according to Save Our Student, it amounts to £289.20 a month on average. Those in power are likely to question such surveys but, sadly, they are the best we have to go on because the official and trusted Student Income and Expenditure Survey (SIES) has not happened since 2014/15.

We urgently need a quick official stop-gap alternative to the detailed SIES, so that we have some official figures for the gap between students' income and expenditure. In time, we also need policymakers to depoliticise the process for setting each year's maintenance support, perhaps by working out how much students actually need and then linking this more closely to the true rate of inflation.

Recommendation 2

We need more support to fill the gap between income and expenditure, such as by boosting hardship funding, doing more to tell parents what they are expected to contribute to their student children's living costs, and looking afresh at the costs faced by the most disadvantaged students and those living in the most expensive cities.

This support should be sensitive to changing conditions. For example, if the expected recession occurs and it becomes harder for students to find a few hours of paid employment each week, that will be the difference between staying the course and dropping out for some.

Recommendation 3

We need to look again at financial support for Master's students. In England, for example, they can currently access a loan of around £12,000 for both tuition and maintenance, yet it can be entirely swallowed up by tuition costs, leaving nowt for living costs. The arrangements differ across the UK (and are notably more generous in Wales) but they should be re-evaluated against the true cost of living and studying as a postgraduate.

Liz Marr, Pro-Vice Chancellor – Students, The Open University

The Cost-of-Living Crisis and Part-Time Higher Education in England

The UK Government has made raising the UK's growth rate the Government's central economic mission and has emphasised the importance of boosting productivity to achieving that mission. Improving the skills of Britain's workforce will be critical.

Upskilling and Reskilling

Achieving this in England will rely on successful implementation of the reforms to the skills system, including the Lifelong Loan Entitlement, outlined in the *Skills for Jobs* white paper last year. It will also rely on enabling and encouraging more adults to access higher-level courses to improve their skills and productivity.

Part-time study is crucial because it allows people to combine their learning with paid work and caring responsibilities. On average, 70% of Open University (OU) students are in employment, many of whom are working full-time.

Impact of the Cost-of-Living Crisis

Current pressures on the cost of living threaten these ambitions. We know that falling real wages tend to reduce the demand for part-time higher education and there are already worrying signs that adults are being discouraged from accessing higher education. For example, UCAS data shows that full-time applications from mature students have fallen by 13% this year, and there are indications that part-time applications are also being affected.

All students are struggling with the cost of living, but pressures will be particularly felt by part-time students. They tend to be older – seven out of ten (70%) are aged 25 and over – and as a result are more likely to have significant financial and caring responsibilities. At the OU, 39% of students have dependent children.

Part-time students in England are also unlikely to be eligible for government support with their living costs – the vast majority (90%) are excluded from maintenance support, and part-time students are also unable to access support offered to students who are parents via the Parents' Learning Allowance and the Childcare Grant.

The squeeze on part-time student finances will increase the risk of non-continuation across the sector. A survey of OU students in May revealed that a significant number were already looking to increase their hours of work (22%) or take on a second job (16%) to cope with rising costs of living which, by constraining the time available for their studies, risks reducing their chances of successfully completing them. The same survey also highlighted that many OU students were considering reducing discretionary spending by cancelling subscription services (43%) and reducing spending on social activities (41%) which suggests that study-related costs may come under pressure too (OU Survey of Current Students. Current Students Brand Tracker, May 2022, The Nursery Research and Planning).

Financial burdens are also likely to have an adverse impact on student wellbeing and mental health, again feeding through to a heightened risk of non-continuation.

Supporting Part-Time Learners

So, what can be done? Previous experience demonstrates that providing financial support to part-time students has a big impact in unlocking access to higher education and in enabling students to successfully complete their studies.

We have seen this in Wales, where the number of people taking up study at the OU in Wales has more than doubled since the introduction of maintenance support for part-time students in 2018/19. This has particularly helped people from Wales's most disadvantaged communities.

We have also seen this with the OU's Covid support schemes, introduced during the pandemic and using student hardship funding from the UK Government, which had a significant positive impact on student success by enabling students under financial pressure to continue with and complete their courses.

While these policy interventions pre-date the current cost-of-living crisis, they provide powerful evidence that supporting part-time students with their living costs can overcome the financial barriers to study.

This leads to three recommendations for how the UK Government can mitigate the impact of the cost-of-living crisis on adult skills to help achieve its ambitions around productivity and economic growth. These will cost money, but the investment is essential if we are to develop the workforce effectively and grow the economy. The returns in terms of health and wellbeing alone must be worth that commitment.

Recommendation 1

The Department for Education should extend maintenance loans to all part-time undergraduate students including distance learners.

Recommendation 2

The Department for Education should extend the Parents Learning Allowance and Childcare Grant to part-time undergraduate students.

Recommendation 3

The Department for Education should introduce maintenance bursaries for undergraduate students who are in most need for all students irrespective of their mode of study.

Steve Hewitt, Further Education Consultant

The Cost-of-Living Crisis: Access to HE and Foundation Year Programmes

The last few years have seen some interesting shifts in what we could call "non-traditional" routes to starting a full-time undergraduate degree, especially in terms of Access to HE courses and Foundation Year programmes.

Level 3 Access to HE Courses

We can see from data published, that there has been a slow decline in 19+ learners taking Access to HE courses over the last eight years, from 32,000 in 2013/14 to 23,000 in 2020/21. Partly, this follows the general trend of decline in adults learning, but there are a number of additional factors particular to this group of learners. Unlike most other areas at Level 3 that have seen new funding available for learners to join courses through the prosaically named Free Courses for Jobs or the heightened awareness of Apprenticeships leading employers to train up staff, Access to HE learners have only two routes to funding.

For learners under 23 who do not have a Full Level 3 qualification (equivalent to two or more A Levels), there is still an entitlement to a free course. For everyone else, the only funding option is the Advanced Learner Loan. Although the statistics aren't quite counting learners in the same way, we can see that roughly 15,000 of the 23,000 Access learners in 20/21 took out Advanced Learner Loans. On average, these loans were for just over £3,200 and exist purely to pay the tuition fee for the course (the money is paid directly from Student Finance England to the training provider).

The "big deal" for Access learners taking out these loans is that the Access portion is written off when they complete their Higher Education qualification. Students have become more savvy to their overall loan value being effectively a graduate tax that they will never fully pay off, however, the size of the total is less of a driver, even to debt-averse learners.

Apart from this loan to pay the provider, living cost support for these learners doing a very intensive course is incredibly thin on the ground. Depending on the provider they are with, there will be either Learner Support (for the L3 entitlement learners) or Loan Bursary (the rest) which can help with childcare and travel - however, this is often quite seriously limited as these are pots of money received by the provider who has to divide them out between all deserving learners, rather than any form of entitlement.

The one thing that there categorically isn't for any of these learners is any form of maintenance support and whilst, traditionally, learners studying for less than 16 hours a week wouldn't receive much hassle if they were also claiming out of work benefits, the shift to the punitive, sanctions-led system of Universal Credit - where 35 hours a week of job search are not unusual - means it is incredibly difficult for learners to combine learning with being on benefits unless they've been fortunate to have one of the good JCP job coaches.

Level 4 Foundation Year Programmes

Contrast this story of a well-established, community-based qualification rooted in helping under-represented groups take their first steps into Higher Education, dragged down by an uncaring Department for Education, with what seems to be the success story of the Foundation Year.

Although, frustratingly, there is no readily available recent data on these learners in the HESA open dataset, we can see from what is available that numbers on Foundation Year/ Year Zero for Mature learners (over 21) grew from only 1000 in 2011/12 to 5500 in 2017/18 (the most recent year available).

Access to HE and Foundation Years in the Round

Whilst we can't say for certain that these are learners who would previously have done Access to HE, there is certainly a correlation with the fall in one and the increase in the other.

And you can't really blame the learners! Whilst tuition fees for Foundation Years are, at least for the time being, the standard £9,250, the learner also gets access to the full panoply of support that learners on a standard three-year course do, most obviously the £9,706 maintenance loan. Whilst this is hardly a king's ransom, in comparison to the support an Access to HE learner gets, it's a different world.

Whilst the vast majority of learners on Foundation Years are under 21 (79% in 2017/18) and may have a wide range of reasons for doing a Foundation Year, for older learners who have the choice between Access and Foundation (and, of course, Foundation Years are not available for all courses or all providers), it seems to be somewhat of a no brainer. Given that most Access to HE learners (56%) are on courses in Health, Public Services and Care, likely heading to nursing and other related careers, it seems doubly unfair to restrict the support we give these learners who are determined to fill vital vacancies in our NHS.

Recommendation 1

Maintenance support for Access to HE learners should match that received by Foundation Year students and vice versa, with equal access to the level of full-time and part-time maintenance loans.

Recommendation 2

The Government should revisit Department for Work and Pensions guidance to allow people to attend meaningful, full-time, long courses whilst still being eligible for benefits, without the threat of sanctions hanging over them.

Recommendation 3

Data on Foundation Years should be added into the standard HESA dataset to allow for easier comparisons between them and other forms of provision.

Sophia Warren, Senior Policy Analyst, Policy in Practice

The Cost-of-Living Crisis, Universal Credit, Jobs and Skills Training

Nearly all of the measures in the Growth Plan published on Friday 23rd September have now been reversed by Jeremy Hunt, the new Chancellor. A critical question still remains: what is the plan for those claiming welfare benefits, including Universal Credit? We hope the Medium Term Fiscal Plan at the end of October will give claimants clarity over the amount of support they can expect. So far, Universal Credit has only been mentioned in the context of sanctions and increased work conditionality, as a means of addressing inactivity and moving more claimants into full-time work. The government has not provided a framework for either upskilling or part-time training alongside work.

Part-Time Training Under Universal Credit

Training and claiming can already be difficult under Universal Credit. The rules around what constitutes a breach of the claimant commitment are not clear. If a claimant is directed by their Work Coach to participate in a DWP skills programme this will be counted as time spent preparing for work. Otherwise, the approach is largely discretionary, down to the case-by-case decision of the Work Coach. Others looking to train part-time may risk losing their entire award. They may be found to be ineligible due to "undertaking a course of study or training that is not compatible with any work-related requirement".

Two Strategies

The government's plan for benefit claimants is a two-pronged approach, the first part of which involves increasing Universal Credit's Administrative Earnings Threshold to 15 hours at National Minimum Wage. This will increase the number of part-time workers under the Intensive Work Search regime, meaning these workers will be expected to actively look for additional work. Secondly, the Government plans to tighten the sanctions regime to punitively impact those who do not meet these requirements.

For people on Universal Credit who currently work part time, raising the Administrative Earnings Threshold will not necessarily encourage a move towards meaningful, better-paid work. The policy focus remains on increasing hours, not skills.

Increasing the threshold also relies on the assumption that part time workers can simply ask to increase their hours or wages. With employers also looking to cut costs, this may not be an option. In this case the claimant may have to seek a second job, dividing their attention and leaving no room for career progression.

Cracking the Whip with Sanctions

When claimants' awards are so dependent on the Work Coach's discretion, the tone of the policy matters. Policy in Practice has previously written about the uneven application of sanctions, finding that the number of claimants sanctioned varies dramatically by local authority area as a result of this discretionary approach.

If the DWP strengthens the sanctions regime, there may be less room for leniency where the rules do not explicitly provide for a claimant to undertake training.

For some claimants, this could mean sanctions of between 50% to 100% of their Standard Allowance, leaving them with less to live on while costs skyrocket. Imagine a single claimant aged 25 with no children or housing costs. They work 12 hours a week at minimum wage and have found a training course that they feel will increase their skills and employability. If their Work Coach disagrees and asks them to take steps to seek a second job instead, they could be sanctioned if they do not do so.

A sanction for a "failure to take all reasonable actions to find paid work or increase your earnings from work" would be a "medium" level sanction, which would last for 28 days the first time it is issued. They would lose 100% of their Standard Allowance for 28 days, effectively meaning the loss of an entire month's Universal Credit income. For that month, they would have to meet their rising costs on their earnings of just £114 per week.

Tackling Inactivity and Incentivising Skilled Work

The government's plan aims to tackle "inactivity" yet most people would agree that those trying to gain new skills to contribute to the workforce are far from "inactive". There are better ways to incentivise skilled work that do not rely on punitive measures such as sanctions. Policy in Practice has recommended an increase to the Universal Credit Work Allowances, restoring them to 2015 levels, as a way to encourage more people into work and boost incomes to help meet essential costs during the cost-of-living crisis.

Recommendation 1

The DWP should enable claimants to undertake relevant training and retraining as part of any growth strategy.

Recommendation 2

Time spent gaining "the right skills" should count towards the claimant's Work Search Requirements.

Recommendation 3

Clear guidance should be published outlining what working claimants can do in terms of part-time training while receiving Universal Credit, rather than relying on Work Coach discretion.

Paul Bivand, Independent Labour Market Analyst

Economic Inactivity by the Over 50s, the Cost-of-Living Crisis and Adult Training

Statisticians count employment statuses in a short sequence. If you do one hour or more of paid work, you are 'in employment'. If you're not 'in employment', then if you are both looking for work and available to start, you are unemployed. Everyone else is economically inactive. And so, you can have the same unemployment rate with very different proportions of the population who are inactive.

The inactive are asked the main reason they aren't looking for work. The categories used are: students; long term sick or disabled; looking after family; retired; and a ragbag of other responses. Importantly, students in full-time education can be in any category – employed, unemployed and inactive.

Current Pattern of Economic Inactivity

CIPD has produced a useful chart showing the pattern of economic inactivity by age (see Figure 1). The data is for the year from July 2020 to June 2021. The age pattern is broadly consistent with earlier and later figures.

The top five segments are inactive categories.

The vast majority of full-time students – participating in further as well as higher education – are under the age of 25, therefore, there are few inactive full-time students aged 25 and over.

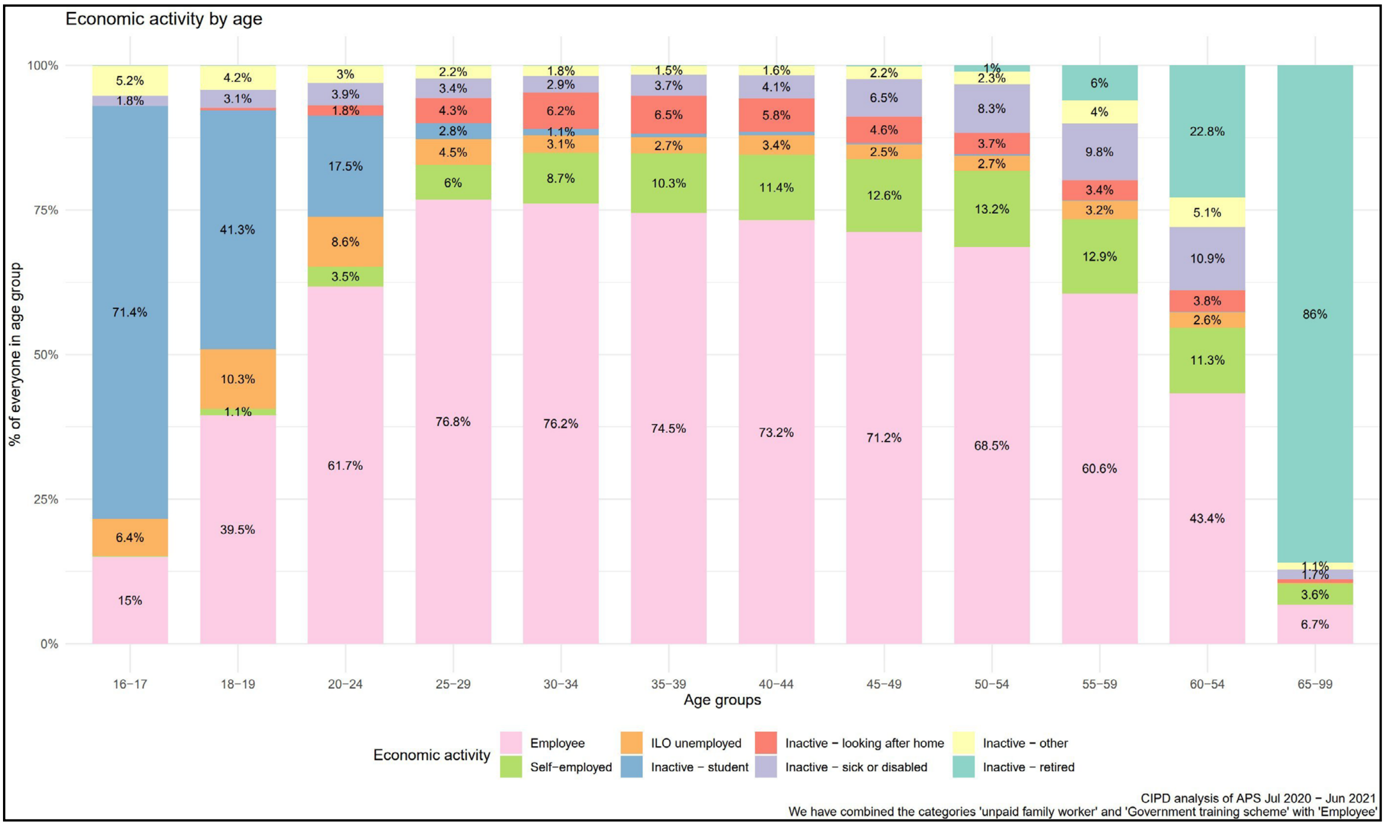
Retirement, on the other hand, starts over the age of 55, becoming significant in the 60-64 age-group.

Inactivity looking after family is concentrated between the ages of 30 and 44. It is mostly female. This group has reduced over the years.

The inactive sick or disabled category is around 3% of the population until age 40, after which there is an increase with age up to over 10% of the 60-64 population.

Women have higher rates of inactivity looking after family, which peaks under 12% of women aged 35-39.

Figure 1



Recent Changes in Economic Inactivity

The groups where economic inactivity has risen in 2021-2022 are older people and those with long-term sickness or disability, or both. There has been a change in trend for those looking after family too, where earlier falls have been replaced by small rises.

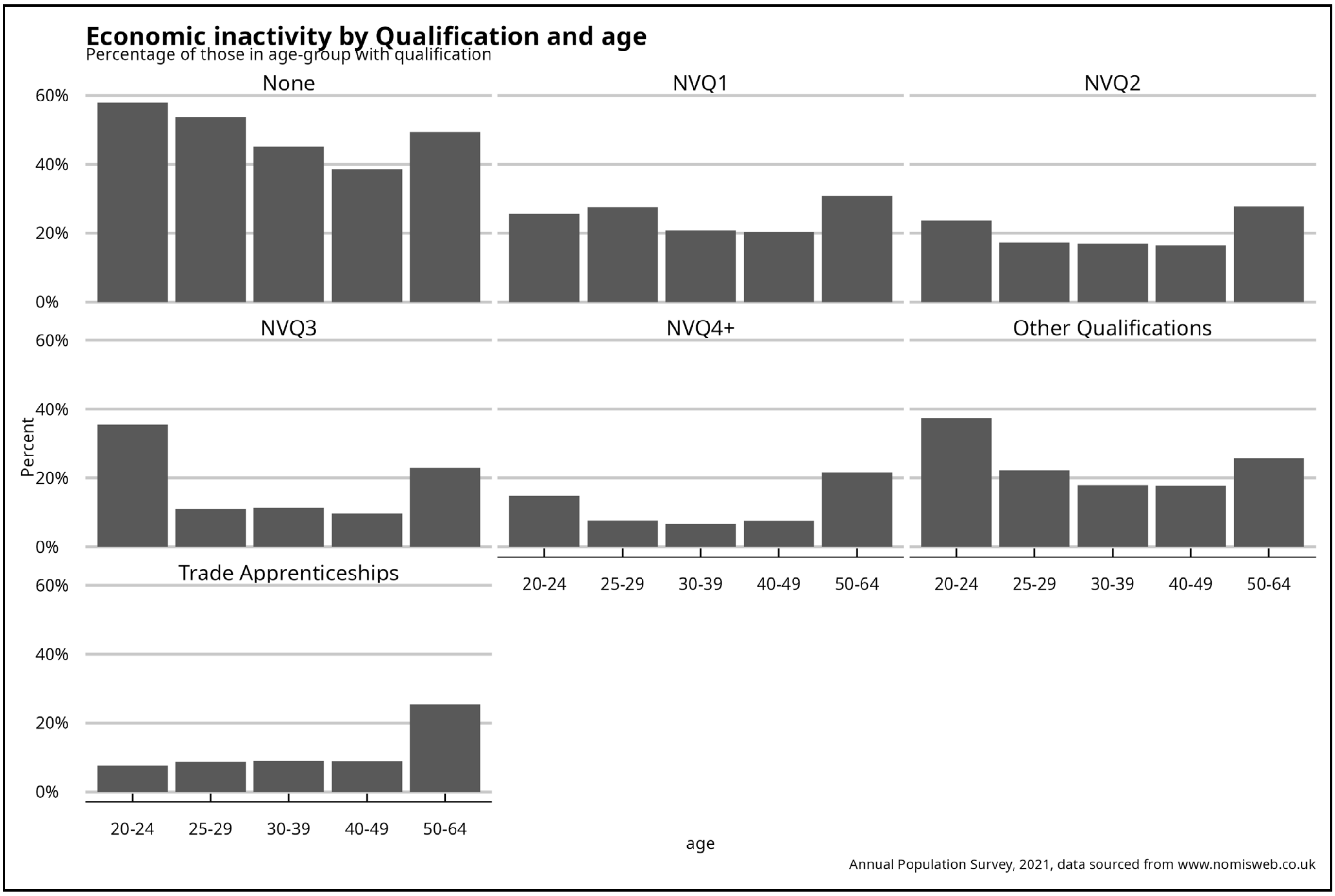
Economic Inactivity by Prior Level of Qualification

People with lower levels of qualifications are more likely to be economically inactive (or unemployed) than higher qualified people (see Figure 2). Critically, the same age patterns apply (with small variations) for each group.

Those with no qualifications are very likely to be inactive at any age - for most age groups over 40% are inactive. About 20% of those with qualifications equivalent to Level 1 are inactive, rising for the over 50s. Inactivity is lower, but still high, for those with Level 2 qualifications. Meanwhile, those with Level 3 and 4 qualifications have low inactivity, apart from the Level 3 aged 20-24 (who may still be full-time higher education students) and the over-50s.

Other qualifications have similar patterns to Level 2, except for younger ones who may be studying. Plus, trade apprenticeships have low inactivity, similar to people with Level 4+ qualifications.

Figure 2



Economically Inactive Over 50s with Low or No Qualifications

There are high numbers of the over 50s with low qualifications - with nearly 600,000 over-50s having no qualifications and being economically inactive. This is more than half of the total 20-64 economically inactive with no qualifications.

The Cost-of-Living Crisis

The cost-of-living crisis is spreading from initially being fuel and energy costs dominated into other spending items (partly due to the fuel and energy used by suppliers of those items). Earnings have not been keeping up with price rises (nor have benefits).

People have different spending patterns by educational experience - with those with the longest time spent in education (mainly graduates) being more likely to be paying mortgages and low qualified paying rent.

People with lower qualifications are more likely to be economically inactive (or unemployed) than higher qualified people.

Household Spending by Date Leaving Full-Time Education

In 2019, families where the 'household reference person' left full-time education at 16 (approx. 6 million families) had an average spend of £211.90 a week. The 2020 and 2021 figures are affected by pandemic responses, so 2019 gives a better picture.

Date leaving Full-Time Education
There are no figures by qualification, but age of leaving full-time education is a reasonable proxy. Families headed by someone who left full-time education aged 17-19 spent 11% more than those who left at 16. For those who left full-time education aged 19-22, 37% more, and for those who left later, 38% more than those who left at 16.

Type of Spending
Just under two-thirds of spending across all education groups goes on four spending groups. These groups match up with the CPI 'basket' items, with the exception of mortgage payments and Council Tax. These are outside the CPI. It is this group of spending that has the biggest variation with the date of leaving education - from 11% of spending for age 16 leavers, to 15% for leavers aged 19+.

The other big spending items are: transport (fuel and fares); housing, fuel and power (where housing is rent); recreation and culture; and food and non-alcoholic drinks. Variations in percentage spending are (on average) small across the education groups, except the 'other expenditure items'.

The spending groups that are most immediately affected by the rapid rises in fuel costs are housing, fuel and power and transport. The other groups get affected later as energy costs flow into the cost of delivering goods and services, such as food.
However, even if people have relatively similar spending patterns in percentage terms. The impact of price rises is greater on those with lower incomes - as a higher proportion of that spending is on need rather than choice.

Future Pressure on Family Budgets

Since 2019, inflation has affected those leaving full-time education earlier worse than those who left later. This is without taking account of changes in mortgage interest payments. The difference is small, but present. However, forecasts for inflation and taking into account fuel costs make that far worse for 2022-23 and 2023-24. This will put pressure on family budgets - and those families closer to the line will be in most danger.

Adult Training and the Economically Inactive Aged 50 and Over

Everybody aged 50 and over reached 16 before the National Curriculum was introduced in 1988. Therefore, qualifications at 16 would include many Certificates of Secondary Education (where the highest Grade 1 was equivalent to later GCSE C).

Overall qualifications for people aged 50 and over are low by comparison with younger people, but there may be many apprenticeships and vocational qualifications that are difficult to rate against current standards.

Where people are interested in returning to work, or need higher incomes now, they may see a need for specific employment-related training. ONS surveyed older people and found that 26% of those interested in returning to work did not feel they had all the skills to get a new job.

For those currently in work who have returned already, it is likely that they have returned to a less demanding job than before. The leading skills people wanted to improve were: advanced IT, such as data science and programming; and creative skills, such as performance, web design or product design. This was followed by presenting and negotiating.

Beyond these, it is likely that people will need updating in application and interview skills, and there may be a need for assessment of the skills they do have - hiring managers may not be able to interpret a 1990 or earlier (pre-NVQ) vocational qualification.
This is as much a problem with manager education as for the older person. Many will have learned much through their work that has never been formally assessed, and some assessment here may be useful. This is the same issue that appears in large-scale redundancies, where it is common for a skills task force to be set up.

Recommendation 1

Interview and CV writing skills for economically inactive 50 year-olds and over to secure employment are vital. DWP should prioritise this.

Recommendation 2

DWP should widen the opportunity for economically inactive 50 year-olds and over, whether on benefits or not, to participate in specific employment-related training.

Recommendation 3

DfE and DWP should work with employers to remind hiring managers of historic qualifications achieved by unemployed and inactive 50 year-olds and how they equate with today's system, as well as support updating where necessary.

Aidan Relf, Skills Consultant

The Cost-of-Living Crisis and Employer Demand for Level 2-7 Apprenticeships

The past twelve months have seen an encouraging recovery for apprenticeships after the terrible impact that the pandemic's lockdowns had on new starts on the programme.

From Recovery to Flatlining

According to the latest official data, the 328,800 starts for the first eleven months of the 2021/22 academic year were 10.2% higher than starts at the same point for 2020/21 and only 9.0% lower than the 361,400 reported at the same point for 2018/19 before coronavirus restrictions were introduced. Starts have been increasing at all levels and for all ages.

Another encouraging development is that while the Plan for Jobs employer incentives helped kickstart the recovery, their impact on starts has been minimal since January of this year and starts for young people and at the lower levels, where they initially made a big difference, have continued to grow.

But while there will be a lag between what is now happening and the publication of new data, warning signs suggest that starts may be about to flatline.

Falling Employer Demand Caused by Rising Business Costs

It is important to remember that apprenticeships are an employer demand-led programme. So perhaps it is more accurate to refer to the impact of increased business costs overall caused by rising inflation and the cost of borrowing.

Faced by these, one of the first things which employers look to cut is their bill for training, including apprenticeships. Training providers are reporting that planned apprenticeship recruitment is now being trimmed, even though we are still in the peak season for recruitment.

After scrambling to fill vacancies all year, employers are now experiencing a freeze in staff turnover. Businesses are keen to keep existing staff through, for example, offering household energy bill support and mental wellbeing support. Retail and hospitality employers are also having to support staff dealing with customers being abusive as they take out their frustrations at the rising cost of living. The cost of supporting staff alongside increasing wage costs inevitably has a knock-on effect on the budgets left for training.

Off-the-Job Training

A further concern in the current circumstances is whether employers can release apprentices to satisfy the off-the-job training requirements, especially in the run-up to Christmas. Programme completion rates are also suffering because some employers won't put their apprentices through endpoint assessment once the apprentices have finished training. If an employer is unable to comply with the programme's rules, then there is little point in committing to new recruits.

Potential Falling Demand by 16-24 Year-Olds

Demand from young people for an apprenticeship opportunity may also diminish.

As we saw in the pandemic, they might prefer to stay in full-time education or simply stay at home because they feel this offers them more security than a job during a downturn. The 174,000 16-to-24 year-olds who have started an apprenticeship this year is a large increase on last year, and they will have been attracted to the programme by the usual advantages of earning while learning and not being saddled with a huge amount of student debt. Therefore, it would be very disappointing if starts in this cohort fell back again.

The critics of apprenticeships who claim that young people are exploited overstate their case, not least because many of them assume that the minimum 'apprentice rate' of pay (see Figure 1) is what all young apprentices are actually paid. The data published in the annual 'National Minimum Wage: Low Pay Commission Report' paints a very different picture.

It is true that for 16-to-18 year old apprentices, the median hourly rate is not significantly higher than the apprentice rate (estimates of £4.99 and £5.30 compared with the apprentice rate of £4.81), but the LPC figures show that for 19-to-20 year old apprentices, median pay tops £8 an hour in comparison with the national minimum wage of £6.83 for that age group. By age 23, the median apprentice wage is well above the national living wage.

Nevertheless, it is reasonable as many groups, including the British Chambers of Commerce, have said to the LPC, to ask whether scrapping the apprentice rate would make the programme more attractive to young people seeking employment. There is also a renewed worry that a recession may apply downward pressure on apprentices' wages, while a Prince's Trust survey has just found that nearly half (46%) of those aged 16 to 25 fear they won't have money for essentials this winter.

Figure 1

	Rate from April 2022	Current rate (April 2021 to March 2022)	Increase
National Living Wage	£9.50	£8.91	6.6%
21-22 Year Old Rate	£9.18	£8.36	9.8%
18-20 Year Old Rate	£6.83	£6.56	4.1%
16-17 Year Old Rate	£4.81	£4.62	4.1%
Apprentice Rate	£4.81	£4.30	11.9%
Accommodation Offset	£8.70	£8.36	4.1%

Source: https://www.gov.uk/government/publications/minimum-wage-rates-for-2022

For young people living at home (except in Wales), a parent is not eligible for child benefit for a child over 16 who is doing an apprenticeship. There are also work-related activity rules for claiming Universal Credit for those doing part-time apprenticeships under 30 hours a week. The last thing needed is a tilting of the system which results in parents discouraging their children from starting an apprenticeship.

Independent Training Providers

In good times and bad, it is training providers who keep the wheels of the apprenticeship programme turning and just like other businesses, they are facing enormous challenges in the current crisis. Virtually no funding rates for apprenticeship standards to cover the costs of the training and assessment have increased since 2017 and it is a dereliction of duty on the part of the Government that it has been so slow to address this. The longer the neglect, the more danger the provision at lower levels will be in because many programmes will simply not be sustainable.

If media reports are accurate about the new Government's attitude towards immigration, perhaps ministers don't particularly care whether apprenticeships and other types of skills training are a solution to filling Britain's skills shortages. The Home Office is apparently willing to train employers to take advantage of a more relaxed visa system, which means that there will be less incentive for employers to invest in training.

Recommendation 1

The Government should review how the levy collected from employers in England is distributed via the Apprenticeship Programme Budget, ensuring that funding remains focused on apprenticeships-only but increases access to 16-24 year-olds, small and medium-sized enterprises and apprenticeships at Level 2 and 3 as well as Level 4 and above.

Recommendation 2

DfE, ESFA and IfATE should recognise that the number of apprenticeships and especially the quality of programmes will only be preserved if an uplift is applied to the funding rates of many standards at the lower levels.

Recommendation 3

The Government should accept that the 'apprentice rate' for wages has become an unwelcome distraction. It should be abolished. The existing structure of the minimum wage should apply to apprentices and any uprating or restructuring in the future.

Mandy Crawford-Lee, Chief Executive, UVAC

The Cost-of-Living Crisis and Employer Demand for Level 4+ Apprenticeships and Part-Time Technical Education

Listen to the current news and the cost-of-living crisis seems to get worse daily. The current causes of high inflation are generally imported, and the UK can do little to control wholesale gas prices. There is, however, one way to tackle rising living costs, albeit in the medium-to -long term, where the skills sector arguably has the key role to play - that is the development and delivery of training and education programmes that increase productivity.

This is of course easier said than done. The challenge is, however, clear. According to the ONS, in 2019 the G7 countries' average output per worker (excluding the UK) was 13% higher than the UK. To make matters worse, since the 2008 global downturn, growth rates in output per hour among the G7 have seen the largest slowdowns in the UK, along with the US.

Productivity Dividends

Increase productivity and employers can afford to pay higher salaries that combat against the rising cost of living. Individuals earning more pay more taxes, meaning that Government can increase spending on public services. More productive employees in the public sector also means better public services.

Productivity varies substantially between different regions and if Government is to have any hope of tackling the levelling up agenda it must ensure that employees, in for example Yorkshire and the North East, are as productive as their counterparts in London and the South East.

Level 4+ Reforms

While identifying the problem may be easy, implementing a solution is more difficult. Low productivity has been an acknowledged feature of the UK economy for decades.

The good news in late 2022 is that we now have skills programmes that can make a big impact – Higher and Degree Apprenticeships – and over the next few years Higher Technical Qualifications (HTQs) and a range of flexible programmes at Level 4 to Level 6, that in due course can be supported through the Lifelong Loan Entitlement (LLE). As of August 2022, the Institute for Apprenticeships and Technical Education (IfATE) listed Apprenticeship Standards for 364 occupations at Level 4 -7.

Through the occupational standards they have developed, employers can have a massive influence on the design and development of vocational education at Levels 3 to 7. Through the Apprenticeship Service, employers can select the Apprenticeships their organisations need. This is a massive improvement on the old supplier-led and intermediary developed apprenticeship frameworks of the past. We also have T Levels that are being successfully rolled out, albeit very slowly.

As a general rule of thumb, the higher your skill level the higher your remuneration. Train for a higher-level job and you are likely to earn more, be better able to deal with the impact of price hikes and have more certain employment or ability to secure new employment. While skill gaps and shortages exist at all levels, a higher skilled workforce (in terms of level) equates to a more productive workforce.

Any focus on productivity should be combined with approaches to inclusion and social mobility. Higher and Degree Apprenticeships and HTQs offer new pathways to skilled jobs and professional careers. They should be a particularly good way of retaining local talent in deprived areas.

We are also moving on from the skills sector's historic obsession with young people at Level 2 and 3 and arguments to reduce government financial contributions to programmes such as Higher and Degree Apprenticeships when used by individuals aged over 24. No one would deny the need to ensure those entering the workforce have the skills needed to raise organisational performance and productivity. If we are to raise productivity and tackle the cost-of-living crisis we do, however, have a far bigger challenge; that is to raise the skills levels of the existing workforce. Look at the figures and the picture is clear.

Post-18 Level 4+ Apprenticeships and Technical Education

There are approximately 750,000 18-year-olds in the UK population today. In comparison there are approximately 33 million people employed. The Government is clear that apprenticeships are an all-age programme, and the new LLE will support more flexible approaches to study, more part-time provision, and a wider range of programmes. Rather than trying to restrict the use of apprenticeships, HTQs and other forms of skills provision by older employers, such use should be championed and supported.

Although we increasingly have the skills programmes to raise productivity, one major problem that remains is employer demand. Employers have consistently spent too little on the training and development of their staff. Where training occurs, it has often been focused on health and safety and first aid. Essential, yes - but there is also a need to increase spending on high quality training with external providers focused on raising productivity.

Intervention through the Apprenticeship Levy has stimulated and incentivised employers to use the apprenticeships that benefit their organisations. We have no doubt that employer demand for Apprenticeships at Level 4 – 7 will continue to grow and grow rapidly.

Beyond Higher and Degree Apprenticeships, IfATE's quality marking approach for HTQs mapped to occupational standards, is a significant movement forward. The LLE, with its focus on lifelong learning and flexible delivery is a very positive development too. However, in planning the LLE, the Government has focused on the need for individuals to focus on developing the skills needed by employers. The problem of course is that no consideration has been given as to the financial contribution employers should make to lifelong learning and how this relates to provision funded through the LLE.

Recommendation 1

We should banish the notion that skills programmes, particularly at Levels 4 to 7, are predominately for younger people. The Government and the skills sector should champion the benefits of skills provision as part of the response to the cost-of-living crisis for individuals of all ages.

Recommendation 2

The Government, working with IfATE and the skills sector, needs to lead a campaign to promote the benefits of training, using the current cost-of-living crisis as the context. Individuals need to know more about the benefits of particular programmes in terms of potential increases in remuneration, promotion and job security. Employers, particularly SMEs, need more information on the value of different types of skills provision and their potential impact on productivity and organisational performance.

Recommendation 3

Employers, individuals and government ALL benefit from skills provision. We need a national debate and agreement on why each should contribute and the type of contribution (financial and in-kind) each should be expected to make.

Simon Parkinson, Chief Executive, WEA

The Cost-of-Living Crisis and Adult Community Learning

Educational inequality already has strong correlations with economic disparity. Those with low or no qualifications are more likely to be in the most disadvantaged communities. The cost-of-living crisis will place still more people in vulnerable categories.

Adult Learning in Strained Times

The support which adult learning offers should come to the fore in strained economic times. It is not a panacea - but as a means of regaining some control and direction over one's life, it is hugely empowering. If placed in a community context then even more, so as it will increase social connections, reduce isolation and open up new channels of advice and support.

Progression into Employment

The absolute top-line priority of the Government's current skills policy reforms is progression into work. As the cost-of-living crisis begins to bite, having steady employment becomes more important than ever. A skills system which is work-focused ought to be the right approach in such circumstances, but the full picture is more complicated than that. Adults with a clear path into a job and who have the confidence to take on the required courses and qualifications may thrive in the new system.

The recent fully-funded first Level 3 offer – for those who have the facility to take it up – is a very welcome improvement. The type and level of courses favoured by that reform, however, will not help everyone – and very likely will not help those who need higher levels of support to return to learning. And for those with no or low qualifications, the route to Level 3 is daunting.

Paying the Gas Comes Before Enrolling on a Free Courses

In normal times, adults face significant barriers to participating in learning even where the cost of courses are free; lack of information and guidance, lack of time, childcare and travel costs prohibit participation.

Today's cost-of-living crisis means adults who want to learn and need to learn will be worried about how they can get enough money to pay the gas bill this winter, rather than enrolling on a free course.

Demand for courses where there are no up-front fees but are funded through fee-loans might also fall, such as adult learner loans at Level 3 and the new Lifelong Loan Entitlement at Level 4-6.

Socio-economic factors have long been identified as barriers to participation. The cost-of-living crisis may exacerbate this and may well affect adult learners in all circumstances – even some better off learners may choose not to sign on a fee-paying course if the prospect of a four-figure energy bill is imminent.

While there is financial support available for learners on low incomes and those taking entry-level or non-qualification courses, this is not well promoted or known about. Even assuming a potential learner can overcome other barriers, the fact remains that if they do not know about what is available – in terms of courses or support – they cannot participate.

Earning Before Learning and the Cost-of-Living Crisis

Those in work, especially where this is insecure, may need to supplement income with second or third jobs or over-time if available - all of which reduces the time to study outside work - while those on low incomes are less likely to have employers who invest in workforce training and development.

There is a vicious circle as the cost-of-living crisis affects not only personal finances, but also public spending – publicity budgets for charity and public sector services will be heavily constrained.

Beyond Skills for Employment

Indeed, one of the probable implications of the fall-out from the mini-budget will be cuts in departmental spending. Reducing spending on adult learning and skills would be a false economy but one assumes no budget line is entirely safe.

If adult learning which supports direct progression into work is being prioritised, then this leaves out many of those who are out of the workforce and not seeking to enter. Employment courses do not help those adults who are outside the workforce through illness or disability, because they are full-time carers, or because they have retired. The cost-of-living crisis will have severe impacts on all of these groups too and yet, they may be excluded from learning opportunities which could improve their wellbeing and life skills.

Helping Disadvantaged Groups Cope with the Costs-of-Living Crisis

Support with practical day to day things such as personal budgeting, healthy cooking and eating and everyday skills including literacy, numeracy and digital skills, can all contribute to coping better in difficult times.

Moreover, as other forms of social connection and personal fulfilment are constrained by severe lack of disposable income, adult learning provides a means of keeping active and making friends and overcoming social isolation. This aspect is also crucially important in terms of mental health and well-being.

Community Learning, in its widest sense, offers a high quality, inclusive and value for money service for adults who are seeking to make sense of an increasingly challenging world.

Finding work at a time when the economy is shrinking is hard, and so employment courses will be a lifeline for many. The bigger challenge, however, will be in how best to offer hope to those who see their opportunities shrinking because of the economic climate and need to find their way through.

Recommendation 1

DfE should publish a government-wide national lifelong learning strategy. Without one, there is the danger that short-term solutions will be sought for deep-seated problems, made worse by the need to act quickly in unprecedented economic circumstances.

Recommendation 2

DfE should fund a national campaign to promote adult education courses of all types (not just for work), especially aimed at those individuals and groups who have been hardest hit by the cost-of-living crisis.

Recommendation 3

The Treasury should maintain (at least) current levels of spending on adult education in England by DfE and recognise that the return on investment (in terms of productivity and associated costs from improvements in wellbeing) outweigh any supposed efficiency savings.

Part Two
Post-16 Education and Skills Providers

David Hughes, Chief Executive, AoC

The Cost-of-Living Crisis and FE Colleges

We really are living through extraordinary and challenging times. After a dozen years of funding cuts, colleges were starting to believe that we had turned a corner with last year's spending review offering three years of higher funding for 16-to-19 year-olds. The cost-of-living crisis has crushed that optimism, with energy costs alone increasing from about 2% of college income pre-Covid to around 6%, and potentially more next year.

FE Colleges and the Energy Bill Relief Scheme

The non-domestic energy relief scheme helps some colleges but only for 6 months - so we are fighting hard to make the case that colleges will require energy costs support beyond April 2023. College leaders are a creative and pragmatic bunch, so they are working hard to minimise the impact, but the scale of the increase means a range of big impacts whatever they do.

FE Staff and the Energy Crisis

Equally, our staff increasingly face hardships in simply heating and eating, and with interest rates rising, paying the rent or the mortgage comes on top of everything else. When he was Chancellor over the summer, Nadhim Zahawi admitted that even for those "...on £45,000 a year, you're having your energy bills go up by 80% and will probably rise even higher in the new year – it's really hard." With most college staff and students from households earning often much less, colleges are communities full of people struggling financially.

The FE Doom Loop

So, as energy costs and inflation bite harder, staff pay lags even further behind. Given that around two thirds of spend is on staff, the pressure on pay is enormous, just at the time when staff themselves are facing household energy, rent, mortgage, food, fuel, travel and other costs rising too.

Recruiting new people and retaining staff becomes a central challenge, with colleges now reporting that they cannot meet demand in key subjects such as construction, engineering, health and digital – all sectors facing their own difficulties in recruiting skilled people. Ultimately, this is a barrier to economic growth.

Staying Financially Healthy Whilst Thinking the Unthinkable

There are no easy ways through this for college leaders and their boards. Every decision they need to take to stay solvent, which they are required to do, will create more pain somewhere. But it is critical that FE colleges stay financially healthy. Nobody predicted the level of increase when colleges were setting their budgets in July, so colleges have to find extra funds in-year to cope with inflation and energy costs. That's why many are thinking the almost unthinkable – from lowering the thermostat to 19 degrees to closing buildings, reducing opening hours, and even supplying blankets for classrooms.

Support for FE Colleges as Employers

A positive step the DfE could take is to support capital investment in energy efficient buildings and green energy, something we are urging them to make happen.

We also continue to press the DfE and Treasury to reimburse VAT which might bring in around £200m for colleges and for support on staff pay, particularly in skills shortage areas such as construction, engineering and health. Our evidence to them shows that colleges are now failing to meet demand for learning in these areas because they cannot recruit staff to teach. That will hamper economic growth in many sectors with their own recruitment difficulties. Our message seems to have got through and is being discussed.

Support for FE Students

Support for students is also vital. We're hearing more anecdotal evidence of young people taking full-time jobs rather than staying in learning because they need to supplement the household income.

College bursary funds were inadequate before this crisis, but have been stretched beyond breaking point. It's simply not fair that some young people have to make the decision to leave education for financial reasons and we should do everything we can to stop that happening.

Open to Business, Open for Students

So, it's as tough as ever on the financial front for colleges, for staff and for students. And yet, students are being enrolled, courses are commencing, and great teaching and learning is going on all over the country. Colleges will still be vibrant and positive. They will continue to have an enormous positive impact because college leaders and staff believe in what they do and work their socks off to support their students. But the cracks are opening up and without more funding very soon, people will be falling through them.

Recommendation 1

The Government should reimburse VAT for colleges to bring them into line with schools, immediately returning about £210m to support pay, solvency and learning.

Recommendation 2

DfE should boost bursary funds for 16-19 and adult students and apprentices to support their travel, food and other costs, so that they can afford to stay in learning.

Recommendation 3

DfE should re-visit the spending review funding rates for 16-to-19 study programmes, adult education budget and apprenticeships, and uprate in line with inflation so that skills can play a central role in any strategy for growth.

Jane Hickie, Chief Executive, AELP

The Cost-of-Living Crisis and Independent Training Providers

The cost-of-living crisis cannot be tackled without recognising the double whammy of tight labour market conditions and stagnant economic growth. Poor productivity and low attainment combined with tepid growth means wages have stagnated. There are currently 1.2 million unfilled vacancies with more and more employers struggling to find the right people with the right expertise.

A strong economy relies on a strong skills sector. Tackling the nation's skills gap will be paramount. A renewed focus on lifelong learning is necessary, as well as making sure accessible and affordable training is available for people at all ages and levels. Independent Ttraining Providers (ITPs) are ready to play a central role in any strategy to close the nation's skills gap - but they will need support to see them through a particularly tough set of circumstances.

Support for ITPs as Businesses

Training providers, like other businesses, are dealing with inflation rates not seen for a generation. Being able to cope with those rising costs is a major concern for ITPs and this is compounded by problems in recruiting and retaining staff. Support will be needed to ensure providers can weather the storm and continue to provide a wide range of high-quality skills provision.

The global energy crisis is threatening to jeopardise the significant progress the country has made in building a skills system that's fit for the 21st century – at a time we need to be doing even more to fill the skills gap. The decision by the new Chancellor, Jeremy Hunt, to stick with reversing the increase in employers' National Insurance contributions towards the Health and Social Care Levy and to continue the Energy Bill Relief Scheme will help ITPs at this time.

However, ITPs will need longer-term assurances that support will be in place while the energy crisis continues to result in rising costs. Failure to do so will mean employer and learner choice is significantly impacted.

Review Funding Rates for Post-16 Provision

Currently, funding rates for many qualifications are not reviewed on a regular basis – again threatening availability and learner choice. For example, funding for delivering English and maths Functional Skills qualifications as part of an apprenticeship has remained the same since 2014. Earlier this summer, research from the Learning and Work Institute set out the impact of this – with high inflation rates threatening to wipe out £850m of skills funding. This is very much in line with the experiences of many AELP members.

The amount providers receive for each qualification must reflect the real cost of delivery and all skills programme funding rates should be reviewed and adjusted at least every two years. Priority should be given to expedite decision making for qualifications in sectors that are under the most immediate pressure. However, this needs government departments and public bodies to have the resources and powers to do this. With the Government seeking to reduce civil service headcount by 91,000, this could lead to decisions on funding bands taking even longer than they do now.

Help Employers Take on Apprentices

There are also actions government could take to reduce the costs of delivering high-quality work-based learning. Bureaucracy is a huge barrier for small and medium-sized businesses taking on apprentices. The Department for Education (DfE) clearly recognise the scale of the problem and have committed to undertaking a simplification project, which is welcome.

The Government could boost the number of employers engaged in skills without committing significant new money, just by making the existing system much more accessible.

For example, having an auto enrolment apprenticeship system for employers who could activate their account when needed would save time and money. The apprenticeship funding rules also need addressing too, as they have become overly bureaucratic. Although we clearly need the right measures in place to ensure accountability, providers must be allowed to get on with what they do best – delivering high-quality skills provision.

Comprehensive Support Soon

While these are challenging times for our economy, ITPs are ready to meet the needs of employers and help fill our country's skills gaps. That will increase productivity and boost our economy – something that's desperately needed. However, providers need support to help them through the cost-of-living crisis and will be hoping that support comes soon.

Recommendation 1

The Government must extend the Energy Bill Relief Scheme and make it more generous if gas prices in world markets remain volatile and elevated. If ITPs are to continue to support the growth of the economy by tackling skill shortages, they will need certainty regarding future energy bills.

Recommendation 2

Funding councils in England should be given the resources and powers necessary to allow regular reviews of funding rates.

Recommendation 3

DfE, ESFA and IFATE must simplify further the rules around funding and assessment of work-based learning to reduce the costs of doing business for skills providers.

Susan Pember, Policy Director, HOLEX

The Cost-of-Living Crisis and Adult Education Providers

Adult education is one of the solutions in improving productivity and supporting social justice.

Traditionally, adult education has grown in importance in periods of recession and industrial change. It has been there to help adults get back to work through training and retraining, improving their basic skills and providing wellbeing support. And it has also been used to encourage integration and help communities rebuild after local disasters.

From the Covid Crisis to the Cost-of-Living Crisis

Throughout Covid adult education went online, while at the same time it was kept open for vulnerable adults and for those who had no connectivity at home and therefore couldn't learn online.

This year, the adult education sector has worked hard to give confidence to those who still felt vulnerable from the pandemic and has quietly been building back participation numbers.

Today, however, there is now another issue for learners and prospective learners to manage: how can adults, households and families prioritise learning – even if course costs are fully funded or there are no up-front fees – when they are caught in a cost-of-living crisis?

It is difficult to think about learning when adults are scared about paying energy bills this winter, the cost of food is rising, petrol prices remain high, increasing interest rates is causing higher mortgage payments and payments on credit cards, and rents are going up.

Impact on Households

According to the Office for National Statistics, 87% of adults in Great Britain reported an increase in their cost of living in August-September 2022..

Low-income households spend a larger proportion than average on energy and food, so are more affected by price increases, leaving little to pay for reskilling or the travel costs for getting to a course.

Government support is not targeted to low-income households. The Energy Price Guarantee is broad-based which means overall, government support for household incomes in 2022/23 is evenly spread across income levels and this disadvantages the poor. As poorer households use more of their income to pay utility bills, more of them are forced into using food banks to feed themselves and their children.

Impact on Adults

The ONS also looked at which adults were most likely to be unable to afford an unexpected outlay.

Adults on the lowest incomes, those renting their homes or those with no formal qualifications were most likely to report they could not afford this unexpected expense.

The analysis also found that parents of dependent children, adults who were divorced or separated, disabled adults, and those living outside of London, the South East and South West were more likely to report they could not afford this unexpected expense.

The financial shortfall becomes another barrier to learning. Even when the cost of the course is free there are still travel costs, living costs and childcare costs to be met, all of which have gone up.

Impact on Students

New research by the National Union of Students (NUS) has found that 96% are cutting back as a result of the crisis.

Maintenance loans are not enough, students can't afford to do their laundry and are cutting back on showers to make ends meet. A third of students are living on less than £50 a month after paying rent and bills as the cost of living continues to soar.

A survey of 3,500 university students, college students and apprentices across the UK has revealed that more than one in ten are accessing food banks, and an increasing number are turning to their savings, credit cards and bank loans.

The survey suggests the crisis is having a devastating impact on wellbeing, with 90% of students reporting an impact on their mental health, and 31% reporting this to be a ‘major’ impact.

While the survey paints a clear picture of students' struggles, only 20% of respondents say they have received any sort of support from the UK Government or their devolved government, and just 8% think their government is doing enough to support them.

Amongst the hardest hit by the cost-of-living crisis are students with caring responsibilities, disabled students, estranged students, and students from a low socio-economic background.

Impact on Adult Education Institutes and Centres of Learning

The impact on education institutes is threefold. First is the cost of delivering the courses - all underpinning requirements are costing more - for example, energy to light and heat buildings and the cost of materials. The second issue is student concerns about paying for their course fees and travel and the growing demand by staff for improved wages.

Recommendation 1

The introduction of the Energy Bill Relief Scheme is welcome and will be essential if institutes and centres of adult learning are to remain open this winter. The Government must, however, use the Medium-Term Fiscal Plan and the Economic and Fiscal Outlook published by the OBR to extend the scheme to at least the end of the academic year in August 2023.

Recommendation 2

DfE should increase the level of funding for discretionary learner support within the Adult Education Budget for all students, including those on basic skills and Level 2, and bursaries for adults taking out adult learner loans to support reskilling at Level 3 to enable adult learners earn and learn during the cost-of-living crisis.

Recommendation 3

DWP should promote and encourage participation in 19-24 traineeships, Bootcamps and adult Level 2 and 3 qualifications by continuing to pay Universal Credit, as well as extend access to Universal Credit to participants on the adult T Level pilots.

Martin Jones, Vice-Chancellor and David Etherington, Professor of Local and Regional Economic Development, Staffordshire University

The Cost-of-Living Crisis - The Response of Staffordshire University

Earlier this year, we co-authored a report with Citizens Advice Staffordshire North and Stoke-on-Trent (CASNS). This warned of a "pending poverty catastrophe" in North Staffordshire unless urgent action is taken.

The cost-of-living crisis continues to build with increases in energy prices, private house rental prices, food and transport costs and increases. This combines to form the perfect storm and constitutes the biggest cost-of-living crisis in recent memory, now added to by fiscal and monetary policy interventions creating additional uncertainty.

Here in Stoke-on-Trent, the total number of adults and children receiving food aid from the Alice Charity (Staffordshire University's corporate charity) during 2022 to the end of August this year amounted to 3,820, up from 756 in 2019, indicating a startling rise in demand for food aid.

This picture of deprivation was partly driven by the recent removal of the £20 uplift in Universal Credit, which hit areas like North Staffordshire hard. Between September 2021 and January 2022, CASNS received more than 11,500 enquiries about Universal Credit, debt and other benefits and tax credits, representing 71 per cent of total enquiries.

Levelling Up in Stoke-on-Trent

In fairness, it hasn't all been bad news for Stoke-on-Trent. Earlier this year, the city was granted £56 million of funding through the Levelling Up Fund. Now that we have The Growth Plan, this seems a long time ago.

This includes £20 million to help bring vacant heritage buildings back into use. Another £20 million is destined for the City Centre Regeneration Area and plans include an indoor arena, hotel and apartments, which will encourage more people to want to live, work and spend their leisure time in our local area.

Then there is £16 million allocated for the redevelopment of Swift House in Stoke, which is exciting given its location close to Staffordshire University. Capital and Centric's plans for the striking £60 million Goods Yard, next to Stoke-on-Trent Train Station, was among several projects showcased at real estate conference MIPIM. The Levelling Up Fund will be allocated to four specific elements, including dozens of high-quality apartments, office space, a hotel and water taxi stop.

Beyond Levelling Up: Cost of Living Crises

All of this is fantastic for 'Destination Stoke', as it could be the catalyst for inward investment. The question is whether this will bring in sustainable employment and address the high incidence of low-paid and quality jobs in the city.

Unless the Government addresses head-on the escalating cost-of-living crisis then, despite all other best intentions, more people in our city will struggle with the basics of day-to-day life. Buildings can't provide all the foundations for Stoke-on-Trent's everyday existence.

The Role of Higher Education

Here in Stoke-on-Trent, HE participation figures for 18-year-olds are half the national average and we fully recognise Staffordshire University's job of being a key player in lifting-up our local area. We are the 'catalyst for change', a force for social good, transforming the lives of people, who will in turn transform our society and places in which they live.

In February we opened our new Catalyst building, a £43 million investment that brings together the delivery of apprenticeships and student skills to meet employer demand, in a flexible, high-quality, digitally enabled space. It is also the blueprint for our university's ambitious campus transformation project.

Then, in March, we unveiled our state-of-the-art £5.8 million Centre for Health Innovation in Stafford. This Centre will build on our University's reputation for digital innovation and includes sector-leading simulated learning environments, which will be used to train healthcare and social care students and help to build on the skills of NHS staff.

As well as being the study base for more than 2,000 student nurses, midwives and paramedics, the centre also offers an exciting platform for new collaborations with businesses and healthcare and technology industries.

The centre will play an important role in the future of Staffordshire University and will also be a lever to fuel the local economy by encouraging and supporting health technology start-ups, by creating jobs and by being a catalyst for economic growth in our county. It was made possible through partnership working. The centre secured £2.89 million of backing from the 'Getting Building Fund' through Stoke-on-Trent and Staffordshire Local Enterprise Partnership.

Recommendation 1

The Government should increasingly recognise the ongoing and expanding civic roles of our universities. As a proudly civic university we are making strong and lasting changes for the benefit of our students, staff, businesses and the community, at the same time as fees being frozen and our costs escalating. We are fully committed to playing our part in any growth agenda by the new Government (and levelling up in old language), but more must be done from the Government and the private sector to make lasting and substantive change.

Recommendation 2

With the poverty catastrophe pending, a job retention intervention is urgently needed to replace furlough scheme-style initiatives, framed around Job Rotation, which has been successfully developed in other countries such as Denmark, Sweden, and Germany. This involves integrating skills and employment training to address skills shortages and provide pathways into sustainable employment. The potential of Job Rotation should be explored through funding being released for local pilots in the context of sector policy debates on Local Skills Improvement Plans (LSIPs), Micro-credentials, and access to the proposed Lifelong Loan Entitlement (LLE).

Recommendation 3

Currently there is more funding on offer for students in England who live away from home, rather than staying locally. Removing this differentiation and allowing equality of support for students living at home, particularly in the context of the cost-of-living challenges, could be a positive outcome for building local skills infrastructures local.

Chris Hale, Policy Director, Universities UK

The Cost-of-Living Crisis and Universities

The cost-of-living crisis is a significant challenge for the whole country, particularly as we move into the winter. This will only be compounded by recent economic uncertainty. Universities and their students and staff will be hit by this along with everyone else.

Impact on Students

Recent polling by Savanta ComRes for Universities UK shows that anxiety about the cost-of-living crisis is growing in the student population as they start the autumn term at campuses across the UK. Two thirds (67%) are concerned about managing their living costs this autumn. Over half of those polled (55%) are worried that this might prevent them from continuing their studies.

Postgraduate students - particularly those engaged in research - are more likely to be concerned about costs than undergraduates.

There are other student populations that may be particularly vulnerable, such as mature students- who are often managing families, work and other responsibilities. Commuter students are seeing their travel costs going up and international students currently have no access to maintenance support.

Action by Universities

Universities are, of course, doing everything they can to support those in hardship and ease the cost-of-living pressures they are facing, ensuring students can continue their studies. They are boosting financial aid and emergency support schemes, with several freezing or discounting rents for university-owned and managed accommodation.

Many universities are working with their student unions to understand where interventions can be best targeted and to provide advice and support on managing finances. Institutions are creating more affordable and free food options on campuses, providing food vouchers, and expanding and improving access to warm spaces to study.

Where possible they are creating and promoting more job opportunities on and off campus to help boost incomes for students. These are just a few of the many and diverse measures being put in place, and universities will continue to monitor the cost-of-living impact on their communities and do what they can.

Action by UK Research and Innovation
It is important, however, that universities, students and staff are not forgotten as the Government puts in place measures to help ease the pain on households and businesses. It's good that we have seen some action on this already, such as the important intervention by UK Research and Innovation to raise the minimum stipend for doctoral students by 10% from 1 October.

More Action by Government Required
There is more that the Government can and must do. Universities UK has called for targeted government hardship funding for UK students. We also want to see the reinstatement of maintenance grants for those most in need, and action to ensure that support currently available for students is protected against inflation and adequately allows students to cover living costs. Maintenance loans have not increased by inflation for several years and annual living support for students is falling below the equivalent of the minimum living wage.

Impact on Universities

Universities will do all they can to help, but they will also be facing cost pressures.

Large Energy Intensive Organisations
As large, often energy intensive organisations, increasing energy costs will only add to this funding squeeze. BEIS has now set out details of how the non-domestic Government Energy Bill Relief Scheme will work for six months until March 2023, which provides a discount on the wholesale price of gas and electricity to all non-domestic organisations.

Government support in this area is helpful, but eligibility (and benefits) for higher education institutions remains uncertain due to the complexity and variety of business energy contracts in the sector. Many institutions purchase their energy through The Energy Consortium (TEC) and may not be affected as the price they have achieved for their energy is lower, but as the TEC have said, even at or below the capped price, energy will still be materially more expensive than organisations have been used to paying.

Institutions are seeking more efficient energy use as they meet green-house gas reduction targets, and a significant number are now generating their own energy through renewable sources.

Tuition Fee Freeze

The tuition fee freeze in England means that they are already operating with a severely stretched funding base and there will be limits on what they can do. Although there is a headline fee income of £9,250 per student, this has not been adjusted for inflation for several years and is now worth £6,600 in 2012 prices (when the fee was introduced). Direct non-fee funding to universities has also decreased by 78% in real terms.

Action by Universities UK

Looking ahead Universities UK will continue to identify gaps in wider government interventions and push those areas where students and staff could be better supported. We will also be promoting and sharing practice amongst our members.

Rent Reform

It will also be important that we are alert to other developments that have the potential to compound the cost-of-living challenges noted above. For example, the availability of affordable private rented accommodation could be negatively impacted by the Renter's Reform Bill. This bill aims to give tenants on fixed term tenancies greater security of tenure, which is an important and positive protection. However, it does have the potential to disrupt a student accommodation market reliant on successive, predictable single-year tenancies.

Recommendation 1

DfE should increase hardship funding to allow universities in England to be able to provide targeted support where it is needed most. It is important that hardship needs are understood and addressed across the whole of the UK.

Recommendation 2

The Treasury and DfE should reintroduce maintenance grants for the poorest English students in full-time Level 4-6 higher education on top of full-time maintenance loans. Maintenance loans for full-time Level 4-6 should be fully protected from inflation to adequately allow students to cover living costs. Similarly, maintenance loans for part-time students on Level 6 degrees should be fully protected as well as maintenance loans for part-time Level 4-5 higher technical qualifications, when loans become available from AY2023/24.

Recommendation 3

It is essential that universities can benefit from wider measures to ease the cost-of-living crisis, including the Energy Bill Relief Scheme and a much needed extended programme of support from April 2023.

Campaign for Learning

Recommendations

16-18 Year-Olds in Further Education, Traineeships and Apprenticeships

The Government must take every step to prevent drop-out and future falls in recruitment from full-time further education, traineeships and apprenticeships. The cost-of-living crisis must not lead 16-18 year-olds and their parents to *value* a job without training ahead of full-time study, *or* a better paid job without training ahead of a job with an apprenticeship.

Recommendation 1: Uprate Child Benefit by Inflation and Paid by 1st January 2023
Parents of 16-19 year-olds in full-time further education and traineeships are entitled to means-tested Child Benefit. Payment for the first child is £1,133.60 per year and for the second child is £751.40.

If Child Benefit is increased by earnings (5%) rather than inflation (10%), parents will face a real terms cut in the payments they receive.

Child Benefit should be uprated by the rate of inflation as measured by the CPI for September 2022. Inflation of 10% will increase Child Benefit by over £100 per year for the first child and over £75 for the second child.

Uprating Child Benefit by inflation rather than earnings will enable parents of 16-19 year-olds in full-time further education and traineeships to support them through the cost-of-living crisis.

The Government should endeavour to make the increased payments from 1st January 2023 instead of April 2023.

Recommendation 2: Uprate Universal Credit by Inflation
Parents claiming Universal Credit (UC) with 16-19 year-olds in full-time further education and traineeships are entitled to a Child Allowance of £2,934.96 per year, which changes if claimants move into work.

If Child Allowance is increased by earnings (5%) rather than inflation (10%), many of the poorest parents supporting 16-19 year-olds in full-time education would receive a real terms cut in their payments.

Universal Credit should be uprated by inflation as measured by the CPI in September 2022. Inflation of 10% would mean an increase of nearly £300 per year from April 2023, depending upon circumstances throughout the year.

Uprating Universal Credit by inflation rather than earnings will enable the poorest parents of 16-19 year-olds in full-time education and traineeships to continue to study and train during the cost-of-living crisis.

Recommendation 3: Increase the 16-19 Bursary Grant from 1st December 2022

The 16-19 Bursary Grant is paid directly to young people in England who are in full-time and part-time further education and traineeships at a publicly funded institution (see Box 1). The fund is divided into bursary for vulnerable groups and a discretionary bursary and distributed by publicly funded providers. The discretionary bursary can be used for the cost of travel, free meals and books. The 16-19 Bursary Grant is part of funding for Post-16 Bursary Grants which was £228m in 2020/21.

DfE should increase the Discretionary Bursary of the 16-19 Bursary Grant so that publicly funded post-16 providers in England can offer free meals and free travel to a wider proportion of 16-19 year-olds in full-time and part-time further education and traineeships in England. Additional funding should be made available from 1st December 2022 until the remainder of the AY2022/23.

Recommendation 4: Extend the 16-19 Bursary Grant to 16-19 Apprentices on Level 2 and Level 3 Apprenticeships

Parents of 16-19 year-olds on apprenticeships do not have an entitlement to Child Benefit and Child Allowances within Universal Credits. 16-19 apprentices also do not have access to 16-19 Bursary Grants. The argument to restrict access to these forms of maintenance and financial support is that apprentices earn a wage regulated by minimum wage legislation.

DfE should extend eligibility of 16-19 Bursary Grants to 16-19 year-olds on Level 2 and 3 apprenticeships who are facing financial hardship due to the cost-of-living crisis and employers unable to uplift wages above the legal minimum due to the cost-of-living crisis.

Box 1

16 to 19 Bursary Fund

You could get a bursary to help with education-related costs if you're aged 16 to 19 and:

- studying at a publicly funded school or college in England - not a university
- on a training course, including unpaid work experience

A publicly funded school is one that does not charge you for attending it.

If you're 19 and over

You could also get a bursary if you either:

- are continuing on a course you started aged 16 to 18 (known as being a '19+ continuer')
- have an Education, Health and Care Plan (EHCP)

Bursary for students in vulnerable groups

You could get a bursary worth up to £1,200, depending on your circumstances and benefits.

Discretionary bursary

You could get a discretionary bursary if you need financial help but do not qualify for a bursary for students in vulnerable groups. Your education or training provider decides how much you get and what it's used for.

> If you're over 19, you'll only be eligible for a discretionary bursary.

Your provider will decide how you get your bursary. You might get:

- an instalment paid by cash, cheque or bank transfer
- things like a travel pass, free meals or books

Some providers also offer one-off payments to cover study trips or travel for university interviews.

Students in Full-Time 4-6 Higher Education

Full-time students face rising costs in terms of accommodation, energy and food bills. Urgent action is needed to prevent students from dropping out of full-time Level 4-6 higher education, becoming unemployed and claiming benefits.

Recommendation 5: Maintenance Loans for Full-Time Level 4-6 Students Increased by at Least Earnings Growth in September from 1st January 2023

The increase in maintenance loan rates for AY2022/23 by 2% is in effect a real terms cut when inflation is running at 10%. Whilst it is true that maintenance support is not a form of benefit and, as consequence, not linked to the September inflation rate as measured by the CPI, there is a case for uprating maintenance loans above 2% bearing in mind the cost-of-living crisis faced by full-time students. In this context, the Government should increase payments of maintenance loans from 1st January 2023 in line with earnings growth as of September 2022. If earnings growth is 5.5% in September 2022, an extra 3% should be added to maintenance loans given the existing 2% uplift.

Recommendation 6: Close the Maintenance Gap between Full-Time Higher Education Living at Home and Living Away from Home

There is a significant gap in the value of maintenance loans if a full-time student lives with their parents, compared to one who lives away from home. Assuming parental income of £25,000 and study is outside of London, the amount received living at home could be £1,600 less than living away from home. Parents facing a cost-of-living crisis could find supporting a full-time student living at home difficult. Hence, DfE should consider increasing maintenance loan rates to students living at home.

Students in Part-Time Level 4-6 Higher Education

The vast majority of part-time higher education students are employed. Although they may not face up-front fees because fee-loans are available for Level 4-6 higher education, employed part-time students are confronted by the cost-of-living crisis, with higher energy, food and travel bills. DfE should take steps to protect employed and part-time HE students from having to put earning before learning and subsequently dropping out from part-time study.

Recommendation 7: Uprate Part-Time Maintenance Loans for Level 6 Degrees by at Least Earnings Growth in September from 1st January 2023
Maintenance loans are currently available to support achievement of a first Level 6 through part-time study. The value of maintenance loans should increase by the growth in earnings recorded in September, with higher payments introduced from 1st January 2022.

Recommendation 8: Uprate Part-Time Maintenance Loans for Part-Time Level 4-5 Higher Technical Qualifications from 1st January 2023
Maintenance loans are not currently available to support achievement of a first Level 4 and Level 5 through part-time Higher Technical Qualifications. They are not due to be introduced until AY2023/24. DfE should make available part-time maintenance loans to achieve a first Level 4 and 5 through part-time HTQs from 1st January 2023.

Recommendation 9: Bursaries for Level 4-6 Short Courses from 1st January 2023
DfE is currently piloting short courses in higher education, lasting between four weeks and twelve months. Course costs are funded through fee-loans. To boost take-up and assist students with the cost-of-living crisis, DfE should make available means-tested living cost bursaries from 1st January 2023.

Adults in Part-Time Level 3 and Below Further Education

There is a danger that both young adults (aged 19-24) and older adults (aged 25 and over) in England will not be in a position to make cash contributions to co-funded provision for part-time Level 3 and below provision (see Box 2) because of rising energy, food and travel bills. Participation in AEB funded provision is likely to fall in AY2022/23.

Even where provision is fully funded by the taxpayer in the form of grants, or where access to fee-loans means up-front cash contributions are not required, employed adults irrespective of their household income will need to place earning before part-time training to meet the wider challenges of the cost-of-living crisis. There is no national system of maintenance support for Level 3 and below courses in England. As a consequence, participation in AEB funded provision is likely to fall in AY2022/23.

Recommendation 10: Remove Co-Funding Requirements across AEB Provision
In an attempt to support participation on AEB funded provision, DfE and ESFA should remove all co-funding requirements from 1st January 2023.

Recommendation 11: Bursary Grants for Adults on T Levels to Achieve a First Level 3 from 1st January 2023
DfE are piloting T levels for adults, which are Level 3 programmes. However, rising energy, food and travel bills could dampen demand. Where adults are seeking to achieve a first Level 3 via a T Level through part-time study, they should be entitled to means-tested Bursary Grants to help with the cost-of-living crisis from 1st January 2023.

Recommendation 12: Means-Tested Part-Time Maintenance Loans for Adults on T Levels to Achieve a First Level 3 from AY 2023/24
Adults seeking to achieve a first full Level 3 through part-time study of a T Level should be entitled to access means-tested maintenance loans from AY2023/24 on the same basis of part-time maintenance loans for adults seeking to achieve a first full Level 4 and 5, as well as a Level 6 through part-time study.

Box 2: Funding Contribution Table – Adult Education in England

Chart 1: 19 to 23-year-olds (age exception on traineeships 19- to 24-year-olds)

Provision	Notes and Eligibility	Funding
English and maths up to and including level 2	Must be delivered as part of the legal entitlement qualifications	Fully Funded
Essential Digital Skills Qualifications up to and including level 1	Must be delivered as part of the Digital legal entitlement qualifications	Fully Funded
First **full level 2** (excluding English and maths)	First full level 2 must be delivered as part of the legal entitlement qualifications. Level 2 provision from the local flexibility offer will not be funded for 19- to 23-year-olds who do not have a first full level 2. See **Local flexibility and legal entitlement** section.	Fully Funded
Level 3 legal entitlement (learner's first **full level 3**)	First full level 3 must be delivered as part of the legal entitlement qualifications	Fully Funded
Level 3 Free Courses for Jobs offer	Learners without a full level 3 or above can access a qualification on the Free Courses for Jobs offer qualifications list	Fully Funded
	Learners who already hold a level 3 or above and meet the definition of **unemployed** or who are **in receipt of low wage**	Fully Funded
Level 3 Advanced Learner Loans	A learner who has already achieved a full level 3 and exhausted their eligibility for the Free Courses for Jobs offer	Loan Funded
Learning aims to progress to a full level 2 - up to and including level 1	Must be delivered as entry or level 1 provision from **local flexibility**	Fully Funded
Learning aims up to and including level 2, where the learner has already achieved a first full level 2 or above (**Local flexibility and legal entitlements**)	For those who meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
English for speakers of other languages (ESOL) learning up to and including level 2	For those who meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
Traineeships (16- to 24-year-olds)	16- to 18-year old learners must be eligible under **ESFAs young people's residency requirements**. Excluding the flexible element where funding depends on age and level.	Fully Funded

Box 2: Funding Contribution Table – Adult Education in England continued

Chart 2: 24+

Provision	Notes and Eligibility	Funding
English and maths up to and including level 2	Must be delivered as part of the legal entitlement qualifications	Fully Funded
Essential Digital Skills Qualifications up to and including level 1	Must be delivered as part of the Digital legal entitlement qualifications	Fully Funded
First **full level 2** (excluding English and maths)	For those who meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
Level 3 Free Courses for Jobs offer	Learners without a full level 3 or above accessing a qualification on the level 3 Free Courses for Jobs offer qualification list	Fully Funded
	Learners who already hold a level 3 or above and meet the definition of **unemployed** or who are **in receipt a of low wage**	Fully Funded
	Where 24+ learners are not eligible for the level 3 Free Courses for Jobs offer, providers must refer to the **Advanced Learner Loans rules**	Loan Funded
Learning to progress to level 2 (**Local flexibility and legal entitlements**)	For those eligible for their first level 2 as they meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
Learning aims up to and including level 2 where the learner has already achieved a first full level 2 or above (**Local flexibility and legal entitlements**)	For those eligible for their first level 2 as they meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
Learning aims up to and including level 2 where the learner has **not** achieved a first full level 2 or above (**Local flexibility and legal entitlements**)	For those eligible for their first level 2 as they meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded
English for speakers of other languages (ESOL) learning up to and including level 2	For those who meet the **unemployed** criteria or who are **in receipt of a low wage**	Fully Funded
	For those who do not meet the definition of **unemployed** or do not meet the eligibility criteria for learners **in receipt of low wage**	Co-Funded

Recommendation 13: DfE Should Introduce Part-Time Maintenance Loans for Adults Seeking a First Full Level 3 Through Access to HE courses

Access to HE courses (Level 3) in the FE system and Foundation Years (Level 4) in the HE system are two different non-traditional routes into higher education.

19-23 year-olds seeking a first full Level 3 via an Access to HE courses pay no fees, whilst those seeking a second Level 3 via Access to HE courses have the option to take out a fee-loan. Adults aged 24 and over have the option to take out a fee-loan for their Access to HE course, if it is their first or subsequent Level 4. Meanwhile, Foundation Year students have access to fee-loans to cover course costs. The cost of an Access to HE course is c£3,250 compared to £9,250 for most Foundation Year courses.

Despite no fees or lower fee-loans, demand for Foundation Year courses has risen whilst Access to HE courses has fallen.

Part of the explanation is due to the accessibility and level of maintenance support. Students on Access to HE courses can apply for means-tested bursary grants, but there is no entitlement to full-time or part-time maintenance loans. By contrast, Foundation Year students are entitled to maintenance loans and since most study full-time, have access to full-time maintenance loans.

The cost-of-living crisis could see further falls in the demand for Access to HE courses as uncertain and insufficient levels of maintenance support are currently available.

Where adults are seeking a first full Level 3 through an Access to HE course and are studying part-time, DfE should make available access to part-time maintenance loans on the same basis as part-time maintenance loans for Level 6 first degrees and part-time Level 4-5 Higher Technical Qualifications from AY2023/24.

Access to Skills Training by Universal Credit Claimants

Central to the Growth Plan 2022 is to increase the supply of labour to the economy by requiring low-paid employees on Universal Credit to seek more hours of work, as well as intensifying the amount of job search the unemployed are expected to undertake to be paid their full entitlement of Universal Credit, especially the over 50s.

In fact, historically low levels of unemployment are combined with below levels of employment and significantly higher levels of economic inactivity. Going forward, the Treasury and DWP might well include targeting the economically inactive as well as the unemployment claiming Universal Credit to find employment and fill the high level of vacancies.

Increasing the labour supply in terms of people and working hours could reduce pressure on wage growth and cut the working-age welfare bill. Limiting the rise in Universal Credit by earnings rather than inflation would further develop a pricing of unemployed and inactive people on Universal Credit into any job strategy by the Treasury and DWP.

The danger, however, is a renewed work-first approach by DWP will undermine progress made where the Department for Work and Pensions permits participation in designated training schemes whilst paying Universal Credit – such as Bootcamps, Traineeships and Level 3 courses under the Level 3 offer – as well as constraining attempts by UC claimants themselves to claim and train on a part-time basis.

Recommendation 14: Universal Credit Should be Uprated by inflation to support Unemployed Claimants to Participate on DfE Skills Programmes

DWP pays Universal Credit to unemployed 19-24 year-olds on Traineeships and unemployed adults on Bootcamps and training under the adult Level 3 offer. The cost-of-living crisis disproportionately affects adults on low incomes – including the unemployed – than those on higher incomes. By uprating Universal Credit by earnings, claimants will face a further real terms cut in their incomes from April 2023, thus making it harder for unemployed adults to train and retrain, instead of finding paid employment.

Recommendation 15: DWP Should Confirm That Job Coaches will Promote Participation on Bootcamps, Level 3 Training and 19-24 Traineeships to Unemployed Claimants of Universal Credit Claimants

Given the growing emphasis of a work-first strategy in the context of the cost-of-living crisis, DWP should confirm that job coaches will promote participation by unemployed UC claimants on Bootcamps and 19-24 Traineeships.

Recommendation 16: DWP Should Agree to Pay Universal Credit to Unemployed Adults Seeking a First Level 3 Through a T level

Access to T Levels by adults should not be restricted to those in employment. DWP should continue to pay Universal Credit to unemployed adults participating on T levels to achieve a first full Level 3 for up to one year.

Recommendation 17: DWP Should Publish National Guidance on What Working Universal Credits Should Do in Terms of Part-Time Training

At present, Work Coaches in job centres have discretion over whether an unemployed claimant can participate in part-time training whilst receiving Universal Credit. DWP should publish national guidance on when claiming and training is permitted and a list of DfE adult and training programmes where UC will continue to be paid.

Recommendation 18: DWP and DfE Should Conduct a Review of Skills Training Required by Inactive 50 Year-Olds and Over

Since the pandemic, economic inactivity has risen in the over 50s. Older adults who are economically inactive hold lower qualifications that younger economically inactive adults. Whilst training economically inactive over 50s in job searching and CV writing skills is important to get back into the labour market so too will acquiring up-to-date qualifications. A 50 year-old today would have taken would have O-levels and Certificates of Secondary Educations in 1986 at age 16. DWP and DfE should conduct of the qualification needs of economically inactive adults aged 50 and over required to assist them to return to the labour market as employed or self-employed workers.

16-24 Year-Olds Not in Full-Time Education

There are 3.14m young people aged 16-24 who are not in full-time education. Of these, 2.4m are in employment, 0.2m are unemployed and 0.5m economically inactive. In terms of 18-24 year-olds in employment not in full-time education, 12% are on zero or low hour contracts, agency workers or self-employed, and about 700,000 are in work claiming Universal Credit. At the same time, 1 in 7 young adults aged 16-24 are head of households, with the share rising to 40% of 24 year-olds. Plus a greater proportion of 16-24 year-olds report their household would not afford an unexpected expense than 65 year-olds and over. Whether living with parents or friends or in their own households, young people are suffering from the cost-of-living crisis.

By uprating Universal Credit by inflation instead of earnings, the incomes of unemployed and out-work claimants will be protected in real-terms. 18-24 year-olds with children will also gain by Child Benefit increasing by inflation, as well as child allowances within Universal Credit.

It is equally important to grow secure jobs for 18-24 year-olds in employment and not in full-time education, and to expand skills training for this age group.

Recommendation 19: Abolish Employee National Insurance Contributions for Apprentices Under 25

Employers do not pay national insurance contributions on the earnings of apprentices aged under 25 up to £50,270. The Treasury should boost the real earnings of apprentices by abolishing employee national insurance contributions of 12% between £12,570 and £50,270. This would mean under 25 year-olds on a Level 2 apprenticeship earning an average of £8.23 per hour and working an average of 37 hours per week, and earning £15,834,52 per year would save £392 per year in NI contributions.

Recommendation 20: Means-Tested Bursary Grants for Apprentices Aged 16-18 and 19-24 Earning Below £12,570 Per Year

In addition to extending the 16-19 Bursary Grant to include young people on apprenticeships facing financial hardship, DfE should introduce a means-tested Bursary Grant - distributed by apprenticeship providers - to pay for travel costs and other associated expenses to young apprentices facing hardship.

Box 3

	Rate from April 2022	Current rate (April 2021 to March 2022)	Increase
National Living Wage	£9.50	£8.91	6.6%
21-22 Year Old Rate	£9.18	£8.36	9.8%
18-20 Year Old Rate	£6.83	£6.56	4.1%
16-17 Year Old Rate	£4.81	£4.62	4.1%
Apprentice Rate	£4.81	£4.30	11.9%
Accommodation Offset	£8.70	£8.36	4.1%

Source: https://www.gov.uk/government/publications/minimum-wage-rates-for-2022

Recommendation 21: Align Apprentice and Non-Apprentice Minimum Wage Rates After the Cost-of-Living Crisis Subsides

Employers are facing a cost-of-living crisis too. Enforcement of the existing minimum wage rates for apprentices (see Box 3) during the crisis is essential. Aligning the apprentice rate with the 18-20 and 21-22 year-old rates should await until the cost-of-living subsides somewhat so as not to reduce employer demand for young apprentices.

Recommendation 22: Introduce Financial Support to Enable 19-24 Year-Olds to Participate on Adult T Levels

19-24 year-olds in employment and not in full-time education seeking a first Level 3 by enrolling on a part-time T Level should be given access to part-time maintenance loans from AY2023/24. Unemployed and low-waged workers aged 19-24 in receipt of Universal Credit should continue to receive benefit when participating on part-time T Levels.

Employers

Employers are confronted with rising energy bills, wage settlements and interest payments on overdrafts, longer-term credit and investment. Although the combination of the Energy Bill Support Scheme to employers and the reversal of the increase in both employer and employee national contributions to fund the Health and Social Care Levy will reduce labour costs, pressures on business costs will remain.

Employers are likely to respond to rising business costs by cutting back on employer-funded training worth £39bn in England. Despite continuing to pay the UK Apprenticeship Levy, demand for apprenticeships might fall as levy-payers cannot afford associated supervisory costs or loss of production caused by off-the-job training. Similarly, non-levy payers will be reluctant to make cash contributions towards apprenticeships and may also delay taking on apprentices because of the wider business cost environment.

Recommendation 23: Provide Employers with Greater Certainty over Energy Support after March 2023

Employers have welcomed the Energy Bill Support Scheme which at present will last until March 2023. All eyes are now on the new Treasury-led review. The Government needs to inform how energy support to employers will operate from April 2023 as soon as possible. Continued support for energy bills will reduce business costs and free up resources for investment in training.

Recommendation 24: Cease Cash Contributions to Apprenticeships by Non-Levy Paying Employers in England

To support demand for apprenticeships by non-levy paying employers in England - which are primarily small and medium sized enterprises (SMEs) - cash contributions should cease. SMEs that are facing cash flow problems due to rising business costs and unlikely to be able to contribute to apprenticeships.

Publicly Funded Post-16 Providers

Publicly funded post-16 providers, as with employers in general are also confronting rising energy bills, increasing pay demands and the impact of higher interest rates on overdraft, credit and investment costs. In addition, they must contend with public spending constraints, as well as uncertain demand for education and training from young people, adults and employers.

Recommendation 25: Provide Publicly Funded Post-16 Providers with Greater Certainty over Energy Bills Until the End of AY2022/23

The EBSS is scheduled to last until March 2022 although the 2022/23 academic year lasts until August 2023. The Government should signal as soon as possible when energy support will be available to publicly funded post-16 education and training providers for both the spring and summer terms. An extension will enable post-16 providers to open longer and become warm spaces for students and trainees.

Recommendation 26: Post-16 Providers Should Assess Their Financial Stability in a New Era of Higher Interest Rates

Higher interest rates are here to stay. Post-16 education and skills providers should assess the impact of higher interest rates on interest-bearing assets and interest-bearing liabilities on their short and medium financial positions.

Recommendation 27: DfE Should Set Realistic Post-16 Participation and Outcomes Measures

DfE should be realistic about participation in all forms of post-16 education and training and associated outcomes measures in the context of the cost-of-living crisis. Lower participation by young people and adults, lower demand by employers and higher drop-out and non-completion rates are likely as individuals, households and employer put earnings and income before learning.

Recommendation 28: The Treasury Should Not Clawback Underspends in Post-16 Provision Budgets

Even where the cost-of-learning is to individuals and employers or fee-loans for adults prevent the need for up-front cash contributions, demand for education and training might fall leading to underspends on post-16 budgets. The Treasury should recognise the role of the cost-of-living crisis on causing underspends and should not claw these back as part of efficiency savings - but instead, carry them over to support demand later on.

Recommendation 29: The Government Should Increase 16-18 Core Funding to Uplift the Funding Rate for Free-Meals

Core funding for 16-18 year-olds in publicly-funded further education includes a payment of £2.41 per student eligible for free meals. The rate should be doubled to £4.82. An enhanced and extended 16-19 Bursary Grant will widen the number of 16-18 year-olds able to receive a warm meal at their school, college or independent training provider over the winter.

Recommendation 30: The Government Should Not Make Cash Cuts to Post-16 Education and Training

Skills are central to increasing the long-term trend of economic growth. The Government should not make cash cuts to post-16 education and training in England as part of the Medium-Term Fiscal Plan.

Mark Corney, Senior Policy Adviser, Campaign for Learning
17th October 2022

Past Publications

Campaign for Learning Policy Pamphlets

No.1 Earn or Learn for 18-21 year olds: New Age Group, New Policies, November 2015, Mark Corney

No.2 University or Apprenticeships at 18: Context, Challenges and Concerns, April 2016, Mark Corney

No.3 Reforming Technical and Professional Education: Why should it work this time? February 2017, Mick Fletcher

No.4 Mending the Gap: Are the needs of 16-18 year olds being met? January 2018, John Widdowson

No.5 Shaping the new National Retraining Scheme, March 2018, Susan Pember

No.6 T levels for 19-23 Year Olds – The value of maintenance loans, August 2018, Mark Corney

No.7 The Post-18 Review of Education and Funding – A Review of a Lifetime, December 2018, Editors Michael Lemin, Julia Wright and Mark Corney

No.8 Post-16 Education and Apprenticeship Levy Funding – Next Steps for English Devolution, April 2019, Editors Michael Lemin, Julia Wright and Mark Corney

No.9 Future Proofing Apprenticeship Funding in England for the 2020s, October 2019, Editors MichaelLemin and Julia Wright

No.10 No 16-18 Left Behind – as the cohort grows, February 2020, Editor, Michael Lemin and Julia Wright

No.11 Making a Success of the National Skills Fund – Adult Training and Retraining for All in the 2020s, March 2020, Editor Julia Wright

No.12 Revolutionary Forces – Shaping the Post-16 White Paper, July 2020, Editor Julia Wright

No.13 Revolutionary Forces – Reforms for a 'Revolutionary' Post-16 White Paper, September 2020, Editors Julia Wright and Mark Corney

No.14 Understanding and Overcoming a Mental Health Crisis in 2021: Issues for post-16 education, employment, the world of work & retirement, February 2021, Editors Julia Wright and Mark Corney

No.15 Racing to Net Zero: The role of post-16 education and skills, June 2021, Editors Julia Wright and Mark Corney

No.16 Reforming Adult Social Care: Integrating Funding, Pay, Employment and Skills Policies in England, November 2021, Editors Julia Wright and Mark Corney

No.17 Post-16 Education and Skills: Levelling Up Everyone, Everywhere, March 2022 Editors Julia Wright and Mark Corney

No.18 Parents, Children and Adult Learning: Family Learning Policy in the 2020s, July 2022 Editors Julia Wright and Mark Corney

Campaign for Learning Discussion Papers

No.1 COVID-19 and Post-16 Education: Planning for a Different September, April 2020, Contributors - Susan Pember and Mark Corney

No.2 Growing Level 4 and 5 Technical Education – A Segmented Policy Approach, November 2020, Contributor - Mark Corney

No.3 Bringing it All Back Home: Reviving and Unifying and the Family Learning and Parental Engagement Agendas, September 2020, Author - Sam Freedman

Campaign for Learning Working Papers

No.1 The Lifetime Skills Guarantee – Exploring the Lifelong Loan Entitlement and Incorporating Lifelong Grant Entitlements, April 2021, Mark Corney

Campaign for Learning

The Campaign for Learning works for social and economic inclusion through learning. In 2020, it became an independently managed organisation in the NCFE charity.

www.campaignforlearning.org.uk

Disclaimer

The views expressed by contributors are those of the authors and, where relevant, not necessarily the views of their respective organisations.

www.campaignforlearning.org.uk

The Campaign for Learning works for social and economic inclusion through learning. The Campaign is a specialist in engaging people in learning. We work with partners to research, design and deliver innovative programmes and approaches that support people wherever they are to access life-changing learning opportunities.