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**LIFELONG LEARNING**

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## ABSTRACT

The main proposals in this paper have a highly focussed aim: to prevent the continuation in Britain of an increasingly depressed group of under-skilled workers. The main intention is to ensure that all 16-19 year olds and as many adults as possible achieve at least Level 2 qualifications.

- (i) For 16-19 we should require traineeships for all young people not in full-time education. Trainees would get at least one day a week off-the-job vocational education for a part-time GNVQ. The Further Education Funding Council which already organises and funds most of vocational education (over ten times more than the TECs) should be responsible for the delivery of this. The Careers Service should be strengthened to monitor and help all youngsters, and the TECs should supervise the delivery of traineeships in firms. Firms should receive tax rebates for taking on trainees, even if the trainee wage was controlled by law. This far-reaching change would require half a million extra places in colleges.
- (ii) The vocational education of adults (for (G)NVQ2 and 3 or part-time first degrees) should, like full-time academic education up to first degree level, be free to the student. The state should pay the fees. This would stimulate uptake. But in addition employers should be offered tax rebates for the paid leave of workers studying for (G)NVQ2.
- (iii) These proposals would cost around £2 billion. This could be funded by progressively replacing student maintenance grants by loans (repaid in relation to the student's subsequent income) and by shifting student loan finance outside the PSBR. Alternatively they could be financed by a Training Levy, by general taxation, or by borrowing, where up to £15 billion can be borrowed without increasing the ratio of public debt to GDP. At a later stage one could also consider requiring all students to pay some fraction of the fee.
- (iv) The Learning Bank should provide loans to enable any adult to finance maintenance while studying.
- (v) The University for Industry would develop teaching packages for use by colleges and by its own distance learning systems (mainly for adults). Its packages would help to ensure quality but also to control cost.

In sum our policy proposals would deliver (a) a skill for every youngster and (b) equal opportunities for all adults.

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# LIFELONG LEARNING

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# LIFELONG LEARNING<sup>1</sup>

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## 1. Diagnosis

In a world where capital moves freely between countries, the main factor which determines the prosperity of a people is their skill. Countries which have higher levels of skill grow faster than other countries at the same level of income.<sup>2</sup> So our policy on skills cannot be passive - to wait until manifest shortages appear. It must be active - to improve skill levels and thus produce in advance a more flexible workforce, better-equipped to respond to and initiate change.

However, skill formation, like anything, has to be balanced against other priorities. The lower the existing levels of provision the stronger the case for expansion.

### Britain's failure

Britain today is below the level of provision in other similar countries.<sup>3</sup> Our provision of higher education compares quite well with other countries. But the less academic the person, the worse a deal they receive.

As Figure 1 shows, the fraction of workers who have degrees in Britain is in line with our competitors. But as we move to lower levels the picture becomes steadily worse. At 16-18 we have fewer people studying than other countries (see Figure 2). In consequence many fewer obtain 'Level 3' qualifications, equivalent to 2 or more A Levels or their vocational equivalents (obtained full or part-time). In Northern Europe, the US and Japan 60% or more of the labour force have these qualifications. In Britain the figure is 40%. Indeed to reach the figure of 60% we have to go down to Level 2 which includes GCSE (5 grades A-C) and equivalent part-time qualifications.

Even today 38% of our youngsters fail to reach even Level 2 National Vocational Qualification (NVQ) - in itself a very low standard, which guarantees neither basic numeracy nor literacy. Thus we are starting from a highly distorted and unequal system, where the greatest weakness is at the bottom.

## **Priorities for new initiatives**

In the context of current labour market trends, this is a most damaging situation. For the stark reality is that the demand for low-skilled labour is falling rapidly. Muscle-power has become largely useless and it is brain-power which is needed. This is perhaps the greatest problem facing industrial societies. The future of millions will depend on whether we can reduce the supply of unskilled people faster than the demand collapses. If we fail to do so, we shall face mass unemployment.

Thus the top priority is to ensure that every young person achieves a basic level of general education and skill, equivalent to at least the level of an upgraded NVQ Level 2. This is a necessary platform for any future learning or employment. A person must be able to read, understand and communicate instructions; work out costs, measurements and quantities accurately; and have some specialised professional knowledge. Other countries with which we compete have more people like that available to them, and their economies benefit from this.<sup>4</sup>

There is a parallel need to enable adults to upgrade themselves. This is particularly important for people with no basic skills. At least one European country, Denmark, has a declared policy of widespread training for unskilled adults - this is being achieved by government funding of off-the-job training. It is also important that people who have skills that have become obsolete should have the opportunity to retool. The more rapid economic change, the more important this is.

## **Principles for state involvement**

But how exactly should the state operate in this whole field? Should it pay for the whole cost of skill formation, including maintenance? Should it for example, pay for firm-specific training?

The answer is that the state's role in skill formation is to do those things that the market will not do properly - to remedy market failure. Where an employer provides to his own employees training that raises their productivity in his business (but much less elsewhere), he will be able to reap the return to this 'firm-specific' training. So he will undertake the investment. This is just what British employers have been doing. They have provided ever more training to their workers - since 1984 the proportion of workers who "got some training in the last four weeks" has

risen from 9 to 16%.<sup>5</sup> There is no reason why the state should concern itself at all with this sort of training, which is in fact mainly by short courses.

But most of this job-specific training goes to people who already have a platform for learning. In Spring 1994 the proportion who “got some training in the last four weeks” was 24% for graduates, 15% for people with A or O level, 10% for people with other qualifications and only 4% for people with no qualification. This reinforces the point that the job of the state is to enhance peoples’ general skills - those skills that will enhance their productivity wherever they work. This is a job that the market cannot do properly on its own: left to their own, individuals would invest much too little in their future skills, even if it became easier to borrow to finance educational investment.

The reasons are obvious. First, each individual investment is enormously risky, even though the average return to society is not. Second, individuals often underestimate the benefits; and anyway the tax system takes away a part of them. Third a large pool of educated workers provides major external benefits to firms. And fourth, a pool of uneducated workers imposes on the rest of society the cost of the unemployment benefits or in-work benefits which it generates.

These arguments provide a powerful argument for subsidies to ‘general’ education and to training that is not firm-specific. To generate the right amount of investment, the subsidy should in principle equal the value of the external benefit.<sup>6</sup> Such benefits are especially obvious from skill formation at the lower levels. Clearly it is irrelevant by what method of study a skill is obtained: a qualification obtained part-time should get a similar subsidy to one obtained full-time, and a qualification obtained in adult life should get a similar subsidy to one obtained earlier.

Thus for practical purposes we shall use the following guidelines:

- (i) Government policy should concentrate on general education and off-the-job training for general skills.
- (ii) The main new initiative must be to get every youngster up to at least an upgraded NVQ Level Two. The other main initiative is to promote upgrading of the adult workforce.
- (iii) State subsidies should be provided on exactly the same principle for part-time as for full-time education, and for adults as for youngsters.



We can now summarise our proposals, as a preview to the rest of the report.

- C All employed youngsters under 19 should be employed as trainees, with required off-the-job vocational education (Section 2).
- C Like full-time degree students, all other adults studying for recognised qualifications should have their fees paid from state money. Maintenance grants for full-time degree students should be progressively changed into loans (Section 3).
- C Costs where possible should be met from well defined sources (Section 4).
- C A Learning Bank should be established to provide loans to all students of 18 and above studying for degree and sub-degree qualifications (Section 5).
- C A University for Industry should be established to provide high-quality teaching materials for the new expansion of education, including distance learning (Section 6).
- C The teaching profession should be upgraded as a long-term contribution to skill formation in primary and secondary schools (Section 7).

## **2. Universal Coverage 16-19**

Firms employing people under 19 would be required to employ them as trainees. This would require that they receive at least a day a week (or equivalent) of general vocational education.

This requirement implies a huge educational expansion with roughly half a million extra youngsters attending college part-time. It is an educational revolution not much smaller than the raising of the school leaving age to 16 in the early 1970s. To make it a success, answers are needed on many questions. What would the students study, how would they be motivated, how would the requirement be enforced, who would provide the tuition, and how could firms be induced to provide the traineeships?

### **Courses**

For full-timers, Britain now has a reasonable set of vocational qualifications - the GNVQ (General National Vocational Qualifications),

with separate courses relevant to 15 broad sectors of employment. All the courses include an element of Core Skills ie of Maths and Literacy. A Level 2 course for GNVQ lasts one year, and is equivalent to five GCSEs at Grades A-C. A Level 3 course lasts two years, and is equivalent to two or more A levels.

But, for part-timers, our set of qualifications is still not satisfactory. It is the system of National Vocational Qualifications (NVQ) - which are meant to have the same equivalences as the GNVQ. But unlike the GNVQ, the NVQ are purely competence-based (knowing how to do quite particular tasks); there is very little cognitive element (knowing why).

So the basic part-time qualification should be a part-time GNVQ. The part-time GNVQ would contain (like the full-time version) required and optional components, but in this case candidates could if they wished satisfy the optional requirement by taking a relevant NVQ. Even so the number of NVQs should be drastically reduced. At present there are separate NVQs in Fish (Salmon) and Fish (White), and there are altogether 160 'industry lead bodies' - these need cutting to 20.

On this basis we should set a prime objective of policy as being to get everyone to a Level 2 qualification.

## **Incentives**

We want all youngsters to feel that they have to reach this basic level of attainment. This would also motivate children while they are still in school, which is very important. To provide this motivation, we could exempt from the traineeship requirement up to 19 any employee who already had a GNVQ qualification. (But they should still have the right to traineeship if they want to exercise it.)

The part-time education requirement should be an obligation on employers rather than youngsters. This will make youngsters feel that the education is more relevant to their work, and hopefully make it in fact more relevant.

## **Guidance and enforcement**

But someone will have to police the requirement. The natural agent is the Careers Service (or possibly the Training and Enterprise Councils). In addition we still have some 10% of 16-19 year olds doing nothing

(neither studying, working, nor on Youth Training). These people include some of those at greatest risk of lifelong deprivation. There has to be an advisory service to help them equip themselves. This too must be the Careers Service. Until recently only one third of youngsters ever saw the Careers Service. The new contracts with providers of the Careers Service now require that they see every youngster at 15, but to this should be added that they see them at 16 also and, if there is no job for them, encourage them to continue with full-time education.

### **Who would provide the extra tuition?**

Most of the extra off-the-job tuition would be provided in public colleges of further education, but some could be in private colleges and some in firms' training centres. All of these should be eligible for reimbursement from the Further Education Funding Council (FEFC), which would cover the standard cost.

But in addition there has to be the element of on-the-job training. This requires the concept of a traineeship.

### **Traineeships**

Every youngster employed under 19 should be employed as a trainee<sup>7</sup>. The employer would have to release the youngster for the equivalent of eight hours a week off-the-job vocational education. In addition the youngster would have a trainer at the workplace, who was responsible for practical skill development. Though the off-the-job education should be reimbursed directly by the FEFC, firms will need to be paid for providing the on-the-job traineeship element (say £1,000 a year for two years).

Employers are not going to take on trainees if they cost too much. The traineeship wage could be laid down in a new Traineeship Act at say a half the Minimum Wage for a 32 hour week. This should ensure that employers who, currently employ youngsters at higher rates of pay but with no training requirement, would continue to employ them when there is a training requirement (plus a training subsidy).

The new traineeships would supersede Youth Training, which does not have a good name. The Training and Enterprise Councils (TECs) should be responsible for administering the new Traineeship scheme and

the on-the-job training subsidy, but should be broadened by fusing them with Chambers of Commerce to which all local firms should belong. The finance of colleges should be concentrated in the Further Education Funding Council (FEFC), which currently provides the bulk of finance for vocational education and training. (TEC expenditure on tuition is under one tenth of FEFC expenditure.)

Our proposals are the opposite of “letting bad employers off the hook”. All employers will have to participate. But we recognise that the cost of off-the-job training in general skills should be met by society as a whole.

### **Credit entitlements versus the “Robbins principle”**

A completely different approach to the finance of further education would be to expand training credits. At present these are confined to trainees on Youth Training. One could instead give them to every youngster aged 16-19.

There are enormous difficulties with this. First, there is the problem of the units in which to define the entitlement. If they are in years of study, that is fine, but this can be achieved more easily by letting people choose the course, without paying for it. If they are in units of money, there is enormous difficulty because different subjects have different costs. If every training credit had the same monetary value, we should need very complicated systems for the more expensive courses - involving topping them up from other sources. This whole arrangement would not be likely to increase demand, but rather to discourage people through the unnecessary hassle and transactions costs.

The Further Education Funding Council only began work in 1993 and has done well to establish an effective system for funding further education. It would be wrong to subject the financing system to yet another major re-organisation unless there was an overwhelming case for doing so.

Instead we should have the simplest and most transparent system, based on the Robbins principle - that courses should be available free to all who are qualified and able to benefit. This principle should apply equally to adults as to those under 19, since the external benefits from their education are likely to be just as large.

### **3. Free Education for Adults**

For adults over 19, our present system is totally biased towards full-time degrees. People who take full-time degrees have their fees paid by the state, while those who study in further education or for part-time degrees have to pay the fees. Fees in further education amount to some £300 million.<sup>8</sup> Some £100 million is also paid in fees for part-time degree courses, including those at the Open University. By contrast, students on full-time degree courses not only have their fees paid but receive some £1,300 million in maintenance grants and another £700 million net in student loans. With so distorted a system, it is not surprising that we are producing so few people with NVQ3-level qualifications.

The outrageous discrimination against sub-degree vocational education and part-time degrees reflects pure class interests. However a sense of respectability is given by the idea that for anything useful employers should pay “since they benefit”. As we know, this is simply untrue for general skills - the individual employer has no way to trap the returns. Yet this wretched rhetoric has prevented the obvious efficiency and justice of an equal treatment of academic and vocational education. The anomaly must be rectified.

#### **Tuition**

The first need is for the state to pay all fees for G(NVQ)2 or 3 and for part-time degrees.<sup>9</sup> This would have the effect that all students taking major national vocational courses would at last be on the same footing as undergraduates in universities - which is the standard practice in France, Germany and Italy.

By this method we should have established an entitlement for everybody to free education up to the level of a first degree. We should not abolish fees for either (i) recreational ‘adult education’, or (ii) postgraduate courses, or (iii) tailor-made courses put on at the request of firms. Nor could people repeat years for a given level of education free (any more than they can now take another first degree for free).

Clearly we want people to be able to get new skills throughout their life. When their new knowledge is firm-specific, the employer should pay. But, when it is not, the state must help. If peoples’ skills have been eroded by economic change, they need to be able to take a second course at a

‘level’ at which they have already studied. This should probably be allowed after an interval of say 5 years between the two courses. But the exact process of rationing here may have to be developed through a process of trial and error. Equally, it is difficult to forecast accurately the general increase in take-up of education by adults. It may be wise to phase things in, starting with the younger adults.

Another possibility is to insist that students pay a (smallish) proportion of the fee. This would cause considerable uproar in universities where the replacement of maintenance grants will be a major political problem. Since it would be unjust to charge students elsewhere but not in universities, the issue of a student contribution to fees should probably be left as an option for the longer term only.

The aim of the new policy is the extension of opportunity. The method is to raise demand, with an obligation on the Further Education Funding Council to deliver the supply (subject to cost limits discussed in Section 5). The FEFC should actively promote the supply of extra places - both in public colleges and through private suppliers, who are by law now treated on an equal footing. Colleges should be encouraged to enrol adults in all courses leading to recognised qualifications. Where necessary, they should put on separate courses for adults, provided student numbers warrant it.

## **Maintenance**

One deterrent to adult enrolment has been fees. We have dealt with that. The other is living costs, when an adult stops work or goes part-time. This is a critical issue. But we should always keep separate the issue of tuition cost and the cost of maintenance. On maintenance we should increasingly expect all students to be self-sufficient, while at the same time making sure that the capital market works. All adult students should therefore have access to loans through the Learning Bank, even if they are studying below degree level or part-time. Access to loans should exist for people of all ages.

Meantime the existing student grants for full-time degrees should be progressively phased out. This would not be a tax on anybody - certainly not parents (whose position would be unaffected), nor on students. The students would choose the size of their loan (up to a maximum) and would

repay later in relation to their subsequent income until the loan was paid off.

The student maintenance grants currently cost around £1.3 billion a year and the existing loans (net) around £0.7 - adding £2 billion to the PSBR. Since the new loans would be privately financed, this would save the PSBR £2 billion - which should be redistributed to the education of those less privileged.

#### **4. Costs and Finance**

The programme described above would be a revolutionary improvement in our system and would put it on a proper basis to compete with our European rivals. The gross costs are shown in Table 1, which follows the order of presentation in the paper. The first is the cost of achieving universal coverage of all 16-19s. This involves, first, tuition on day release, which the FEFC believe can be provided at a marginal cost of £500 a year per person. Then there is the Training Rebate to employers of trainees. The employer would pay the wage, but receive £1,000 a year to induce him to offer and administer the traineeship.<sup>10</sup> This is somewhat less than firms get on Youth Training but, even if we only allow a lowish traineeship wage, we should need to pay a reasonable amount to firms to compensate for other costs. In addition the Careers Service, which now costs around £180m, would need at least one third more funds, and the TECs would need funding to cover extra administration.

Turning to adults, existing fees paid to further education colleges and providers of part-time degree courses amount to some £480 million. These would become a public responsibility. In addition our drive to attract more adults would lead to a big increase in student numbers. We assume that 500,000 more adults would enrol in further education than would otherwise. This is an increase of 50% on present numbers. The actual increase that occurs over the five year period would of course be more than this, because even on present policies the numbers will grow substantially (though there are no government projections beyond 96/7).

Such an increase in student numbers is inevitably expensive. Since fees only cover one third of the cost, it would be expensive even if it could be achieved without abolishing fees (which it could not). In order to limit the extent of our financial commitment to adults, the correct strategy

would be first to abolish fees for under 25s, then under 30s and so on, testing demand step by step.

We also have to assist the least well-educated to meet some of their maintenance cost. The proposal is that if any employee has less than GNVQ2 his employer can send him to get that qualification on day release while paying no employer's National Insurance contribution for the period of the absence. If this arrangement attracted 500,000 students a year, the cost in lost NI would be £100m.

Finally there is the University for Industry (discussed below). The Open University costs the government around £100m, and we have pencilled in a similar figure for the University for Industry.

On this basis the total cost would be nearly £2 billion a year by the end of the next Parliament. How would this be paid for?

- (i) The most natural method would be though a reallocation of the £2 billion which could be saved on student maintenance (if this could all be done within a Parliament). Certainly there are other important educational outlays, which have a claim on extra resources (nursery education and primary and secondary schools). Altogether new developments in education need more than £2 billion and therefore the issue arises of whether extra financing devices are needed for post-16 education.
- (ii) One possibility is a Training Levy on firms. This would be a clear tax increase and would add to labour costs. Though employers would share in the benefits,<sup>11</sup> so would others and there is no clear reason why employers alone should pay.
- (iii) Another possibility is to make individuals contribute some proportion of the fee. But, as we have suggested, this is only a longer term possibility if our initial aim is a major increase in participation by adults.
- (iv) The other possibilities are general tax revenue, which will rise in real terms as the economy grows, and borrowing. It is important to stress that what we are proposing is an investment and could therefore justify some element of borrowing. There is surely some room for this, since the government can borrow at least £15 billion a year without increasing the ratio of debt to GDP.



**TABLE 1****Additional Public Expenditure in 5th Year (Britain, 1994 prices)**

		£m
1. Universal coverage 16-19		
Tuition	230	
Training rebate to firms	460	
Careers Service	70	
TEC administration	<u>40</u>	
		800
2. Opportunities for adults		
Cost of abolishing fees		
Existing places	480	
New places	160	
Other cost of new places	320	
NI rebates for employers	<u>100</u>	
3. University for Industry		1,060
		<u>100</u>
		1,960

**Notes to Table 1****1. Universal coverage 16-19**

On the basis of the figures in the Annex, we assume that we have to provide extra part-time places as follows

<u>16 year olds</u>	<u>17 year olds</u>	<u>18 year olds</u>
10%	20%	30%

This means 460,000 places at £500 marginal cost for tuition and £1,000 for Training Rebate to employers. In this calculation we have left intact all expenditure on existing programmes of youth training.

**2. Free tuition for adults**

We assume the same mix of full-time and part-time day students as now, and a marginal cost per f.t.e. student of £1,500. We treat 3 part-timers as equal to 1 full-time, making 320,000 additional f.t.e.s.

**3. Maintenance support**

We assume that, of the 824,000+ part-time day students, 500,000 study for GNVQ2. At a wage of £10,000 the employers NI contribution on 1/5 of the wage bill would be £105 million.

## **5. The Learning Bank**

Turning to more detailed institutional issues, the Learning Bank should be the key instrument for dealing with the problem of maintenance. People should be able to borrow from it at reasonably low interest, and repay an appropriate fraction of their income until the loan was repaid (which in a few cases it would be never). Repayment should be by automatic surcharge on a person's National Insurance contribution.<sup>12</sup>

For some workers, especially those we are keenest to attract, the notion of losing earnings to acquire skill will not look great - even if loan finance is available. For people studying to get (G)NVQ2 we need a national campaign to persuade employers to release workers for day release on full pay. As we have suggested, such employers should be entitled to NI rebates for the period of study absence.

The second function of the Learning Bank should be to act as the channel whereby the state pays individual fees (the LEA offices will have lost their role once maintenance grants are abolished). Thus students could have Individual Learning Accounts (ILAs) through which their fees were paid from state funds and through which they borrowed to finance their maintenance.

### **Contribution-based Individual Learning Accounts**

We are not recommending the introduction of contribution-based individual learning accounts. These have been widely discussed.<sup>13</sup> The general idea is that individuals would accumulate educational entitlements over time, which they could then exercise when they wanted. The entitlements would derive from contributions by the employer, the individual and the state. These would then be used to pay for fees and, as desired, maintenance.

In the pure version of the proposal the Funding Councils would disappear and the whole state contribution would be funnelled through individuals. Sometimes the proposal is for ILAs from 16+ which raises enormous problems. Let us focus simply on the version which starts at 18+. There are four obvious problems with the proposal.

First, the money in the ILA accumulates gradually, while the greatest need is at the beginning between 18 and say 24. So individuals will have to borrow heavily at the beginning - not a great way to promote take-up. Even beyond 25 the money may not be there at the right time.

Second, there will be over 25 million accounts. As there are some 8 million job changes a year, it will be a major accounting exercise to record contributions and to supervise outlays.

Third, there would be serious difficulties for some colleges, if the Funding Council contribution was reduced and replaced by less certain fee income. Problems on the scale of the problems of the NHS could not be ruled out.

Fourth, many individuals and firms would resent contributing to the accounts, though of course they would be forced to do so. Remember that not all individuals would draw on them.

We should not therefore introduce contribution-based ILAs unless there are major gains to be had which cannot be secured in any other way. We think that all the gains can be got elsewhere. The basic idea of entitlement can be secured by providing education free - in which case no further mechanism of entitlement to tuition is needed. It is much better for the state to provide support when it is needed than for it to pay into a fund.

By our system the state will of course end up providing more support to more able youngsters than to less able, because they will choose more education. Is this wrong? If we revert to the rationale for state finance, we see that it need not be wrong at all. For those who are more able to benefit from education are also more able to confer benefits on others when they study. However the existing student maintenance grant cannot be justified by this argument and should be abolished.

At the same time the biggest push should be on behalf of the least able. To really help them a major institutional effort is needed. Education is already free for 16-19s but they do not all take it up. Introducing fees and giving people an entitlement from which to pay them will change nothing. We need a new institution of universal traineeship. And, second, we need a new deal for sub-degree education beyond the basic level, and for part-time degrees. Our proposals will shift the balance of support away from the most able, without aiming at complete equality of treatment, for

which there is no real argument. We believe that our proposals can achieve all the valid objectives of those who prefer contribution-based individual learning accounts, while avoiding the difficulties of that particular scheme.

## **6. The University for Industry**

The University for Industry should draw on two basic ideas.

(i) There are vast economies of scale to be reached from producing and disseminating good packages of teaching materials (books, videos, self-assessment programmes, computer-assisted instruction). The economies are greater the larger the market. If we want an educational revolution at a manageable cost we have to exploit these economies of scale. Clearly the savings will be greater the larger the scale, so that the initial focus will have to be on GNVQ2 and later GNVQ3.

(ii) There are many adults who cannot or do not want to study by college-based methods. For them the answer is to study at the workplace or at home. Again if we want to raise basic competence, we want to encourage people to take basic courses leading to recognised qualifications, and some organisation is needed to enrol the students and to assess them. This is a second function for the University for Industry.

The courses should not be yet another lot - they should be the GNVQs but superbly taught. The delivery method should be worked out with the technical experts. Probably the best approach would be to ask the Open University to propose a design concept.

## **7. Other Reforms**

We have focused on education and training after 16. Education before 16 is the essential foundation for this. But, once people are faced with the prospect of work, there is one more chance to motivate them to acquire the necessary basic foundation. We have focused on this stage because it comes closest to the world of work.

Even after 16 there is a vast range of other issues we have not covered. Clearly we need more basic business degrees at first degree level. We also need more management education at post-graduate level. At A level we need a broader curriculum, as recommended by the Higginson Committee, but there is no special gain in forcing A level and GNVQ into a single framework.

Throughout education we must encourage better professional standards among teachers in primary and secondary school: and a General Teaching Council is a good proposal. We should also make nursery education more generally available.

But we believe that our own proposals are at least as important as all of these. Further education is a neglected sector, lying in between the old Departments of Education and Employment. It is time we took really seriously the objective of skills for all.

## **8. Conclusions**

The main proposals in this paper have a highly focussed aim: to prevent the continuation in Britain of an increasingly depressed group of under-skilled workers. The main intention is to ensure that all 16-19 year olds and as many adults as possible achieve at least Level 2 qualifications.

- (i) For 16-19 we should require traineeships for all young people not in full-time education. Trainees would get at least one day a week off-the-job vocational education for a part-time GNVQ. The Further Education Funding Council which already organises and funds most of vocational education (over ten times more than the TECs) should be responsible for the delivery of this. The Careers Service should be strengthened to monitor and help all youngsters, and the TECs should supervise the delivery of traineeships in firms. Firms should receive tax rebates for taking on trainees, even if the trainee wage was controlled by law. This far-reaching change would require half a million extra places in colleges.
- (ii) The vocational education of adults (for (G)NVQ2 and 3 or part-time first degrees) should, like full-time academic education up to first degree level, be free to the student. The state should pay the fees. This would stimulate uptake. But in addition employers should be offered tax rebates for the paid leave of workers studying for (G)NVQ2.
- (iii) These proposals would cost around £2 billion. This could be funded by progressively replacing student maintenance grants by loans (repaid in relation to the student's subsequent income) and by shifting student loan finance outside the PSBR. Alternatively they could be financed by a Training Levy, by general taxation, or by

borrowing, where up to £15 billion can be borrowed without increasing the ratio of public debt to GDP. At a later stage one could also consider requiring all students to pay some fraction of the fee.

- (iv) The Learning Bank should provide loans to enable any adult to finance maintenance while studying.
- (v) The University for Industry would develop teaching packages for use by colleges and by its own distance learning systems (mainly for adults). Its packages would help to ensure quality but also to control cost.

In sum our policy proposals would deliver (a) a skill for every youngster and (b) equal opportunities for all adults.

## ANNEX

### The Current Situation in Post-16 Education

#### Attainment

At 16+, 43% get 5 GCSE Grades A-C (considered equivalent to NVQ 2).<sup>14</sup> By the age of 19-21, 63% have the equivalent of NVQ2 - the increase since 16+ coming mainly from vocational qualifications at level 2 got either full-time or part-time.<sup>15</sup> By the age of 21-23, 42% have NVQ3 or equivalent, including 23% who got 2 or more A levels. Enrolments are shown below in Table 2.

**TABLE 2**

**Activity of 16-19 Year Olds, England, January 1994 (%)**

	16-17	17-18	18-19
Full-time			
Higher Education	0	0	18
A level	37	34	7
Vocational			
Level 3	8	12	7
Level 2	14	5	2
Level 1	6	4	3
GCSE	7	2	-
Total	72	57	37
Part-time further education	8	10	10
No education	20	33	53
	100	100	100
Full-Time Education	72	57	37
YT	13	16	47
Employed	7	17	
Unemployed	7	10	16
	100	100	100

Source: DfE Statistical Bulletin 7/94 July 1994 and other sources (on request).

The targets of the National Advisory Council on Education and Training Targets for the year 2000 are

Level 2	85% (actually 63% in 1994)
Level 3	60% (actually 42% in 1994).

The main conclusion is that the bottom 15% have no target, and at present there is another 22% who reach less than the minimum acceptable. In the labour force as a whole, there are some 40% without this minimum.

### **Enrolments, expenditure and cost**

Table 3 shows the pattern of enrolments by age and educational sector. Table 4 shows expenditure by educational sector, and Table 5 shows unit costs.

**TABLE 3**

#### **Home Students 92/3, UK (000s)**

	16-19	19-21	21-25	25+	All 16+
Schools	558	5	-	-	563
Further education*					
FT	414	49	36	78	577
PT day	176	67	71	411	730
(P.T evening only)	(49)	(45)	(97)	(540)	(733)
Degree-level					
FT	137	327	241	156	862
PT	8	30	71	350	459

Source: DfE Education UK 1994. Check notes.

\* Sub-degree level. Excluding adult education centres, which are mainly non-vocational and not financed by FEFC.



**TABLE 4**

**Public Expenditure on Education**  
Main items, England 1995-6 (£m)

Schools		16,109
Further education	FEFC	3,022
	Payments by TECs	230
Higher education	HEFC	3,782
	Fees paid	993
	Maintenance grants	1,102
	Student loans (net)	644

Source: DfE Departmental Report, March 1995 and (for TECs) FEFC. Data on schools and TECs are for 1993-4.

**TABLE 5**

**Unit Costs and Home Student Nos, England**

	<u>Unit costs per FTE</u> <u>1992/3 £p.a.</u>	<u>FTE students (000s)</u> <u>1993/4</u>
Primary/nursery	1,580	4,125
Secondary	2,260	2,935
Further education	2,970	993
Higher education tuition	4,820*	921
grant	1,610**	

Source: DfE Departmental Report, March 1995.

\* 1993/4

\*\* Average per award-holder, 1992/3

## FIGURE 1

**FIGURE 1 continued**

## FIGURE 2

## ENDNOTES

1. The paper has been submitted in evidence to the IPPR Committee on Public Policy and British Business. The authors are extremely grateful to Gerald Holtham, Simon Milner and Joshua Hillman for helpful discussions.
2. The evidence is explored fully in Barro and Sala-I-Martin (1995). Other factors conducive to growth include the freedom given to market forces.
3. A detailed analysis of our system is in the Annex.
4. For general evidence see Barro and Sala-I-Martin (1995). For specific comparisons of Britain with continental Europe see Prais ed. (1989) and elsewhere.
5. Employment Department, Training Statistics, 1994 p.51.
6. For a discussion of all this see Layard (1994).
7. The traineeships would differ from the new Modern Apprenticeship scheme in requiring off-the-job training and more supervision by employers. (Modern Apprenticeships are aimed at NVQ3). Youngsters doing part-time jobs while studying full-time would of course be exempt.
8. Figures from FEFC Aug '94-July '95. They exclude fees paid by TECs. Of the fees paid £130m were for part-time courses (mainly paid by employers), £85m for full-time and sandwich courses (usually paid by individuals) and £60 million were for HE (mostly individuals).
9. Overseas students would of course continue to pay.
10. We have applied the cost of £1,500 to the extra number of trainees, assuming that the costs of "Youth Training" are carried forward.
11. The advantages to firms include rebates: (i) for providing 16-19

traineeships (£0.5 billion); (ii) for financing study absence for adults (£0.1 billion). Firms would also receive the following other benefits: (iii) fees which they now pay for adults would be provided free (up to £0.2 billion); (iv) 1,000,000 extra employees would be receiving tuition (free), and (v) the University for Industry would be providing free tuition in basic skills at the workplace.

12. Barr and Glennerster (1993).
13. See Commission on Social Justice (1994), National Commission on Education (1993), Commission on Wealth Creation and Social Cohesion (1995).
14. 1994 data. 1993 was 41% and 1989 was 33%. (DFE Statistical Bulletin 7/94 July 1994.) An extra 3% reach this level through resits ie, when older than 16+ (NACETT Report on Progress July 1995).
15. 1994 figures. NACETT Report. In 1993 only about 23% of YT exiters achieved NVQ2, or above.

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