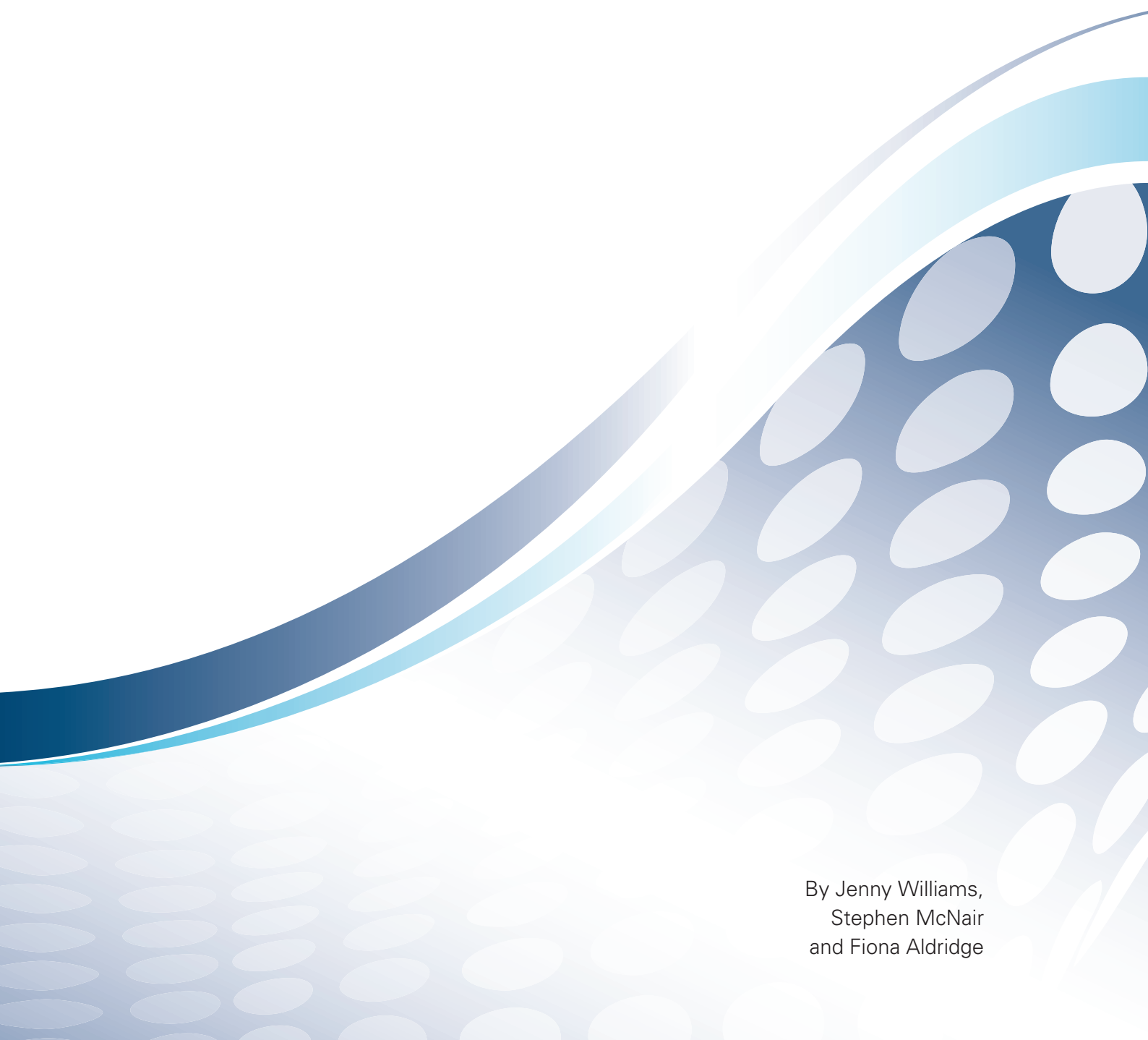


Expenditure and funding models in lifelong learning

A Context Paper



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NIACE has a broad remit to promote lifelong learning opportunities for adults. NIACE works to develop increased participation in education and training, particularly for those who do not have easy access because of class, gender, age, race, language and culture, learning difficulties or disabilities, or insufficient financial resources.

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Foreword

Any strategy for lifelong learning requires a strong knowledge base. This paper represents a major original contribution to building that knowledge base. It covers expenditure on lifelong learning, as well as models for funding.

A fundamental part of the knowledge base should be an understanding of how much is actually spent on lifelong learning. This essential data has patently been lacking in the UK (and indeed in most countries – international expenditure figures cover tertiary education, and sometimes training, but not in any comprehensive format). The first paper in this volume, by Jenny Williams, presents for the first time comprehensive information on expenditure on lifelong learning of different kinds. It pulls together expenditure by: a) public authorities at different levels – not only education ministries but other departments such as health and defence which are major spenders on adult learning – and local authorities; b) private employers; c) third sector organisations; and finally d) private individuals and households. Much of this information has been gathered from the bottom up, pulling together data from different departments and attempting to bring them into a common format, so that for the first time we get an overall picture.

Williams' paper draws on original work done by consultants, notably Nigel Brown and his associates. The expenditure mapping was one of the toughest tasks of the entire Inquiry, and I am grateful to all these for the efforts they put in.

As an annexe to this paper we also include an overview of participation trends by Fiona Aldridge. This draws on invaluable annual surveys carried out by NIACE to give us a sense of the trends involved, broken down by key variables. This analysis is crucial for an understanding of the distribution of learning opportunities, and to see how these patterns change over time. More particularly, the data has been reanalysed to fit the four-stage model of the life course, which is one of the main outcomes of the main report of the Inquiry, *Learning Through Life*.¹

With these two sets of data, combined with original analysis commissioned from Muriel Egerton on time use, we were able to build the picture of the distribution of resources across the life course, which is another central feature of *Learning Through Life*.

The second main component of this paper is not empirical, but a more conceptual exercise by Stephen McNair on how to approach the funding of lifelong learning. This exercise is a significant contribution to a debate which often lacks coherence. Drawing

¹ Schuller, T., and Watson, D. (2009) *Learning Through Life: Inquiry into the Future for Lifelong Learning*. Leicester: NIACE.

on long experience, and with the benefit of an Inquiry consultation seminar, McNair provides the tools with which the debate can and should be advanced in the coming years.

The volume is not the lightest of reads, but it takes big steps in improving the knowledge base. I am grateful to my colleagues for all the work they have put into it.



Tom Schuller
Director, IFLL

Part 1:

Expenditure



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Acknowledgements

The paper summarises research commissioned for the Inquiry on expenditure on adult learning. Analyses of public, private and individual expenditure were undertaken by Nigel Brown Associates: Nigel Brown, Mick Fletcher and Mark Corney. Analysis of third sector expenditure was undertaken by Solihin Garrard from MakesFive. We are grateful to them for their comprehensive and painstaking work. Responsibility for the use made of it here is ours.

We are grateful too to Fiona Aldridge for her analysis of participation data, and to Muriel Egerton for her analysis of available data on how much time people spend on learning.

Introduction

The overall goal of the Inquiry's research on lifelong learning expenditure was to arrive at a figure for total expenditure on adult learning from public and private sources. The starting point was the creation of a conceptual framework to enable us to treat government, employer and individual expenditure consistently: we based this on the approach of the National Employer Skills Survey. Data from a range of sources was then analysed against this framework: in some cases leading to changes in the framework as we went along.

This paper describes the framework and the main calculations and figures that have enabled us, for the first time, to arrive at a figure for total expenditure on adult learning. As such, it provides the technical underpinning to the main findings reported in *Learning Through Life*. But the figures set out in this paper are key to understanding substantive issues of policy, the main points of which are drawn out in this paper and its conclusions.

The Inquiry's research on expenditure on lifelong learning provides an overall picture of how much is spent on different forms of post-compulsory education and training by the public, private and third sectors and individuals in the UK. The key result is that total expenditure on the costs of provision of adult learning totals approximately £55 billion, or 3.9 per cent of GDP. When the opportunity cost of time spent on learning is added, the total rises to £93 billion. Both figures are likely to be underestimates.

This paper provides details of the results: for government expenditure, private employer expenditure, voluntary and community sector expenditure, and individuals' contributions to learning. It shows how the balance differs between the costs of provision and the opportunity cost of time spent on learning. It also shows how the results were used to inform the Inquiry's main proposal to re-balance resources for lifelong learning across the four stages of the life course. Finally, it draws some overall conclusions and makes four recommendations for further work:

- a joint initiative between government and employers to improve the way expenditure on adult learning is recorded as a basis for encouraging a more strategic approach to future investment decisions;
- investment by government in a survey of individual investment in learning that is at least as comprehensive and detailed as the National Employer Skills Survey (NESS) survey of employer expenditure;
- the development of an agreed approach to valuing the time individuals invest in learning; and
- local studies of expenditure on adult learning, its distribution and potential social productivity, as part of local government's total place agenda.

Summary

We have brought together a very wide range of figures in order to get an overview of what is spent on all the different forms of post-compulsory education and training. This has a number of different components:

- a) Expenditure by *public authorities* of all kinds. As well as programmes for the public, a major component is spending by public authorities on their own employees' training.
- b) Expenditure by private *employers*. This means primarily vocational training for their employees.
- c) Expenditure by the *voluntary and community sector*. As with public authorities, this covers both programmes for the public or particular groups of the public, and training for voluntary and community sector employees and volunteers.
- d) Expenditure by *individuals and households*, including *self-employed people*.

Bringing together all these forms of spending is not something that has been done before, to the best of our knowledge. The overview is far from perfect, but it does provide a basis on which to build a better knowledge base for future decisions on lifelong learning. We have covered all forms of lifelong learning, and have aggregated up all different forms of expenditure: direct expenditure on teaching and course provision; student support costs; and the costs of organising and managing the education and training.

Key results

- Total expenditure on adult learning provision amounts to approximately **£55 billion** or 3.9 per cent of Gross Domestic Product (GDP).
- When the opportunity cost of learning is added to this, the total rises to **£93 billion**.
- Roughly **£26 billion** is spent on provision from the **public purse**; **£20 billion** on training by **private and non-profit organisations**; **£9 billion** by **individuals**, including the **self-employed**
- We calculate that **public employers** spend **£7.7 billion** on training. That is almost double the NESS 2007 estimate of £4 billion.
- The scale of public subsidy on vocational training is large; our estimate is that the various forms of **tax relief** amount to **£3.7 billion**; and
- Of the total spent on **teaching provision** for **further education and higher education**, the split is roughly **one-third: two-thirds**; for **student support** the split is **10:90**. The weighting is heavily in favour of young, full-time students.

- There is scope for more co-financing of learning. Further research should be undertaken on which forms of public investment lever in the most co-contributions from individuals and employers.

Table 1 shows how the near £55 billion total expenditure on adult learning provision is broken down and Figure 1 shows the distribution of expenditure on the costs of learning provision.

Table 1: UK expenditure on adult learning provision by investor and learning purpose, 2007–08

	National performance	Public programmes	Employee development
Public sector	£12.9 billion	£1.2 billion	£7.7 billion £3.7 billion tax relief ^a
Private sector ^b			£16.2 billion ^c
Voluntary and community sector	£0.13 billion	£0.5 billion	£3.15 billion ^d
Individuals	£4.68 billion	£0.82 billion	£3.9 billion ^e
Total	£17.71 billion	£2.52 billion	£34.65 billion
Grand total: £54.88 billion			

^aIncludes Corporation Tax Relief and PAYE Tax Relief (for self-employed businesses).

^bThe private sector supports some adult learning for the general public, through union learning centres opened to families and local communities, and Corporate Social Responsibility initiatives to name but two.

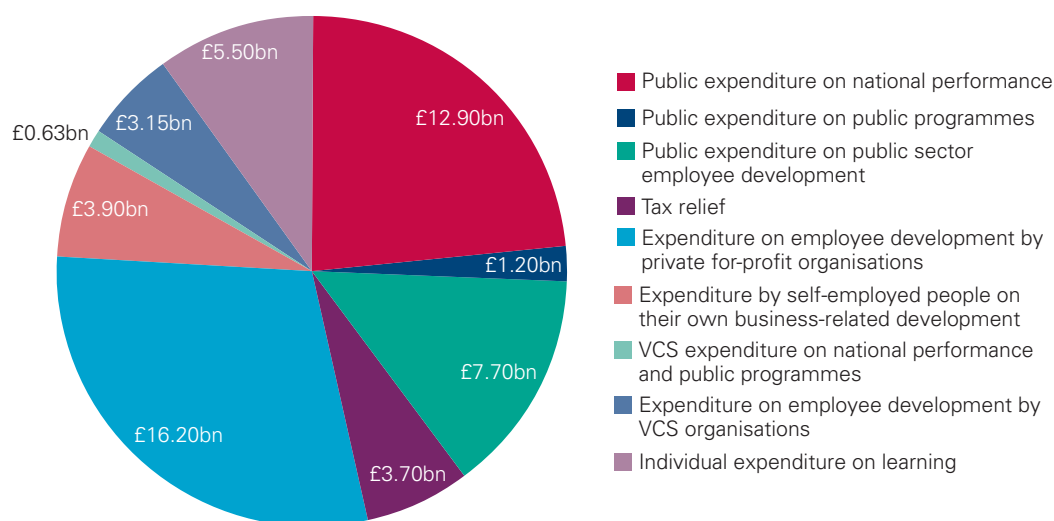
^cIncludes expenditure on employee development for businesses operated by self-employed people.

^dThis includes a calculation of the cost of volunteer training.

^eExpenditure by self-employed people on their own business-related training.

Source: IFLL

Figure 1: Distribution of expenditure on the costs of learning provision (£ billion) by category of investor, 2007–08



Note: VCS = voluntary and community sector

Source: IFLL

Methodology

Attempting such an overview of lifelong learning expenditure for the first time presented a set of conceptual and methodological questions. We adopted a combination of principled and pragmatic approaches.

Overall approach

The overall goal of the Inquiry's expenditure research was to arrive at a figure for total expenditure on adult learning from public and private sources. Because of the range of data sources, the first task was to develop a conceptual framework for the research that could be applied to government expenditure, and employer and individual expenditure. Initially, we drew on the framework already established for analysing employer expenditure through the National Employer Skills Survey (NESS) which, in particular, distinguishes between the costs of provision, the management costs of training, and the costs of time spent in training by employees. We added a further distinction between expenditure on learning open to the general public; and expenditure on learning for employees only. The chronology of the research was then:

- a review of expenditure by the public sector, including public sector employee training;
- an analysis of the NESS data, extended to Wales, Scotland and Northern Ireland; and including a calculation of corporation tax relief as an additional public sector contribution to lifelong learning expenditure;
- an extension of the NESS to include estimates of expenditure by self-employed individuals, including an estimate of PAYE tax relief;
- an analysis of individual expenditure on learning;
- a further iteration of the public sector expenditure review to account for individuals' contributions to student fee and maintenance loans; and
- a review of voluntary and community sector expenditure, based on the framework adopted for the reviews of public and private expenditure.

Who is the spending for?

By 'lifelong' the Inquiry means from cradle to grave. However, the primary focus for the expenditure study was on adult learning and adults returning to learning. The definition of adult is not, however, as straightforward as might first appear. The

expenditure review focused on funding for post-compulsory education.¹ For the principal sources of funding, all higher education students are assumed to be adult, as are those receiving training through their employer. All those at school are assumed to be 18 or under and the totals exclude expenditure for college students aged 19 and under. For smaller sources of public sector funding, libraries for example, there is no easy way to split expenditure precisely between age categories, and in these cases there has been a set of informed calculations. In practice, these make little difference to the overall figures.

What is the spending for?

Everyone has their own view on what learning is or should be for. Even very instrumental learning can count as a contribution to cultural development. Almost any subject can be learnt for personal gain as well as occupational relevance, and vice versa.

The 1997 Dearing Report² defined the aim of higher education as being to sustain a learning society, and its four main purposes as follows:

- 'to inspire and enable individuals to develop their capabilities to the highest potential levels throughout life, so that they grow intellectually, are well equipped for work, can contribute effectively to society and achieve personal fulfilment;
- to increase knowledge and understanding for their own sake and to foster their application to the benefit of the economy and society;
- to serve the needs of an adaptable, sustainable, knowledge-based economy at local, regional and national levels; and
- to play a major role in shaping a democratic, civilised, inclusive society.'

These were for higher education, but almost all forms of learning could be fitted somewhere under these labels, suitably adapted. However, they did not help us to classify expenditure, since data is not collected or analysed in this way. We selected instead three general headings: 'national performance', 'public programmes' and 'employee development'. These are very broad labels, but they give us a reasonable way of clustering different types of learning.

- '*National performance*' covers all the most obvious forms of post-compulsory education which takes place mainly in colleges and universities. It deals with the costs of teaching and student support, including what is needed to build and run the institutions within which learning takes place. We label this 'national performance' to indicate that our position as a nation depends on it, but as the Dearing goals indicate, performance is not solely related to economic goals. A-levels, diplomas,

¹ We deliberately exclude all funding on school age and early years education from our calculations, though the role of learning in early years and at school in an overall system of lifelong learning is considered through the Inquiry's Sector Papers series (see www.niace.org.uk/lifelonglearninginquiry/papers.htm for more information).

² NCIE (1997).

vocational programmes, undergraduate and graduate degrees all fall within this category, whatever the subject.

- *'Public programmes'* refers to provision which supports other public goods. They have no close link to employability, but cover broader citizenship and other public value programmes, e.g. libraries and museums. They may be part of the formal education system, but figure strongly in the voluntary and informal sector.
- *'Employee development'* refers to the training of staff for organisational ends. This covers the public, private, and voluntary and community sectors; that is, not-for-profit as well as profit-making organisations. There are particular difficulties of classification here. Many forms of training are relatively informal: they are intentional – i.e. they do not happen by accident, but occur as part of everyday life in the organisation. For example, mentoring is a form of employee development which is growing in scale and which many consider to be particularly effective, but it is usually not so structured that it can be recorded and costed.

What is the spending on?

We distinguish between the costs of provision and the cost of time (or opportunity cost) of learning. We deal with them separately because they raise different issues. The baseline figures used in *Learning Through Life* relate to the costs of provision (£55 billion in total). Here, we discuss the implications of both provision costs and opportunity costs. Our original work on calculating the opportunity cost of the time individuals commit to learning enables us to compare the NESS data on employers' contributions to wage costs with the time invested by individuals.

'Investment' or 'expenditure'?

We talk mainly about 'spending' and 'costs', but also about 'investment'. Some would argue that money spent on education, from whatever source, should be treated as an investment. In an organisational balance sheet, it should go on the asset side not the expenditure side. In most cases, learning is indeed an investment which produces returns (not necessarily economic returns). However, the money comes from somewhere and represents a cost to someone, so in general we choose here to talk of expenditure.

Inevitable caveats

To the best of our knowledge, this is the first time that the range of spending outlined above has been brought together in this way. The data on which the research has been based is inevitably imperfect and partial, often not designed for the purpose. Many of the figures are estimates and calculations based on intelligent assumptions. (We explain the basis of these in footnotes where possible.) We are, however, confident that they represent reasonable, 'orders of magnitude' estimates of the pattern of investment and the relationships between the major parts.

The results

The results can be analysed in a variety of ways. This section presents:

Firstly, overall results for:

- total expenditure on learning provision (£55 billion); and
- total expenditure on the time/opportunity cost of learning (£38 billion).

Secondly, detailed results for expenditure by:

- the public sector;
- by private employers;
- by the voluntary and community sector; and
- by individuals.

For each section, we give the relevant figures, together with a commentary on the key issues raised by the numbers.

Overall results

Expenditure on learning

Table 2 shows the breakdown of expenditure on learning between provision and opportunity cost; and between public authorities, private employers, voluntary and community sector organisations, and individuals.

Key messages

- Expenditure on all post-compulsory and adult learning provision in 2007–08 amounted to £55 billion, approximately 3.9 per cent of GDP.
- Of this total, £25.5 billion (47 per cent) was public expenditure (including for public sector employees and tax relief for companies on the cost of training). £19.3 billion (35 per cent) was for training of employees and volunteers by private for-profit and not-for-profit organisations, including by companies operated by self-employed people. £9.4 billion (17 per cent) was by individuals, including self-employed people.
- Of the total expenditure on learning provision, just over £20 billion (37 per cent) was on provision in principle available to all citizens (National Performance and Public Programmes). The remaining expenditure of around £35 billion (63 per cent) was only available to employees of the investing organisations.
- Overall public sector employee development expenditure amounts to £9.4 billion, significantly more than the £4.6 billion estimated in NESS 2007.

Table 2: Expenditure on adult learning costs of provision and time, 2007–08

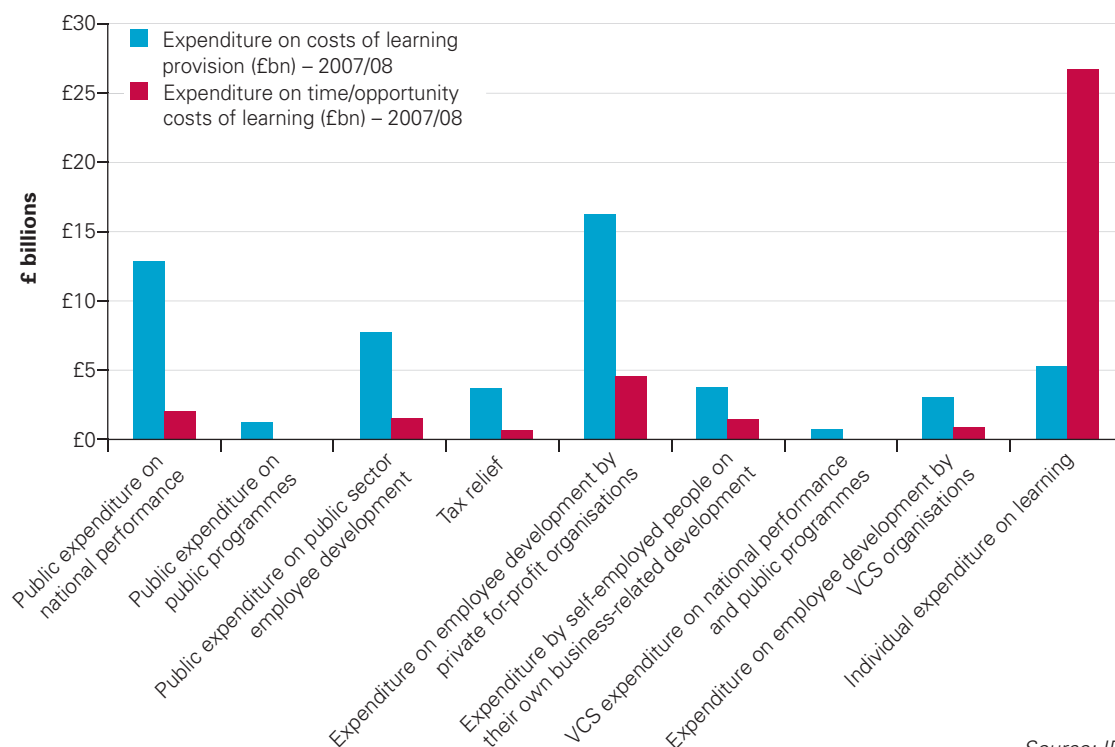
Learning purpose	Expenditure on learning provision (£ billion)	Time/opportunity cost (£ billion)	Total (£ billion)
Public expenditure			
on national performance	12.90	2.10	15.00
on public programmes	1.20	Nil	1.20
on employee development	7.70	1.70 ⁴	9.40
corporation tax relief on employer training	1.70	0.50	2.20
PAYE tax relief on self-employed training	2.00	0.20	2.20
Sub-total	25.50	4.50	30.00
Private employer expenditure			
on employee development	14.50	3.90	18.40
on employee development in enterprises operated by self-employed people	1.70	0.70	2.40
Sub-total	16.20	4.60	20.80
Voluntary and community sector expenditure			
on national performance	0.13	n/a	0.13
on public programmes	0.50	n/a	0.50
on employee development	2.80	0.90	3.70
on volunteer training	0.35		0.35
Sub-total	3.78	0.90	4.68
Individual expenditure			
on learning generally	5.50	25.60	31.10
by self-employed people on their own business related training	3.90	1.60	5.50
on volunteer training		1.10	1.10
Sub-total	9.40	28.30	37.70
TOTAL	54.88	38.38	93.26

- Tax relief, including on corporation tax and PAYE, is a major component. It amounts to £3.7 billion annually, or several times the current Train to Gain budget.
- The cost of time accounts for £38 billion. Individuals overwhelmingly commit the most – nearly 70 per cent of the total cost of time is met by them, and 19 per cent by employers supporting off-the-job training.

³ The split between provision and time costs on public sector employee training is assumed. This includes £0.5 billion for NHS Bursaries.

In *Learning Through Life* the comparison between provision and opportunity cost is set out as follows:

Figure 2: Breakdown of expenditure on cost of provision and cost of time by category of investor



Source: IFLL

Notes

Public sector expenditure

Tax relief

Firms can claim corporation tax relief on expenditure on employee development which covers both the costs of provision and opportunity (wage) costs. Self-employed people can claim income tax relief for both expenditure on the development of their employees, and expenditure on their own business-related training. However, there is one important difference: in the former, the tax relief covers both the costs of provision and the opportunity costs, but the self-employed individual can only claim against income tax the costs of provision and not for loss of earnings. Individuals other than the self employed cannot claim tax relief however much they invest. Information on the actual corporation tax and PAYE relief claimed for expenditure on employee development is not available. Figures for corporation tax and PAYE relief are based on calculations using publicly available information on key variables (see Annexe A).⁴

⁴ Further work on tax relief on training is now being done by the TUC.

Maintenance loans and grants

We interpret public expenditure on maintenance loans and grants for HE and FE as the state's contribution to the opportunity costs of learning (see Table 4 below for more details).

Private employer expenditure

Self-employed businesses

The first of the two private employer expenditure figures is based on the NESS data. NESS covers England only, so we have calculated an aggregated figure for the UK as a whole. NESS does not count self-employed businesses, but our study includes a calculation of their expenditure on employee development.

Wage costs

NESS includes the wage costs of both off-the-job and on-the-job training on the assumption that on-the-job training leads to loss of output. We question that assumption and consider that in order to draw proper comparisons between the relative expenditure by the state, employers and individuals in the cost of time spent in learning, one should exclude the time paid for by employing organisations in the form of wages for those undertaking on-the-job training. Our figures therefore only include the wage costs for off-the-job training, extrapolated from the NESS figures. Our calculation of corporation tax relief is also made on this basis.

Voluntary and community sector expenditure

Adjustments for double counting

The figures for expenditure by the voluntary and community sector are the most tentative of our survey. All those who benefit from learning in the sector are assumed to be adults. The figure for employee development is consistent with that used in the NESS. The others are based on a set of calculations using a similar methodology to that developed for the public expenditure study: they split expenditure for the general public between our 'national performance' and 'public programmes' categories. The original study calculated expenditure on lifelong learning through and by the sector. The figures in Table 2 have been adjusted for double counting with public expenditure *through* the third sector, and represent our estimate of expenditure *by* the sector.

Individual expenditure

Contribution to tuition fees

We have calculated individual expenditure based on data from the National Adult Learning Survey (NALS). This includes individuals' contributions to tuition fees for higher education (see Table 13 on page 29 for more detail on this).

Detailed results

Public sector expenditure

Table 3 sets out in more detail expenditure on adult learning by government departments and by the purpose of the expenditure. It shows clearly the widespread involvement by government departments in learning, not just for their own staff (under employee development) but for the general public, particularly where this supports other social objectives.

Table 3: Total public expenditure on adult learning by government department and purpose of expenditure (£ million at 2007–08 prices)

Government department	National performance (£million)	Public programmes (£million)	Employee development (£million)	Total (£million)
Cabinet Office		125	500–1,000 ⁶	625–1,125
Department for Business Enterprise and Regulatory Reform (as was in 2007–08)	200			200
Department for Communities and Local Government		105		105
Department for Culture Media and Sport		93		93
Department for Children Schools and Families	713		256 ⁷	969
Department for Environment Food and Rural Affairs		125		125
Department for Innovation Universities and Skills (as was in 2007–08)	14,278	349		14,392
Department for Transport		165		165
Department for Work and Pensions	35			35
HM Treasury		23		23
Ministry of Defence			4,200 ⁸	4,200
Ministry of Justice		80		
Department of Health/National Health Service		145	5,525 ⁹	5,525
Local authorities			650	650
Northern Ireland Assembly	416			410
Scottish Government	1,656			1,632
Welsh Assembly Government	714			704
European Union	245			245
Total	18,257	1,210	11,131– 11,631¹⁰	30,598– 31,098

⁵ These figures cover expenditure on employee development across the government departments, hence the reason for the empty cells in the rows below. The range here is wide because of the difficulties of gathering data. The basis of this estimate is explored in more detail on page 21.

⁶ A significant proportion of this is likely to be salary costs of teachers undergoing training, but this information was not available.

⁷ This includes provision, wage and management costs. The MoD was not able to provide a disaggregation between the three elements.

⁸ Excludes expenditure in Northern Ireland – for which details were not available.

⁹ Lower estimate used in overall calculations.

National performance

Over 90 per cent of expenditure for national performance is by DIUS (now BIS) and relevant departments in the Scottish government and Welsh and Northern Ireland assemblies.

Tables 4 and 5 provide more detail on the breakdown of expenditure between four nations, between expenditure on FE and HE, and between provision and opportunity costs. Capital expenditure is included in provision costs.

Table 4: Expenditure on Higher Education, 2007 (£ millions)

	Provision	Learner support	Total
DIUS	6,686	3,549	10,235
Scotland	964	295	1,235
Wales	373	193	556
Northern Ireland	216	155	365
DCSF	383	200	583
TOTAL	8,622	4,392	13,014

Table 5: Expenditure on Further Education, 2007 (£ millions)

	Provision	Learner support ¹¹	Total
DIUS	3,150	143	3,293
Scotland	307	39	346
Wales	110		110
Northern Ireland	45		45
DWP	35		35
EU	245		245
TOTAL	3,892	182	4,074

In addition, overhead/infrastructure costs for the management of publicly funded learning amount to £1,171 million, making a total of £18,259 million.

Key messages

- Sixty-five per cent (£9.75 billion) of total public expenditure¹¹ on post-compulsory education was spent on HE, three-quarters of which we estimate¹² went to learners under 25.¹³
- Of the £11.8¹⁴ billion expenditure on provision of post-compulsory education, £7.9 billion (67 per cent) went to higher education (HE), £3.9 billion (33 per cent) to further education (FE).

¹⁰ Separate figures for learner support in Wales and Northern Ireland were not available.

¹¹ Including maintenance loans and grants.

¹² From *Education and Training Statistics* 2008.

¹³ Corney, Fletcher and Brown (2008) suggest 70 per cent of HE expenditure (approximately £6.8 billion) goes on 17–20-year-old full-time undergraduates.

¹⁴ Excluding maintenance loans and grants.

- Approximately 90 per cent (£1.9 billion) of the £2.1 billion maintenance loans and grants/learner support expenditure goes on HE maintenance loans and grants, and just 10 per cent on FE student support.

Notes

Cash/resource cost of student loans

The initial survey of public sector expenditure included the cash cost of student loans (for fees and maintenance). The figures in Tables 2 and 4 reflect this. Our subsequent study of individual expenditure allowed us to calculate the individual contribution through loan repayments and to adjust public sector expenditure accordingly, by £750 million for fee loans and £2,511 million for maintenance loans. The figures in Table 2 reflect this.

Public programmes

The contribution of other government departments to expenditure on public programmes is likely to be an underestimate. Under the terms of the Inquiry's commission, only activity that could clearly be identified as educational in character and for adults was included in the expenditure study, to avoid claiming too much for adult learning. This has inevitably resulted in omissions, including, for example, an element of the £25 million Citizens' Advice grant from DBERR which, it could be argued, supports learning.

The figures on cross-governmental expenditure on informal adult learning included in the Government's White Paper, 'The Learning Revolution' are more generous than those we present here. This is an area that would benefit from further work to assess the impact of Learning Revolution strategies to open up public spaces, support community learning champions and encourage self-directed groups to flourish. It is also an area with important connections to the Inquiry's work on public value.¹⁵

One other important point is that we estimate 60 per cent of the expenditure on public programmes goes to learning overheads, supporting the infrastructure costs of learning, rather than the direct costs of provision. This suggests that a significant proportion of the direct costs of provision are being provided through co-funding from individuals and employers, for example driving lessons or visits to public buildings and gardens. The contribution of time by individuals to these activities is also significant. We look at the opportunity cost of learning to individuals later.

Of the £1.2 billion public expenditure on public programmes, £0.3 billion expenditure from the Department for Business, Innovation and Skills (BIS) supports the Adult Safeguarded Learning budget, the LSC Offender Learning budget and the Science in Society Programme. The balance is principally investment in public services such as libraries and community development.

The following is a brief description of the activities included.

¹⁵ See *Learning Through Life*, pp. 43–46 and www.niace.org.uk/lifelonglearninginquiry/Public-Value-Papers.htm

Cabinet Office: Office of the Third Sector programmes to strengthen the leadership of voluntary and community organisations and provide advice and support for those engaged with the sector.¹⁶

DCLG: The key local government service with an educational element, primarily funded from the community charge and unhypothecated grant is the public library service which is statutorily required to support education in the community. This estimate is based on the tight commission the Inquiry had to include activities for adults of educational character and is undoubtedly an underestimate, particularly given the key role that libraries have in the informal learning landscape.

Department of Health: The promotion of health improvement is a major educational activity funded by the national health departments across the UK, covering programmes to address tobacco addiction, alcohol abuse, food and health, physical activity, obesity, mental health and sexual well-being.

Ministry of Justice: In addition to Offender Learning budget, £80 million per annum is for drug-related programmes for prisoners. The whole area of investment in learning for rehabilitation, in which the voluntary and community sector is a major player, as well as the relevant public services, would merit a separate study.¹⁷

HM Treasury: We have estimated expenditure on the adult element of the National Strategy for Financial Capability.

DCMS: This covers educational expenditure on cultural development for adults through the Arts Council, English Heritage and Sports England and by the BBC on educational activities.

DEFRA: This includes educational activities to respond to climate change and the appreciation of the countryside, together with specific education and training activities supported under the Rural Development Programme. DEFRA's expenditure in England has been aggregated to estimate a UK-wide figure.

DIUS: This supports the Adult Safeguarded Learning budget, the LSC Offender Learning budget and the Science in Society Programme.

DfT: Expenditure is predominately on the Driving Standards Agency.

Employee development

Cabinet Office estimate: Apart from the major spenders on training like the Ministry of Defence and the National Health Service, it was not possible to obtain information on the expenditure on staff training by central government departments, their agencies or NDPBs from publicly available data. The Government's commitment to implement the National Skills Strategy, coupled with the apparent very low level of training expenditure by central government departments in NESS, has led Government

¹⁶ Possible small double counting with NESS voluntary and community sector employer expenditure.

¹⁷ The Inquiry has published three papers on Crime and Learning: a thematic overview paper and two public value papers.

Skills to gather further information on expenditure levels on training by central government departments, their agencies and NDPBS. The best available estimate from Government Skills is that on the same basis as NESS the level of expenditure on employee development lies between £500 million and £1000 million (from private communication with Government Skills). The total civilian central government workforce is 634,000, of which nearly two-thirds are in the 'Big 4' departments – Department for Work and Pensions, Home Office, HM Revenue and Customs and Ministry of Defence and associated agencies. The estimates are UK wide; they exclude training of service personnel and also the NHS.

Local government: Data is available from the annual reports on local government pay and workforce strategy.¹⁸ This provides information on all staff, excluding school teachers, police and fire services, but does not include the salary costs of those undertaking training. The latest available report (2005–06) showed a median expenditure per head of £252 across the UK with a median of 1.6 days per year off-the-job training. With around 1.5 million employees, expenditure is estimated to be some £410 million at 2007–08 prices. Applying the salary cost calculation from NESS gives an overall total of approx £650 million across the UK.

Police and fire services: No data on the training budgets for these services was available from the Home Office. Since expenditure on employee training for other 'life or death' public services (MoD, NHS) is significant, the absence of data for police and fire services could be significant and would merit further research.

Discrepancy with NESS: The discrepancy between the NESS (2007) estimate of £3.4 billion and our estimate of £11.1–£11.6 billion for the total expenditure by public sector employers on training their employees appears to result from two main factors: the exclusion from NESS of the expenditure by the NHS in the initial training of professional staff (around £4 billion); and an underestimate within NESS of the expenditure by central government departments, including the MoD. The latter may reflect the low number of public sector establishments in the NESS sample and the consequent high degree of uncertainty in the expenditure figures for public sector employers within NESS.¹⁹

Provision/opportunity costs: The figures in Table 3 include expenditure on both provision and wage costs. Splitting the costs between these two elements has proved difficult. We have estimated²⁰ £7.7 billion on provision and £3.4 billion for wages. In Table 2, the total for wage costs is then adjusted to reflect only those for off-the-job training – £1.2 billion.

¹⁸ *Local government pay and workforce strategy survey 2006: Local Government Analysis and Research*, March 2007.

¹⁹ This is borne out by comparisons between the NESS 2005 and 2007 surveys. Public sector employer expenditure for England in 2005 was reported as £4.3 billion; in 2007 it had dropped to £3.4 billion. This large change almost certainly relates to the lower statistical reliability of data from this sector because of the small sample size, particularly in relation to the expenditure survey, which is a subset of the overall NESS survey.

²⁰ This is based on the NESS split of 47 per cent spent on wages, 53 per cent on provision. This is then further adjusted to take account of the Medical Professional Education and Training (MPET) budget of the English NHS. Apart from the bursaries for full-time students (£0.5 billion costed separately) the budget does not include any salary costs of trainees. The relevant total for calculating wage costs is therefore £7.3 billion.

Private employer expenditure

Our analysis of training expenditure by employers is based on the existing National Employer Skills Survey expenditure analysis. This is a substantial survey of over 79,000 establishments. The scale and history of the survey and the consistency between the 2005 and 2007 surveys suggest the data has a reasonably high level of reliability, and its authority has been enhanced through widespread usage of the results. However, there are some cautionary notes to be struck. Although the overall survey is based on a substantial sample, the financial data is based on a much smaller follow-up survey of 7,190 establishments and relies on respondents making broad estimates of average expenditure. And as we have seen, the data on public and voluntary and community sector employers is acknowledged to be less robust than the rest of the sample, in part because it surveys establishments rather than employers.

There is not a neat fit between the parameters of NESS and our study of overall expenditure on adult learning across the UK:

- NESS covers only employers in England, not those in Wales, Scotland and Northern Ireland.
- NESS does not include employee training by sole-person enterprises, including the self-employed.²¹
- NESS includes all employer expenditure, but does not identify the costs of those under 19, which are likely to be significant given the policy emphasis on apprenticeships.

In order to calculate a figure for employer expenditure on adult learning across the UK that was comparable with the other expenditure figures in the Inquiry's research, a series of adjustments was therefore required. This includes netting off our calculation of corporation and PAYE tax relief.

In addition, our calculations challenge one of the NESS principles related to estimating the opportunity costs of employee training. NESS includes the wage costs of employees on on-the-job training on the assumption that this leads to loss of output. We question that assumption and consequently exclude the wage costs paid to those on on-the-job training from our calculations.

In summary, our calculation of private employer expenditure on adult learning is based on the approach, shown in Table 6, starting from the NESS 2007 overall expenditure total for employers in England of £38.6 billion.

²¹ NESS does, however, include expenditure by businesses with a sole self-employed proprietor with one or more employees or operated by a partnership of two or more self-employed people, whether or not they have employees. To calculate the expenditure by self-employed people on their own business-related training therefore requires a disaggregation of the NESS expenditure figure between self-employed people and their employees. The amount spent by self-employed people on their own business-related training is then added to the separate estimate of expenditure by sole person enterprises with no staff on their own learning.

Table 6: Estimated private employer expenditure across the UK, net of tax relief

NESS07 Total employer expenditure = £38.6 billion	
£38.6 billion (England) x 1.189 for UK aggregation ²³	£45.9 billion
Of which private employers' expenditure ²⁴	£36.6 billion
Of this, expenditure on employee development by companies, less corporation tax relief	£27 billion
Expenditure on employee development by self-employed enterprises, less PAYE tax relief	£3.2 billion
Inquiry estimated private employer expenditure across UK, net of tax relief	£30.2 billion

The split between provision and opportunity cost is based on the overall NESS figures which reveal that of the total expenditure on training in 2007, £18.152 billion (47 per cent) was spent on wage costs. Of this, £11.886 billion (65 per cent) was identified as on-the-job training wage costs and £6.266 billion (35 per cent) as off-the-job training wage costs. Table 7 applies these breakdowns to the figures from Table 6.

Table 7: Breakdown of private employer expenditure by provision and opportunity cost

	Provision (£ billion)	Opportunity cost (£ billion)	Opportunity cost less on-the-job wage costs (£ billion)
Employee development by private companies	14.5	12.5	3.9
Employee development by self-employed enterprises	1.7	1.5	0.7
Inquiry total	16.2		4.6

The final element is expenditure by self-employed people on their own business-related learning. NESS includes an element of this for expenditure by self-employed people with one or more employees. Aggregated to UK level, this is calculated at £3.47 billion, which we could have included in Table 7 above. But NESS does not include training for sole-person enterprises. We estimate this could amount to an additional £6.54 billion,²⁴ giving a total expenditure by self-employed people on their own learning of £10 billion (£3.47 billion + £6.54 billion), or £8.6 billion net of PAYE tax relief.²⁵ This is, in effect, an individual contribution to learning and is treated as such within our overall methodology (see Table 2).

²² There have been parallel studies to NESS undertaken in other countries of the UK. These include the Employer Skills Survey 2004 in Scotland, the Northern Ireland Skills Monitoring Survey 2005, and the Future Skills Wales Sector Skills Survey 2006. Although these cover much of the same ground as NESS, none covers expenditure on training. It is not possible, therefore, to bring the NESS data on expenditure on employee training onto a UK-wide basis from survey data. In the absence of other options, we have therefore grossed up the NESS data for England using a factor of 1.189 based on the relative distribution of employees by country of the UK. This assumes expenditure per employee is consistent on average across the UK.

²³ NESS figures aggregated to UK levels: public sector employer expenditure = £4 billion; voluntary and community sector employer expenditure = £5.3 billion.

²⁴ This may appear a large figure, but note it covers 3 million people and includes the cost of time as well as the cost of training provision.

²⁵ PAYE tax relief is only available on the direct costs of self-employed people's training, not the opportunity cost or income foregone. Tax relief is available on the wage costs of employees in self-employed businesses, however.

The corresponding breakdown between provision and opportunity costs is given in Table 8 for completeness, but included in the overall picture of individual contributions later in the paper.

Table 8: Breakdown of expenditure by the self-employed on their own learning by provision and opportunity cost

	Provision (£ billion)	Opportunity cost (£ billion)	Opportunity cost less on-the-job wage costs (£ billion)
Expenditure by self-employed people on their own business related training	3.9	4.7	1.6

Voluntary and community sector expenditure

NESS includes voluntary and community sector organisations (VCOs) in its survey of employer expenditure on learning in England. But it was important for the Inquiry to triangulate them with a study focused on voluntary and community sector expenditure on lifelong learning for two reasons. Firstly, we have assumed the NESS figure does not include expenditure on training for volunteers. And secondly, it misses the third sector's expenditure on learning for 'beneficiaries'. Some of this is covered by the public expenditure on 'Purpose 1' learning, through grants and contracts awarded to voluntary and community sector organisations, but the sector also receives funding from other sources.

The research on voluntary and community sector expenditure was commissioned separately from the research on public, private and individual expenditure. It was based on the same methodology, but interpreted for the voluntary and community sector context. The caveats for the overall study apply to an even greater extent in relation to the voluntary and community sector study. Specifying terms and definitions was challenging and yet of more than academic interest to secure consistency and a basis for comparison, and avoid too much cross-over with the research on public, private and individual expenditure.

The study focused on the 'voluntary and community sector' rather than the wider 'third sector'; the subset of civil society that NCVO refers to as 'general charities' and organisations with two or more employees. This enabled us to make use of existing research evidence across the four nations. This is an area where further mapping and research would be of value – a point we return to in our overall conclusions.

Learning Through Life identifies the Workers' Educational Association (WEA) and Women's Institute (WI) as two key examples of national voluntary and community sector organisations playing a central role in local learning infrastructures. But it also acknowledges the estimated 35,000 organisations with over 680,000 paid workers and some 15 million volunteers that make up the massed ranks of the voluntary and community sector. Some 60 per cent of voluntary organisations in England and

Scotland report their most frequent area of activity is providing learning and training opportunities to the community, but this is not often easy to capture.

As with the public sector, we have used three categories to analyse expenditure: national performance, public programmes and employee development.

National performance and public programmes

The estimate of expenditure is derived from reported activity on 'vocational and non-vocational learning' for 'beneficiaries'.²⁶ It is based on a calculation of the number of VCOs in the UK in scope for this study (approx. 35,000), the proportion that report learning and training as their most frequent area of activity (62 per cent) and the overall expenditure by general charities (£4.27 billion). Once expenditure on social services (25 per cent) has been deducted, we assume a major focus on learning to be 50 per cent of remaining expenditure, giving an estimated expenditure total of £1.6 billion.

Of this, £337 million is estimated to be on vocational learning – or 'national performance' and £1.26 billion on non-vocational learning – or public programmes. The estimate of expenditure on national performance is based on LSC data on learning providers identified as charitable.²⁷

Of this, up to 60 per cent is estimated to be from public sector sources and is, therefore, already included in our overall figures. The remaining 40 per cent is added to our overall totals (see Table 9).

Table 9: Net voluntary and community sector expenditure on national performance and public programmes (£ millions)

National performance (vocational learning expenditure)	134.8
Public programmes (non-vocational learning expenditure)	504.0
Total	638.8

It is not possible to split this between provision and student support costs: 100 per cent is assumed to be expenditure on provision.

Employee and volunteer development

We are grateful to the LSC for providing us with additional unpublished analysis of employer expenditure on learning from the NESS 07 survey. It reveals expenditure by charitable/voluntary sector employers in England of £4.4 billion. Applying a multiplier of 1.189²⁸ gives an estimated expenditure for the UK of £5.3 billion. This figure includes both provision and opportunity cost. As with public and private employers, the opportunity cost figure is adjusted for on-the-job training wage costs. Provision costs are therefore finalised at an estimated £2.8 billion, and opportunity costs at £0.9 billion.

²⁶ Though LSC data on qualifications does not separately identify beneficiary outcomes from those achieved by employees and/or volunteers.

²⁷ This does not include voluntary and community organisations who deliver LSC provision via sub-contracting arrangements from FE colleges or local authorities. Data on these arrangements is not recorded.

²⁸ See fn 19.

But we assume that the NESS figures cover only paid employees. There are an estimated 15.5 billion formal volunteers in the UK (let alone the armies of informal volunteers for whom it is not possible to track learning and training activity). Based on estimates of 37 per cent of volunteers receiving training and an average cost per volunteer of £60,²⁹ the cost of training volunteers is estimated at £0.35 billion.

In summary, the additional contribution by the voluntary and community sector to our overall picture of employer expenditure on lifelong learning is shown in Table 10.

Table 10: Voluntary and community sector expenditure on employee and volunteer training (£ billion)

Expenditure on employee development	5.30
Expenditure on volunteer development	0.35
Total employer expenditure	5.65

In parallel with the study on the opportunity cost of learning to individuals (see below), we calculated the opportunity cost of training to volunteers. Using an average minimum wage figure³⁰ and an assumption of two days training per year per volunteer, we estimate the opportunity cost at £1.1 billion. This is added to the individual opportunity cost total in the next section.

Individual expenditure

Our analysis of individual expenditure sits within our overall approach to analysing expenditure on lifelong learning in as much as it interprets the distinctions used throughout the study between the costs of provision, the management costs of training, and the costs of time spent in training.

- Expenditure on provision relates to direct learning costs, equivalent to the payment of tuition fees by individuals whether the learning provision is publicly subsidised or not.
- Expenditure on management costs we interpret as the cost of books and equipment, including computers and the costs of travel and childcare.
- Costs of time spent in training. This required careful consideration and examination of the concept of the cost of time invested in learning and how that might be compared with expenditure on the other costs of learning.

Expenditure on provision

Our analysis is based on figures from the 2005 National Adult Learning Survey (NALS). This was based on a survey with 5,000 adults between 16 and 69 in England and Wales. Students in full-time continuous education are excluded from our analysis,

²⁹ Both from the Volunteer Development Agency study 'It's all about Time – Volunteering in Northern Ireland' (2007).

³⁰ £5.06, representing the 2007 average wage for adults aged 18–21 (£4.60) and of those aged 22 and over (£5.52).

although those aged 25 and over were eligible to participate in the NALS. The survey also covered Scotland, but the Scottish data was reported separately. Our calculations are based on a rounded UK population figure of 40 million.

Individual contribution to part-time tuition costs

Our calculation of expenditure on learning by individuals in the form of fees and study costs for those outside continuous full-time education (i.e. not including HE undergraduate fees and contributions to fee loans) is some £3.5 billion. This is based on NALS estimates that 62 per cent³¹ participated in taught learning in the past three years, on average in 1.9 learning episodes each and for those who paid fees, and the mean fee per episode was £583. Of those participating 33 per cent paid the fees themselves and a further 4 per cent shared the payment of their fees with their employer. However, the NALS sample includes self-employed people and to avoid an element of double counting for expenditure by the self-employed in their own training for business development purposes, we estimate the net expenditure by individuals in the direct costs of learning of £3.2 billion at 2007–08 prices.

This figure includes:

- £380 million expenditure as fees to an FE college – according to NALS, 11 per cent of taught learning was provided at an FE college.
- £520 million expenditure as fees to an HE institution – according to NALS, 15 per cent of taught learning was provided by universities or HE institutions.
- £290 million expenditure as fees to adult education institutes.

NALS also shows that employers paid all the fees for 37 per cent of those undertaking taught learning and shared the payment with 4 per cent of those undertaking taught learning. This gives an employer contribution of £3.3 billion on a UK-wide basis. This is comparable with the figure of £3.1 billion for fees to external providers from NESS 2007 (grossed up to give a UK-wide figure).

Individual/family contributions to full-time tuition costs

The contribution to HE fees in 2007–08 was £415 million. The total expenditure by individuals in tuition fees amounts to £3.6 billion (£3.2 billion + £0.4 billion)

However, individuals taking out fee loans are also expected to contribute through future repayments of the loans on an income contingent basis, together with interest accrued. This issue was set aside in our initial considerations of public sector expenditure on lifelong learning in that we used the cash outlay on student loans in

³¹ Note: This participation estimate is significantly different from that provided by the Labour Force Survey. The LFS covers only job-related training, and is based on training undertaken in the previous 3 months, as opposed to the NALS survey which covers learning in the previous 3 years. LFS data suggests on average, over the course of a year, 40 per cent of public sector workers and 21.8 per cent of private sector workers receive training (approx 2.24 million and 4.73 million employees respectively). The data extrapolated from the NALS survey, however, suggests that over 9 million employees (40 million x 62 per cent x 37 per cent) had their fees paid by their employers over a 3-year period. This highlights the difficulties in drawing overall conclusions about the balance of investment in lifelong learning, hence our call for a survey of individual investment in learning at least as comprehensive as NESS.

our calculations. In the Government's accounts, the cost is presented as the resource cost, which takes account of the future flow of repayments from the loans advanced. For 2007–08 fee loans of £1,060 million for UK domiciled students in English HEIs were estimated to have a resource cost of £350 million. A further £67 million of fee loans were made to full-time undergraduate students in Wales and Northern Ireland. The difference of £710 million between this figure and the cash figure is an estimate of the individual contribution to fee loans, with a corresponding contribution of £44 million by Welsh and Northern Irish students. This increases the total estimated individual contribution to tuition fees to £4.4 billion with a corresponding reduction of £750 million in the level of public expenditure in provision (see Table 11).

Table 11: Summary of individual expenditure on tuition fees – 2007–08

	Expenditure (£ billion)
Tuition fees for part-time courses (from NALS 2005)	3.5
Less expenditure on tuition fees by the self-employed	0.3
Net tuition fees for part-time courses	3.2
Full-time undergraduate fees	0.4
Contribution to fee loans	0.8
Full-time adult FE fees	n/a ³³
Total	4.4

Expenditure on the indirect costs of learning

Extrapolating from NALS, we estimate expenditure by individuals in books and equipment for learning of around £1.1 billion.³³

For comparative purposes, we also looked at the Expenditure and Food Survey (EFS) which includes questions about family expenditure on education. Although the data is subject to significant statistical uncertainty, the estimated total annual family expenditure on computers, Internet subscriptions, books and magazines is around £7 billion (£3.4 billion on books and magazines; £3.1 billion on computers and associated bits and bobs; £420 million on Internet subscription fees). On this basis 16 per cent of total family expenditure would be on education (but this includes children's learning).

National performance/public programmes

NALS provides a basis for splitting individual expenditure between that for programmes to secure qualifications, skills, employability, and that for non-vocational learning aims. This broadly equates to our categories of National Performance and Public Programmes which we used to analyse public sector expenditure. Eighty-five per cent of individual expenditure is on programmes which, broadly defined, aim for qualifications, skills, employability.

³² We were unable to secure firm evidence of the contribution to tuition fees by individuals undertaking full-time adult FE, but this appears likely to be modest since around 75 per cent of adults in FE study part-time and there is significant fee remission for those who would otherwise be required to pay tuition fees, particularly those attending full-time.

³³ This excludes investment by full-time adult education students for whom no source of data was available.

Table 12: Individual expenditure on the costs of learning by purpose

	National Performance (£ billion)	Public programmes (£ billion)	Total (£ billion)
Direct costs	3.8	0.6	4.4
Indirect costs	0.9	0.2	1.1
Total	4.7	0.8	5.5

Employee development

Expenditure by the self-employed on their own learning is, in effect, an individual contribution to learning. The calculation of this expenditure was included in the section on private employers (Table 8) but with a note to add it to the total for individual expenditure. Expenditure on provision amounts to £3.9 billion, the opportunity cost to £1.6 billion.

Tax relief

The only tax relief available for individuals' expenditure on their own learning is for self-employed people who can claim income tax relief under the PAYE system for expenditure on the training of their employees and also for their own business-related training. But whereas tax relief is payable against both the provision and wage costs of employees, self-employed people can only claim for the provision costs of their own learning, not their income foregone. Other individuals can claim no tax relief at all for the costs of engagement in learning.

In summary, expenditure by individuals on adult learning provision is shown in Table 13.

Table 13: Summary of expenditure by individuals on adult learning provision by learning purpose

	National performance (£ billion)	Public programmes (£ billion)	Employee development (£ billion)	Total (£ billion)
Tuition fees	3.8	0.6		4.4
Indirect costs of learning	0.9	0.2		1.1
Self-employed on own learning			3.9	3.9
Total	4.7	0.8	3.9	9.4

Investment of time by individuals

The cost of individuals' time spent on learning has not previously been calculated. But it was important to include it in our study for two reasons. Firstly, time use is an important dimension in lifelong learning – from the time squeeze on second stagers (25–50-year-olds) with its implications for part-time provision and learning leave; to the balance of time spent on learning by different stages (see Annexe B); to the short duration of much employer training, compared with our European neighbours. Secondly, calculating the contribution of individuals' time to learning enabled

comparisons with other parts of our expenditure study – the wage costs of employees undertaking training included in the NESS survey of employer expenditure; and public expenditure on student support (rather than fees) for full-time students.

In order to calculate the cost of time invested by individuals in learning, we needed a conceptual framework in order to:

- estimate the time spent by individuals in learning;
- deduct from that total the time spent by individuals which was paid for by their employer or from public student support funds when they were undertaking full-time study; and
- identify a proxy for the cost of time invested by individuals in learning.

Our results are summarised in Table 14. The details of our calculations are consigned to Annexe A.

Table 14: Summary of opportunity cost of individuals' time invested in adult learning 2007–08

1	Estimated time spent in taught learning and associated self study for 16–69-year-olds (excluding full-time students) – from NALS 2005	2.5 billion hours
2	Less off-the-job training hours for which wages paid by employers – from NESS 2007 (deducted to avoid double counting)	735m hours
3	Net hours for 16–69 year olds (excluding full-time students)	1.7 billion hours
4	Average cost per hour, based on weighted average of £12.26 per hour (NESS 2007) for economically active people and £5.52 (NMW 2007) for economically inactive people	£9.60
5	Opportunity cost for learners aged 16–69 not in full-time continuous education	£17.1 billion
6	Plus opportunity cost for full-time students (excluding public support through maintenance grants and loans, but including students' contribution to the repayment of loans)	£7.5 billion
7	Plus opportunity cost for those aged 70 and over	£1 billion
8	Total opportunity cost for individuals	£25.6 billion

Our estimates of time spent in learning were based on NALS 2005 for those aged 16–69 not in full-time continuous education,³⁴ adjusted to avoid double counting with the time spent on employer supported training, which is already included in NESS. We extrapolated from the NALS 2005 survey to estimate the time spent by learners aged 70 and over. For full-time students we used estimates based on the Open University credit accumulation system for HE students and the administrative guide of 450 guided learning hours for a full-time FE programme.

We used an average hourly cost of time of £9.80. This was derived from averaging the NESS 2007 rate of £12.26 for the proportion of the population who are economically active and the National Minimum Wage (NMW) figure of £5.52 for the proportion of

³⁴ This includes time spent in taught learning and the associated self-study. NALS 2005 provides no data comparable to that for individuals on taught courses on the number of hours of self-directed learning undertaken.

population who are economically inactive. We applied the economically active hourly rate to full-time students on the basis that at least two-thirds of those studying full-time are on Level 3 or above programmes and it is, therefore, likely that they will be capable of securing well paid employment in the future. Clearly, there will be wide variation around this average, depending on the level of the course being undertaken – those undertaking full-time postgraduate study, for example, might be expected to forego relatively high earnings.

The opportunity cost for full-time students excludes the public contributions made to student support through HE maintenance grants and loans, and Adult Learner Support Grants. But it does include an estimate of the individuals' contribution to loan repayments, based on the government's calculation of the resource cost of maintenance loans.

Using the split of 80:20 between vocational and non-vocational learning identified in NALS 2005, the total of £25.6 billion splits £20.5 billion for vocational (Purpose 1a) learning and £5.1 billion for non-vocational (Purpose 1b) learning.

In summary, the total opportunity cost to individuals of engaging in adult learning provision is given in Table 15.

Table 15: Summary of opportunity cost to individuals by learning purpose

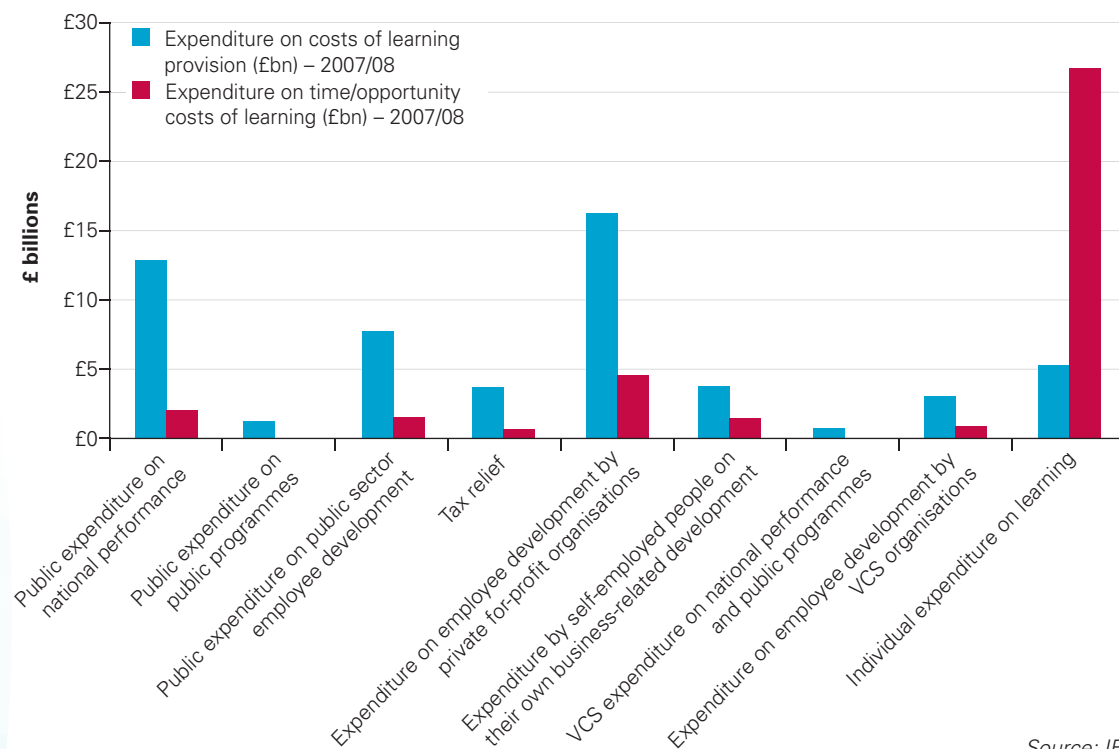
	National performance (£ billion)	Public programmes (£ billion)	Employee development (£ billion)	Total (£ billion)
Individuals	20.5	5.1		25.6
Self-employed own learning			1.6	1.6
Volunteer training			1.1	1.1
Total	20.5	5.1	2.7	28.3

The total estimated opportunity cost of the time individuals spend in learning is £25.6 billion. Added to this is the opportunity cost to self-employed people of their own business-related training, estimated at £1.6 billion, and volunteer training, estimated at £1.1 billion, giving a grand total of £28.3 billion. This compares with £4.6 billion invested by employers in the wage costs of employees undertaking off-the-job training. The wage costs of on-the-job training are not included in this comparison for two reasons: (a) we question the assumption that on-the-job training leads to a loss of output; (b) for comparative purposes – our individual opportunity cost data excludes the opportunity cost of self-directed learning, which is considered akin to on-the-job learning.³⁵

³⁵ NALS 2005 reports that self-directed learning included 29 per cent who did on-the-job learning, 46 per cent who did professional development activities and 31 per cent who did other types of self-directed learning. The time spent by individuals on on-the-job training is already accounted for within the NESS framework, but there is no obvious way of estimating the time invested in professional activities or other forms of self-directed learning from the data available.

Overall, we estimate the cost of time spent on learning at £38 billion, 40 per cent of overall expenditure. Individuals overwhelmingly commit the most – nearly 70 per cent of the total cost of time is met by them, and 19 per cent by employers supporting off-the-job training. Figure 3 shows this.

Figure 3: Breakdown of expenditure on cost of provision and cost of time by category of investor



Source: IFLL

Participation, expenditure and time use

£55 billion spent on provision is a big sum, but how is it distributed and what does it buy? To make a start on answering this, we used a combination of participation and time-use data to assess the overall distribution of resources for lifelong learning across the life course. Here, we aggregated participation and time use data in order that participation data would more accurately reflect the average duration of training at different ages. We could have looked at distribution by gender, by socio-economic group, by occupation (for employee development expenditure) or by funding source and these are areas we recommend for further research. But the Inquiry's goal was to offer a **strategic framework** for lifelong learning and our main proposal was based on reframing the educational life course on a four-stage model: up to 25; 25–50; 50–75; and 75+. We focused our analysis, therefore, on the distribution of resources by age.

Our starting point was population data, to which we applied participation figures³⁶ to derive an estimate of the numbers participating in each age group (Table 16).

Table 16: Participation across the four life stages, 2008

Age range	18–24	25–49	50–74	75+
Population (millions) ³⁸	5.86	21.44	16.24	4.77
Participation rates ³⁹	65%	45%	27%	11%
Participation (millions)	3.80	9.56	4.38	0.52

We then drew on the analysis of time-use data (see Annexe B for further details) to estimate what this means in terms of the average duration of participation. Not only does a higher proportion of young people participate, but their participation on average lasts a lot longer (mainly because many more of them are in full-time higher education). We differentiate between formal and informal learning as the ratios are significantly different:

- for formal learning: the ratios of time use across the four stages are 50: 5: 1: 0.5 (guesstimate only for fourth stage); and
- for informal learning: the ratios are 5: 2: 1: 0.5 (again, estimate only for fourth stage).

Table 17: Weighted participation ratios across the four life stages, 2008

	18–24	25–49	50–74	75+
Formal learning	3,250	225	27	5.5
As a percentage	92.7%	6.4%	0.8%	0.1%
Informal learning	325	90	27	5.5
As a percentage	72.6%	20.1%	6%	1.3%

³⁶ See the Annexe: *Overview of Participation in Learning* in this volume.

³⁷ ONS, 2008.

³⁸ NIACE Adult Participation Survey Data, 2008.

Of the £54.88 billion, we estimated £36.36 billion expenditure on formal learning and £18.52 billion on informal learning³⁹ – a two-thirds: one-third split. Applying the weighted participation figures above to these sums gives us the overall picture shown in Table 18.

Table 18: Expenditure on formal and informal learning across the four life stages, 2008

	18–24	25–49	50–74	75+
Total expenditure (£ millions)	£47,141	£6,057	£1,397	£285
Percentage of total expenditure	86%	11%	2.5%	0.5%
Expenditure per head of population	£8,045	£283	£86	£60
Expenditure per learner	£12,395	£633	£319	£542 ⁴¹

This gives us an overall distribution of learning resources across the age groups. It is, of course, a crude index, but unlikely to be misleading in its overall picture. It offers an illustration of the types of systemic analysis that are possible with an overall picture of expenditure mapped against participation and time use.

It is important to remember that it reflects the distribution of both public and private funding for lifelong learning. Within this distribution, the balance of public funding will be towards 18–24-year-olds, and this should continue to be the case. With socio-economic disadvantage acting as one of the deciding factors in overall inequality, however, we recommend further analysis of the broad distribution of funding for lifelong learning by socio-economic/occupational grouping, as a basis for reviewing the balance of public and private contributions at different life stages.

The point of this analysis is not to argue for additional money as such. We do, however, need stronger measures, of both fairness and effectiveness, in order to judge how well the resources devoted to lifelong learning in all its forms are used, and how well they are distributed.

There is a further point. This analysis is based on expenditure on provision – the distribution of the £55 billion. Further studies of how time for learning is distributed across the life stages, and by different groups, would illuminate further the significant private contributions being made to learning and by whom. This would assist in the longer-term goal of developing approaches to valuing the opportunity costs of learning.

³⁹ Includes employer on-the-job training provision costs (£16.5 billion), plus £1.2 billion of public expenditure and £0.82 billion of individual expenditure on 'public programmes'.

⁴⁰ This figure looks artificially high for two reasons: (1) the time-use weighting for the 75+ is an estimate; (2) relatively small numbers of 75+ are currently participating in learning.

Conclusions and recommendations

Co-financing

Tax payers, employers and individuals all contribute to this big overall pot. One reason why it is important to bring it all together is that overall investment depends on the sense that everyone is contributing, and on a reasonably fair basis. 'Co-financing' – the sharing of costs by two or more of the stakeholders – is a key to leveraging in resources for learning. Leaving everything to the Government (the taxpayer) has to some the attraction of appearing 'free', but it will not maximise investment or help create a culture of commitment to learning, nor will expecting employers, or individuals, to shoulder the entire burden. Things work best – most support is given financially, but also in terms of genuine commitment – where all parties invest in learning. A society where everyone recognises that they have a stake in learning, and where there are collective as well as individual returns, will produce higher rates of investment in it.

In this context, two points from our expenditure analysis stand out:

- the NALS data which shows that of those participating, 33 per cent of individuals paid their fees. Employers paid all the fees for 37 per cent of those undertaking taught learning, and just 4 per cent shared the payment, suggesting there is greater scope for co-funding between individuals and employers; and
- that individuals overwhelmingly commit the most time to learning – nearly 70 per cent of the total opportunity cost.

The reviews of fees in both further and higher education and policy proposals for learning accounts, announced since the publication of *Learning Through Life*, put the spotlight on co-financing. We believe learning accounts offer a mechanism for securing greater contributions to learning from both employers and individuals. Future arrangements should offer a better balance of 'purchasing power' between individuals, employers and the Government. Over time, co-financing arrangements should take account of the opportunity cost of time invested as well as expenditure on provision. This would enable employers' contributions to the wage costs of staff undergoing training to be properly recognised, as well as giving acknowledgement to the time invested by individuals. Further research should be undertaken on which forms of public investment lever in most contributions from employers and individuals.

Tax relief

Our estimates of tax relief on employee training suggest this is a significant public contribution to private employer training expenditure. Tax relief is available as follows:

- to employers, for both provision and wage costs;
- to self employed, just for provision; and
- not to individuals.

Learning Through Life makes the following recommendations concerning tax relief:

- that its payment should be linked to employers reaching thresholds for engaging with learning – on participation and qualifications measures;
- that employers should be incentivised (via tax relief) to integrate training into credit frameworks; and
- that payment of tax relief should be linked to greater transparency of reporting on employer engagement in learning.

We extend these proposals, and call for:

- tax incentives to be geared to specific categories of employees, e.g. older employees and those in lower socio-economic groups; and
- a review of arrangements for the self employed and individuals, as part of an overall framework of incentives and entitlements, including learning accounts.

Participation and informal learning

Any systemic analysis of the distribution of expenditure on lifelong learning relies on participation data. Our own life stages calculations were based on participation figures from the NIACE Adult Participation in Learning Survey. But participation levels are tricky to pin down. The Annexe in this volume, entitled *Overview of participation in adult learning*, describes the scope of and differences between the main participation surveys in the UK. Depending on which survey is used, adult participation levels range from 20 per cent to 80 per cent. Reliable data on formal learning is collected at institutional level. But measuring participation across all forms of learning, including those which are neither publicly funded nor provided through formal educational institutions, is more problematic. The distinction between formal and informal learning is a very important one – for one thing, people who have not been successful in their initial education often prefer more informal modes, so there is a strong equity component. And informal types of learning in the workplace, for example mentoring, are increasingly common, though not always easy to capture. Without wanting to draw unhelpful lines around different types of learning, it is important to understand the basis for the different analyses.

Public value

One strand of the Inquiry's work looked specifically at the public value or 'social productivity' of lifelong learning – illustrating and attempting to quantify the benefits it brings, not only to learners, but to wider society in terms of health, crime reduction, poverty reduction and well-being. We must take care not to restrict analysis of expenditure on lifelong learning to its value to direct measures of participation, time use and qualifications. Learning secures a broader range of impacts and as our understanding of these develops, we should aim to show the contribution of

investment in lifelong learning to a broader range of economic and social goals.

Recommendations for further work

1. *Learning Through Life* calls for a **joint initiative between government and employers to improve the way expenditure on adult learning is recorded** as a basis for encouraging a more strategic approach to future investment decisions.

From our research, we know that work is already underway on public sector workforce development, through Government Skills; and that the creation of the Third Sector National Learning Alliance and Third Sector Research Centre offers the potential to strengthen the information available for the voluntary and community sector. In addition, *Learning Through Life* recommends that data on training performance and expenditure should be published in employers' annual accounts, linked to claims for corporation tax relief.

We propose a survey of individual investment in learning that is at least as comprehensive and detailed as that of the NESS on employer expenditure.

2. Our estimates of the cost of time spent learning have raised some key issues. There is no agreed methodology for calculating the opportunity cost of individuals' time invested in learning. We have adapted the approach used in the National Employer Skills Survey (NESS) and applied this to individual participation data from the National Adult Learning Survey (NALS), but believe this issue would merit further study as part of further work we recommend on valuing co-contributions to learning.
3. The conceptual framework for analysing expenditure on adult learning that emerged through the research offers a starting point for further studies – both nationally and locally. As a contribution to the Total Place initiative in local government, local authorities may find the framework useful in helping them analyse their expenditure on lifelong learning – for staff and citizens; and through local partnerships develop an overview of what is being spent in their locality on adult learning more generally, from public funds, and by employers, voluntary and community organisations and individuals.

Developing such an overview is not an end itself. It becomes a basis for:

- a. more systematic analysis of the distribution of learning opportunities and resources. We illustrate this with our life stages analysis, but this could equally be undertaken in relation to gender, socio/economic status⁴¹ and other factors; and
- b. securing greater 'social productivity' from expenditure on learning – re-thinking it as an investment in productive and sustainable outcomes across a range of public services.

⁴¹ The National Equality Panel's report *An Anatomy of Economic Inequality in the UK* (January 2010) provides useful population structure data for further analysis.

Annexe A

Corporation and PAYE tax relief on employer expenditure on training

Principal factors in determining Corporation Tax Relief:

- The number of firms registered for Corporation Tax: the National Audit Office estimated that there were 1.8 million businesses in the UK within the Corporation Tax system.
- The number making a profit and paying Corporation Tax: figures published in June 2008 by HM Revenue and Customs estimated that in 2005–06 around 875,000 businesses were Corporation Tax payers (48.6 per cent of registered firms).
- The proportion paying the main rate in 2007 of 30 per cent and the proportion paying the small companies rate of 20 per cent: a regulatory impact assessment by the Treasury of the proposed changes to Corporation Tax rates from 2008 suggested that 15 per cent of Corporation Tax payers paid at the main rate with the remainder paying at the small firms' rate.
- The amount of expenditure on training eligible for Corporation Tax relief: it is assumed that all of the expenditure on training by companies is eligible for tax relief – £30.2 billion.
- The amount claimed by those making a profit and paying Corporation Tax was the same percentage of the total expenditure on training as the share they represent of all businesses paying Corporation Tax: 48.6 per cent – £14.7 billion.

Key factors in the calculation of tax relief on expenditure by self-employed people investing in business-related training:

- Eligible expenditure on employee training (direct training costs plus the wages costs of trainees while undertaking training).
- Eligible expenditure on their own training (direct costs only).
- Proportion of self-employed people claiming tax relief at the 40 per cent rate (assume 1/5) and those claiming at the 20 per cent rate (therefore assume 4/5) (2007–08 figures).

Annexe B

Time-use data

Time and money go together, so to get a more detailed idea of how much time people spend on learning we commissioned an analysis of available data, drawn from detailed diaries. The diaries were kept by around 17,000 people as part of a UK Time Use Survey carried out by the ONS in 2000–2001.⁴² This is a large sample, but because the diaries only covered a single weekday and a weekend day, the actual number of people who recorded themselves as studying on the day in question was much smaller, at around 770. However, the big advantage of this dataset is that it goes into great detail: respondents completed the diaries by recording the way they used their time in ten-minute slots, with careful distinctions being made between primary and secondary activities. Therefore, although the information is now quite dated, this is a valuable complement to the broader-brush surveys referred to earlier.

The results confirmed many of the patterns listed above, in the class patterns of overall participation. For our purposes the key novel information is in the distribution by age group of time spent on formal and on informal learning. The results are shown in Table 19.

Table 19: Average hours of formal and informal study, by age group

	All (hours)	18–24 (hours)	25–49 (hours)	50+ (hours)
Formal study	50	303	32	6
Informal study	13	35	14	7
Base	16,967	1,798	7,904	7,265

Source: UK Time Use Survey, 2000; calculations by Muriel Egerton, Oxford University

This produces some surprisingly rounded ratios in the relative amounts of time spent by the three age groups. For formal learning, the ratios are almost exactly 50:5:1 – in other words, the youngest age group spent about ten times as much time in study as the middle age group, and fifty times as much as the oldest. For informal learning, they are exactly 5:2:1. The roundedness of the ratios is surprising, but comes directly from the data. The explanation for the scale of the age differences in time spent in formal learning is very obvious, namely that a high proportion of the under-25s are in full-time education. However, the fact that it is obvious does not take away from its significance, and we use these ratios to make some significant calculations on the balance of the system overall in Annexe C.

⁴² ONS (2000).

Annexe C

Calculating the opportunity cost of time spent on learning by individuals

NESS puts a value on time for the purpose of calculating employer expenditure on training by including the wage costs of employees undertaking training. This is viewed as a measure of the opportunity cost to employers in terms of lost output or level of service foregone during the time employees spend on training. The NESS 2007 reported 1.48 billion hours of training in England during 2007, and costed this at over £18 billion, or some 47 per cent of total employer expenditure on training. But this is only a proxy for the cost of the time. It presumes that all time spent on training leads to an equivalent loss of output, which is clearly not the case since much on-the-job training will lead to output as well as learning.

We also consider public expenditure on support for full-time students as a contribution to the cost of individuals' time when undertaking learning. This is seen in the approach to calculating rates of return for full-time study by individuals.⁴³

For comparative purposes for our study, the cost of time invested by individuals in learning should, therefore, be seen as the general equivalent of the type of expenditure by organisations through either financial support to learners or employee wages during training.

In order to calculate this, three prior steps were necessary:

- estimate the time spent by individuals in learning;
- deduct from that total the time spent by individuals which was paid for by their employer or from public student support funds when they were undertaking full-time study; and
- identify a proxy for the cost of time invested by individuals in learning.

Time spent on learning by individuals

NALS 2005 provides a broad estimate of the time spent on learning by individuals aged 16–69 not in continuous full-time education **undertaking taught learning** covering both the annual hours of teaching and the number of hours of associated self-study.

⁴³ The level of public financial support is deducted from the calculation of the opportunity cost of wages foregone in calculating the cost of study to the individual.

Table 20: Hours spent in taught learning on vocational and non-vocational programmes

	Average hours		Total hours
Hours per annum for all taught learners – tuition	95.4	Multiplied by 40 million 16–69-year-olds x 62% participation	1.5 billion
Hours per annum for all taught learners – self study	63.7	Multiplied by 40 million 16–69 year olds x 62% participation	1 billion
Total hours per annum in taught learning – tuition and self study		159.1	2.5 billion

Deducting the cost of employer-sponsored learning

NALS includes time spent in taught learning sponsored by employers which should already be covered by the NESS. However, in NALS 2005 on-the-job learning is associated with ‘self-directed learning’ (rather than the ‘taught learning’ referred to above) which implies that only the time element of off-the-job training within NESS should be offset against the individual investment in time to avoid over compensation.

Using NESS 2007 figures for off-the-job training wage costs, extrapolated to give a UK-wide figure and building in our higher estimate of public employer expenditure gives a figure of 753 million hours of off-the-job training provided by employers in 2007 to be deducted from the 2.5 billion NALS figure, giving 1.74 billion hours of net investment by individuals on taught courses. But this figure excludes the hours of study undertaken by those engaged in full-time continuous education.

Costing the individual investment of time in learning

NESS uses the estimates provided by employers of the average basic annual salary of employees undertaking training to produce national average figures for hourly wages costs. This hourly figure is then multiplied by the number of hours of training to produce national totals of trainee wages. The figure used seeks to capture the variation in the wages of those being trained, but the use of a single figure does not reflect the higher amounts of off-the-job training by senior and professional employees and the higher amounts of on-the-job training by more junior employees. This single figure approach also assumes that the lost output is the same for different kinds of training which we have already argued against.

We looked at three recent examples of approaches adopted by Government to the question of costing the time of individuals for different purposes: estimating the full cost of violent crime, the value of unpaid work undertaken by individuals, and the cost of travel delays. All these approaches are based on applying average figures that seek to capture variation in value across the population, but also to avoid the conclusion that the time of the unwaged has little or no value. As another example, in March 2009, a media story reported the estimated value of domestic work undertaken in the home to be around £30,000 per annum.

Our conclusion was to use a single average figure for the hourly cost of time invested by individuals in learning, but to seek to reflect variations in the cost of time by economic status.

To reflect these variations we used the Labour Force Survey which provides regular⁴⁴ updates of the pattern of economic activity across the UK.

Table 21: Distribution of UK adult (16+) population by economic activity Q3, 2008

Economic category	Number (000s)	Proportion of total
Employees	25,411	51.7%
Self-employed	3,795	7.7%
ILO unemployed	1,825	3.7%
Other	201	0.4%
Economically inactive (in full-time education)	1,995	4.1%
Economically inactive aged 64+ (men); 59+ (women)	9,989	20.3%
Other economically inactive	5,892	12.0%
Total	47,113	

For those in employment (nearly 60 per cent) we use the average wage costs from NESS – £12.26 per hour. With at least two-thirds of those studying full-time on Level 3 or above programmes, it is likely that they will be capable of securing well paid employment, so we therefore also apply the NESS figure of £12.26 to them. There will be wide variation around this average, depending on the level of the course being undertaken – those undertaking full-time postgraduate study, for example, might be expected to forego relatively high earnings.

The remainder of ‘economically inactive’ includes a wide range of people – from those actively seeking work, to women and men who have left the labour market to bring up their families, through disabled people of working age to retired people. For these groups, the NESS average of £12.26 probably isn’t appropriate. It’s tempting to say the notion of opportunity cost only makes sense if someone is in the labour market, but this suggests that the time of those not working is worthless. For some of this group – particularly those engaged only in self-directed learning – it might be argued the value of time should be zero, but for those with, for example, domestic responsibilities or volunteering duties, the cost of time invested in learning would be more significant.

In the absence of any alternative, we use the 2007 National Minimum Wage rate of £5.52 per hour as the basis for calculating the opportunity cost for the economically inactive. We do not treat state benefits, including the old age pension, as a public contribution to the cost of time invested in learning since they are paid irrespective of whether individuals undertake any learning or not.

⁴⁴ The data in Table 21 is based on the Q3 2008 Labour Force Survey.

Applying these hourly rates to the proportions of the population either economically active or inactive results in an estimated average opportunity cost of £9.80 per hour for the time invested in their own learning by all adult learners (see Table 22).

Table 22: Average opportunity cost of the time invested in their own learning by all adult learners

Economic category	Proportion of total	Opportunity cost (£ per hour)	Contribution (£ per hour)
Employees	51.7%	12.26	6.344
Self-employed	7.7%	12.26	0.948
ILO unemployed	3.7%	5.52	0.205
Other	0.4%	5.52	0.023
Economically inactive (in full-time education)	4.1%	12.26	0.498
Economically inactive aged 64+ (men), 59+ (women)	20.3%	5.52	1.123
Other Economically inactive	12.0%	5.52	0.662
Total			9.803

On the basis of the estimated hours spent in taught learning from the NALS (1.74 billion hours), the total opportunity cost is £17.1 billion.

But this excludes:

- those aged 16–69 in full-time adult further education or full-time undergraduate higher education, who are not included in the hours from the NALS survey; and
- those aged over 70.

Full-time students

While there is no precise measure of the time full-time undergraduates need to invest in learning, there are some reasonable guides:

- The Open University credit accumulation system says undergraduate students need to undertake the equivalent of 960 hours of study a year over three years, which is 32 hours a week for a 30-week year.
- A full-time adult FE student will do a minimum 15 hours' class contact for 30 weeks (450 guided learning hours per year) or more typically 15 hours for 36 weeks. If we assume one hour's private study for every hour of tuition we get around 1,080 hours per year.

Assuming 800,000 full-time undergraduates⁴⁵ and 200,000 adult FE students, the opportunity cost of the time invested at £9.80 per hour is £9.6 billion.

⁴⁵ Excluding nursing students who are outside the mainstream undergraduate finance system.

But this figure does not take account of the **public contribution** through higher education maintenance grants and loans and Adult Learner Support Grants. For the UK as a whole, this support totaled £4.57 billion in 2007–08 and this figure should therefore be deducted from the cost of time above, giving an opportunity cost of £5 billion.

One further adjustment is required to recognise the individual contribution to student loans, through repayments, which is not reflected in the £4.57 billion figure. Taking this into account adds an additional £2.5 billion to the estimated overall cost of time invested by individuals, giving a **final opportunity cost total for full-time students of £7.5 billion.**

The other group excluded from the NALS and the economic status classification was those aged 70 and over. Currently there are 7.1 million people aged 70 and over in the UK. The NALS 2005 data indicates they were about one-third as likely as the whole population (over 16) to have taken part in taught learning in the last three years, but, unsurprisingly, more likely to have taken non-vocational rather than vocational learning. Combining these factors with the standard cost of £9.69 per hour suggests an opportunity cost for this group of around £1 billion.

Table 23: Summary of contributions to the opportunity cost of time invested in learning by individuals in adult learning, 2007–08

	Opportunity cost (£ billion)
Taught learning for 16–69-year-olds (excluding full-time education)	17.1
Full-time HE and Adult FE (net of contribution from public funds)	7.5
Taught learning for those aged 70+	1
Total	25.6

Part 2:

Funding



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Introduction

The Commission of the Inquiry into the Future for Lifelong Learning has developed proposals for a more effective 'system' of lifelong learning, which culminated in the publication of its main report, *Learning Through Life*, in 2009. One key element of this more effective system of lifelong learning must be the mechanisms for funding.

The paper in this volume is designed to offer a framework for further discussion and exploration.

It is primarily concerned with the use of public money, although one key purpose of public investment in lifelong learning is to secure the maximum investment from other sources (individual, employer, third sector and charitable sources).

I make no assumptions about the total sum available for public investment in lifelong learning. This will change over time, sometimes in unpredictable ways, and one of the aims of any public funding model should be to maximise private investment. However, I am concerned with the balance between investment for different purposes, especially between learning to develop human, social and identity capital.

Summary

Current funding approaches do not produce optimal returns for public investment. They:

- do not support to some important lifelong learning needs;
- are unbalanced – across the life course, between different kinds and purposes of learning, and between different interested parties;
- are difficult to understand for all partners – inadequate information about what is available, on what terms and with what outcomes, discourages people from participating;
- are inefficient – by not maximising private investment, by using inappropriate measures of performance, and operating a dysfunctional ‘pseudo-market’;
- lead to under-investment by individuals and employers; and
- concentrate too much resource and risk on decisions made in late adolescence.

The degree of control which central government exercises in the system drives out other potential private investors, and results in the neglect of some important priorities.

A new model should seek to rebalance the distribution of funding in four ways:

- diversify stakeholder influence;
- distribute resources more equitably across the life phases;
- distribute resources more evenly between the three broad purposes of learning: individual autonomy and resilience, economic productivity, and social cohesion; and
- support a broad and flexible curricular range.

The underlying principles of a reformed system would be:

- **Trust** – trusting individuals and employers to make informed decisions about learning.
- **Subsidiarity** – devolving funding decisions to the most local level possible.
- **Recurrence** – providing opportunities to return and compensate for earlier mistakes.
- **Diversity** – allowing a range of voices to make decisions on priorities.
- **Sustainability** – providing a reasonable guarantee of continuity of learning and provision.
- **Simplicity** – maximising clarity and intelligibility.

A new model would be based on a clearer and more rational combination of demand- and supply-led funding mechanisms:

- supply-led funding to guarantee a threshold level of achievement, initial vocational education and learning for life crises;
- demand-led ('voucher', loan or 'learning account') funding for learning as a human right;
- continuing vocational learning; and
- learning for life phases.

The role of the partners should be more clearly defined:

- Government should be responsible for underlying infrastructure, distribution of funding to partners, and securing equity.
- Local Government should control a significant proportion of funding to meet learning needs related to local strategic priorities.
- FE colleges, as the major core providers in any area, should control significant funds to meet locally determined needs, in partnership with employers and Local Authorities.
- Individuals should have direct access to resource to meet general learning needs, including a 'right to learn entitlement', a 'ten year' entitlement, and a 'welcome entitlement'.

What is lifelong learning for?

Lifelong learning serves three interlocking purposes

Investment decisions in lifelong learning are complex, because the purposes of lifelong learning are themselves complex and unpredictable and reflect a range of interests. Most decisions to take part in learning involve risk and uncertainty, and the uncertainty of outcome makes all parties – individuals, employers and the state – reluctant to invest to the optimum level. A funding model needs to be sensitive both to the diversity of purposes and the unpredictability of outcomes.

For the individual, most learning involves elements of learning for three broad, and overlapping, purposes:

- Learning to make a contribution/vocational learning – acquiring the skills, knowledge and understanding needed for paid and unpaid work. This sort of learning is currently the main focus of Government investment and is traditionally described in terms of developing human capital. Human capital theory normally links this to paid employment, although in a world where retirement is extending, and unemployment rising (and the boundaries between the paid and unpaid work shift over time and between cultures¹), it may be more appropriate to think of it in terms of paid and unpaid contribution.
- Learning to be part of a community/social learning – learning the skills and understanding to be a constructive member of a community, be it family, neighbourhood, profession or trade, or nation. It helps build ‘social capital’, the complex range of networks and relationships which bind communities together, and enable them to work effectively to achieve common purposes. Community cohesion depends on the strength of social capital, but increasing geographical mobility, and growing diversity, makes it more difficult to build and maintain cohesion. Lifelong learning can provide opportunities for people to build trust and relationships by learning alongside people from different backgrounds.
- Learning for personal autonomy/personal learning – learning to develop one’s identity, and take control over one’s life. This is something which can be developed through many kinds of learning, and often through the way in which a subject is taught, rather than the subject itself.

These purposes are distinct, but they interlock and support each other – a productive and creative economy and society depends on everyone having a confident sense of their own identity, as well as good skills and knowledge, and the ability to work together (in paid and unpaid activity). If policy focuses too heavily on one of the

¹ For example, caring roles which are carried out in some cultures and countries by family members on an unpaid basis are carried out by paid employees in others.

dimensions, it may fail to keep them in balance, and result in less effective learning, even in the fields it is focusing on.

The link between outcome and overt purpose is not simple

Furthermore, outcomes are only partly predictable, and purpose and outcome are not necessarily linked in a simple way. Although it is customary to describe lifelong learning in terms of 'subjects' and course titles, the reality is always more complex. Apart, perhaps, from the most formally structured vocational training, course titles rarely provide a precise description of the aspirations of all the individual learners, the outcomes which they achieve and the purposes of the funder. It is important to understand this diversity in order to ensure that the 'system' responds to the real needs of individuals, employers and the wider community.

- Course titles do not necessarily match motives. Some people enrol on vocational programmes out of interest in the subject and with no intention of taking up the related occupation. Others join courses planned to be 'non-vocational' for very vocational reasons. Many people join classes in order to make friends and find people with shared interests. For some programmes there is a very close relationship between the stated purpose and the outcome for most (but rarely all), learners. For other programmes the link can be very loose.
- People may be reluctant to admit (or even be unaware of) their own motivation. Some will have been 'sent on a course' by their employer against their will. Others enrol because they are lonely or depressed, or because of an aspiration which they are unwilling to admit even to themselves, for fear of seeming to overreach or risk public failure.
- The starting point does not necessarily predict the destination. Taking part in any kind of learning increases the chances of going on to learn more, so if we wish to maximise learning, it is worth investing in first steps, whatever the subject (given some threshold quality criteria). People learn to read in ICT courses, and learn English in dressmaking courses. Similarly, in the course of learning, some individuals discover new abilities, enthusiasms and motivation, and study in one field becomes a springboard into something different.
- Funders have collective objectives as well as individual ones. Public health benefits, and the resulting reduction in health expenditure, are not usually mentioned in publicity for physical exercise courses. Government may support programmes in citizenship to wean young people away from terrorism, but they will not be advertised as such. Providing accessible places where a lot of people can come together in shared activity helps build social capital, but the individuals would not describe their purposes as improving 'social cohesion' (and might feel patronised by the suggestion).
- Long- and short-term outcomes of learning may be quite different. The correlation between the age of leaving initial education and life expectancy (after controlling

for factors like social class) suggests that initial education has some very long-term benefits which have never been adequately described, but these are rarely cited as a justification for investment. For most graduates, participation in higher education produces a significant economic return over a working life, but those who graduate during a recession may see little gain for years. People who learn how to learn in one subject area may (especially if supported) transfer those skills to another field altogether years later.

Why redistribute learning across the life course?

Commissioners have discussed the idea of reshaping our understanding of 'lifelong' in terms of four stages, each presenting a distinct set of challenges and opportunities, and each with implications for learning. The four stages are:²

- Childhood to adulthood (up to 25), a period which takes people from total dependence to an established adult identity;
- Mid life (25–50), a period when life for most people is focused around earning, building careers and raising children;
- Third age (50–75) – the transition out of paid employment into active retirement; and
- Fourth age (75+) – a phase of increasing dependency, when life choices become more constrained.

At present the large bulk of public funding is spent on the first of these stages, and almost nothing on the last two. This may seem rational: many of the social and economic problems which society faces have their roots in childhood, and in an ideal world, more, and more efficient, investment in early years education would reduce many kinds of social and educational disadvantages. However, a policy which concentrated all resources on the early years, or the first stage, would fail in three important ways:

- it would be inequitable, since it would systematically disadvantage those who have already left the initial education system, and did not have the chance to benefit from recent improvements;
- it would not enable all citizens to acquire the basic capabilities of active citizenship, since some young people are 'failed' by the initial education system, and they would have no means to remedy this. For this reason Government prioritises 'remedial' learning with the entitlement to free tuition for basic skills and a first full qualification; and

² The distinctive features of four stages are described in more detail in Annexe 2 to this paper. The age limits are indicative; we recognise that particular individuals make the transitions at a wide range of ages.

- it would fail to recognise technological, social and economic change, which makes skills and knowledge obsolete, and require new learning for new needs. Current policy largely leaves this to individuals and employers.

A substantial investment is therefore needed in learning across the life course, and the management of funding for the last three phases is the primary concern of this paper.

What is wrong with current approaches to funding?

It is both impossible and undesirable to attempt to tidy all lifelong learning into a single coherent managed structure. However, a better understanding of current approaches, and agreement on underlying principles, could lead to a 'system' which is more effective and efficient.

Current patterns of public investment in lifelong learning have complex historical roots. They reflect changing policy priorities and initiatives (of Government and others) over time, and do not form a coherent 'system'. There are a series of identifiable weaknesses in current arrangements, which a new model should seek to address.

The system is unbalanced

It is insensitive to many real needs

No education system can meet precisely what is needed by every participant. However, some important needs go unmet, while current provision sometimes does not meet a real need at all, or meets it in the wrong way, time or place. Above all, it often fails to deliver what individuals or employers think they want or need, in appropriate forms, times and locations.

Many learning needs – of individuals, the labour market, and society – identified through social and economic research and national policy debate do not manifest themselves as 'demand' for learning. In order to ensure that such needs are met, Government creates incentives for providers or learners. If such incentives are given too much weight, they reduce local initiative, and detach provider performance from real need. Persistent 'under-investment' by individuals and employers reflects a continuing sense that what is on offer is a response to a Government priority, rather than the needs of learners, firms and communities.

Since much decision making about priorities takes place a long way from the learner or the employer, signals about what is required are subject to a process of 'Chinese whispers': by the time providers are told what is required, time has passed, the message has become distorted, and sometimes the need has changed.

The allocation of resources for lifelong learning reflects a long series of historical processes, rather than a coherent overall strategy. There are a series of dimensions worth reviewing:

Imbalance across the life course. The large majority of public funding is spent on young people under 25, and almost no resource is spent on the needs of people in the last half of their adult lives (from 50 onwards), within or outside the labour market. Although, for decades, Government policy papers have argued for greater investment in post-initial education and training, recent policy has increased concentration of resources in the initial phase of life. In practice, most adults' 'entitlement' to publicly funded lifelong learning is based on a remedial model – guaranteeing all adults learning to the level of a 16-year-old school leaver, not to meet the new needs which emerge (predictably and unpredictably) across the life course.

Imbalance between kinds of education and training. There is major imbalance between contemporaries: young people who choose to go straight from school to full-time HE receive much greater public support than their contemporaries on vocational tracks, or those in prison (where the social returns to learning can be high).

Imbalance between purposes. The rationale for public investment of education funds, clearly stated in Education and Skills White Papers and elsewhere, rests on a view of the public interest based exclusively on human capital development, and the linked assumption that social inclusion is best achieved through employment.³ It does not sufficiently recognise social capital (which is seen as the responsibility of other Government departments) or personal development, which underpins human and social capital, but which has been increasingly downgraded in recent years).

Imbalance between subjects. Much more is spent on some subjects than others, and this is sometimes seen as inequitable. However, it remains true, for example, that training doctors will always be more expensive than training bricklayers. Courses requiring expensive workshops, laboratories, equipment or field work will necessarily be more expensive to provide than those which require only basic classrooms. Provided that there are no artificial barriers to access to education or careers in high-cost fields, such real differences are not an issue of equity.

Imbalance between interested parties. Public funding dominates formal lifelong learning, in both learner volume and expenditure. Apart from the training of public sector employees, it is almost all channelled through two, centralised national agencies.⁴ Although they seek to lever private funding, in practice they exercise monopoly power over the system. An FE college which ignores local employer needs, or individual demand, will not fail, provided it recruits individuals to courses prioritised by the LSC (whether or not those students then find jobs which use their new skills). By contrast, if it fails in the latter, it will fail absolutely, however much local employers value its work.

The concentration of funding limits the ability of governing bodies to articulate and steer responses to local/regional/national or stakeholder needs. There are unresolved

³ This argument had considerable force for people of 'working age' in a context of full employment. It does not address the issue of learning for people in retirement for as much as a third of their adult lives, nor to the growing numbers of unemployed people.

⁴ In England, the LSC and HEFCE, and their equivalents in other countries.

tensions between the various roles of a governing body – to protect the interests and survival of the institution, or of the learners or other ‘customers’ like employers, or of the local community, or to represent local or national demand for learning.

A further problem of an over-centralised system arises when key parties – individuals, employers and providers – do not understand, or accept, the policy priorities which they feel have been imposed on them, or when they believe that they are unachievable. This creates a powerful incentive to subvert the objectives, and distort the measures. Since the scale and complexity of the system means that the centre can never know accurately what is actually being delivered, this can lead to a tacit collusion, where the interests of teachers, institutions and those managing the system at the centre all share an interest in proving ‘success’, regardless of the reality.

It is difficult to understand

Information is inadequate

Any market requires good information, without which consumers will make suboptimal decisions (or no decisions at all). However, lifelong learning is extremely complicated. Information about what is available, and on what terms, is inadequate and difficult to access, especially for those least familiar with the world of education and training.

Any reformed system needs much better information for learners, funders and policy-makers, and advice and guidance for learners and employers.

It is too complicated

Funding systems and funding flows are so complex that few, if any, people have a clear grasp of the whole. This makes coherent policy-making difficult for learners and their advisers to make efficient use of the resources available, and sometimes leads unintended inequities. Complexities include:

- the ways in which public investment is channelled, with direct funding to support both demand and supply for different purposes (and sometimes for the same ones). Funding also flows indirectly through channels like corporation tax relief;
- Government also subsidises the living costs of learners to encourage participation for some kinds of learner, and some kinds of learning (e.g. Educational Maintenance Allowances); and
- some payments are direct grants to individuals, some ‘free’ enrolments, and some loans (with varying degrees of subsidy).

This makes it difficult to produce a coherent map of expenditure, or to establish how equitably resources are being deployed.

It is inefficient

It does not maximise private investment

Generating investment in lifelong learning is difficult because most of the returns are long term and uncertain, the costs are relatively high, in time, effort and personal commitment, and all parties tend to undervalue collective social benefits.

Individuals are most likely to invest in learning where the benefits are very clear (like kinds of vocational training where qualifications are required, or the return in income, status or interest are evident), or in learning with the most immediate benefits (enjoyable activities). Individuals tend to heavily discount long-term and uncertain returns, and those with the lowest levels of education and training have the least resource to invest. The problem is greatly exacerbated by a lack of reliable information on opportunities, risks and rewards.

Employers in general will only choose to invest in employee learning when the return is greater than a similar investment in capital equipment or process redesign etc., and when the returns are within the time frame of business planning, which can be decades, but is often only a few months. They may also be forced to invest by regulation (for example, the recent regulation of qualifications in the care sector has generated a very substantial growth in training and qualification). The largest employer investment is perhaps where learning is a matter of life and death (as with the massive investment in learning by the Armed Forces and the NHS).

The state has the longest time horizons, and should, therefore, be most committed to long-term needs. However, its investment is constrained by its desire to stimulate private contribution, to reduce public expenditure, and by the uncertainties of returns. It is also constrained by the short-term priorities of the political process – governments which neglect the pressure from the electorate (or the media as their proxy) for quick solutions do not last long. As a result, it is always subject to pressure to find simple, and short-term, solutions to complex long-term problems.

It uses inappropriate measures

The use of proxy measures, limited indicators of complex outcomes and nationally prescribed targets can lead to distortion of provision and of the evidence on which policy decisions are based. The most obvious (though not the only) example is the use of formal qualifications as a proxy for the capabilities required for particular work. There are several weaknesses in this approach:

- Employers and Government disagree about the value of qualifications. Employers generally value qualifications only as an entry selection tool, and see little value in encouraging existing workers to acquire further qualifications. Where they are exhorted to support qualification-bearing courses, they tend to expect incentives from the state, to deliver what they see as the state's priorities.

- Individuals do not understand the value of qualifications. Individuals see qualifications as valuable for career progression, although many have little demonstrable economic return.
- Skills and knowledge decay. Qualifications only demonstrate capability at the time of qualifying. They provide a threshold, a starting point for ongoing workplace learning. However, if unused, skills and knowledge decay over time, and the qualification does not provide good evidence to inform policy about the capabilities of the population or workforce at any given point.
- Qualifications are used for conflicting purposes. Government seeks to use qualifications for several distinct, and sometimes conflicting, purposes: evidence of competence at the point of qualification; a tool to compare individuals with each other; a tool for the allocation of funding; a measure of institutional performance; and a measure of the human capital in the economy. The interaction of these very different objectives creates risks to quality and relevance (misrepresentation and potential fraud), which can only be mitigated by audit and quality assurance systems which are expensive, both in direct costs and in working time foregone.

The 'market' is not real

Governments have sought, over at least two decades, to create some form of market in adult learning, aiming to stimulate increased investment by employers and individuals, with a key, but limited, funding role for the state itself. However, the pressure to meet specific national objectives, and the dominance of state funding in the budgets of most public providers, means that there is limited incentive for providers to develop a more responsive approach.⁵ From the perspective of Government, both employers and individuals under-invest, and this is generally attributed to a failure of responsiveness by providers.

Employers have persistently under-invested, and Government has repeatedly felt obliged to step in to make up the shortfall. By the time it does intervene, its response is not always perceived to address the real needs, and is often too late to be effective. What employers learn from this is that long-term strategic needs will, in the end, be met by the state, and they regularly 'call the Government's bluff'.

Individuals in general under-invest in education and training, partly because of perception of the relevance of what is on offer, and partly because of confusing signals about costs and benefits. Publicly funded provision has traditionally been very heavily subsidised, so those individuals who have taken part have an unrealistic perception of true costs, while those who have not participated do not see evidence of a return to justify the effort and cost.

The current system also seeks to promote a competitive market between providers, but in reality the public sector institutions play, and are always likely to play, a

⁵ Although some current policy shifts, including the replacement of the LSC with the new Funding Agency, and the flexing of Train to Gain, may address some of these issues.

dominant role. The Commission's study of private training providers demonstrates clearly that almost no private provider is as large as a medium-sized FE college, and almost all operate in very specific niche markets,⁶ whether it be for employer-funded IT training or courses in Pilates.⁷ Any model therefore needs to recognise a core role for FE colleges, with appropriate regulation to prevent single institutions driving out innovation or competition.

The market is further confused by the plethora of voices expressing views on what should be provided, how, where and why. Some of these are real stakeholders, in the sense that they are putting their own money into the system, or directly making use of the skills and knowledge acquired. Others, however, have no direct intention of contributing or benefiting, but nevertheless exert significant influence on the public debate.

⁶ See *The Private Training Market in the UK: IFLL Sector Paper 2* for more detail.

⁷ The principal exception is Government-funded provision for unemployed people, where there is a group of large private sector firms competing for Government contracts.

A reformed model – three key changes

Balance the needs of the three interest groups

Learning needs are not the same as demands. There are broadly three kinds of ‘need’ which should be met in some form, and to some degree:

- **Individual need** – what individuals need to build their identity, human and social capital. This includes: the things which individuals ‘demand’ unprompted; those which they may be persuaded would be valuable (by employers, the state or others); and those underlying needs which they may not be fully aware of (like social engagement or health education) which may be learned in the course of studying many ‘subjects’.
- **Employer need** – what firms need to be productive and profitable, including what employers perceive unprompted, and what they are persuaded to take up by Government, sector bodies, brokers and advisers who may take a longer-term view of labour supply and demand.
- **Community need** – what the wider community needs to be cohesive and stable, to be a rewarding place for its citizens, and to promote their well-being. This includes providing for learning needs which individuals themselves may not perceive or may be unwilling to pay for. It is important that learning for social cohesion is seen as a strategic role for local government, not just as ‘crisis’ interventions, in response to fears of social disorder or terrorism.

Some of these needs are best met through discrete educational programmes, which may be delivered in a variety of ways. Others are best met through ‘embedded’ provision, where learning happens in the course of everyday work or life, and where it is best facilitated by the creation of appropriate environments, support structures, and relationships between the individual and experienced colleagues.

Rebalance priorities

The Commission’s discussions have suggested that there is a need for a degree of ‘rebalancing’ of priorities within the system. The word ‘rebalancing’ has been chosen deliberately: I am not proposing a sudden transformation of the system. Rather, I propose a number of changes, to be achieved over a period. Our proposals are about the direction of change: the speed and distance of movement is a matter for debate. One key issue is how such debate should be conducted, and how much power the various voices should have.

There are five critical kinds of rebalancing:

- **Interest groups.** Rebalancing power between the various interested parties would create a more responsive system by reducing the monopoly power of national

Government and strengthening the voices of local communities, individuals and employers. This implies a change in the role of governance at local/institutional level.

- **Life course.** Rebalancing policy attention and resources across the life course, with a greater proportion of expenditure (public or private) being committed to people over 25,⁸ would reflect the need to compensate for gaps in earlier learning, and for the increasing pace of technological and social change, extending working lives and lengthening lifespan.
- **Purposes of learning.** Rebalancing policy attention between the various purposes of learning, proposes strengthening investment in forms of learning which build social and personal capital, relative to learning for human capital development (which has been an increasingly exclusive focus of public investment in the last decade). This would contribute to broader social objectives of individual empowerment and social cohesion.
- **Curriculum.** Rebalancing ‘curriculum’ would ensure that a range of learning opportunities is available in all areas to address the core capabilities of adult life: employability, finance, health and citizenship, a set of overarching qualities which support personal resilience, and learning to develop interests and enthusiasms.
- **Priority needs.** Rebalancing priorities would aim to ensure that the needs of priority groups are addressed, but without displacing a broad offer of opportunities to learn for all adults of all ages.

Fund supply and demand

Public funding can be channelled in one of two ways: by funding supply of opportunities, in the expectation that demand will then materialise; or by funding demand for learning, in the expectation that supply will respond.

- **Funding supply.** In a supply-led model, institutions receive money to provide and promote programmes, with some degree of central direction and monitoring. This model is familiar, makes management of funding simpler, and gives providers institutional stability, which allows long-term planning. It is probably better at providing for disadvantaged groups, and in fields where demand is inarticulate. It is simpler and cheaper to administer, and less vulnerable to fraud. Private funding can be levered in this model by charging a subsidised fee to learners or their employers. However, where funding is controlled by a single body, institutions can become unresponsive to local need, which discourages private investment, and does not incentivise innovation.
- **Funding demand.** A demand-led model gives money to individuals or employees to enable them to purchase learning, with varying degrees of incentive. In this

⁸ At present the overwhelming majority of public funding is devoted to this phase. A large part of what is usually counted as ‘adult learning’ is in fact spent on people in their early 20s.

case individuals or employers are given real or virtual 'vouchers' representing hypothecated funds to enable them to purchase education or training, by outright grant, loan or some form of matched investment. It can also include indirect incentives like tax relief.⁹ The use of a match-funding element might increase individual and employer investment. The demand model empowers individuals and probably makes provision more responsive to demand. It is likely to increase motivation and achievement, since the learner feels s/he has chosen the course, and can see its relevance. However, it makes the system much less stable, if individuals do not use their vouchers, and auditing requirements may be more expensive.

In view of the clear strengths and weaknesses of the two models any reformed system will need to incorporate elements of both. A way of achieving this is proposed in the next section of this paper.

⁹ Currently available, with relatively little policing, for large employers through Corporation Tax, but not for small firms or for individuals.

Moving to a new funding model

Although lifelong learning can be described as a 'system', it is better understood as an *ecological* system, in which all parts influence each other, rather than a machine, where a central driving force produces predictable change throughout. In reality, what is provided, to whom and on what terms depends on the decisions of many players: each deciding independently on what to offer, what to pay for, what to take part in, and on what terms.

However, the initiative to change the whole system can only come at a national level, and this section therefore focuses on what Government might do to ensure that the system as a whole better meets the needs outlined earlier in the paper.

Government does not have the power to control or dictate what happens throughout the system. Rather, its task should be to create the circumstances in which the whole can be as productive as possible, responding to many different and sometimes conflicting perceptions and priorities. The principles and priorities proposed in this paper aim to provide a basis for this. A model should recognise that there are some things which only Government can do, and that there are some priorities (like setting minimum entitlements) which need to be pursued on a national basis, but that many things are better decided at local or regional level.

The model proposed here is therefore based on the principles of subsidiarity and plurality, and on leadership rather than direction. Government should make sure that all interested parties are aware of issues, trends, needs and good practice, but decisions on what to provide, how, when and where should be made as near as possible to those most directly affected, and the decision should allow a range of voices to influence policy and practice. This approach would encourage the development of strategic responses to both local and national needs, and promote collaboration between a more evenly balanced set of potential funders for any given initiative. Individuals and employers would be able to contribute in partnership with providers to supplement their allocation of public money.

Describing an ideal system of this kind is intended to stimulate a debate, and start development in a particular direction. Inevitably, change takes time and negotiation, and it is not proposed that we could move suddenly from the current model, with all its strengths and weaknesses, to something entirely new. Even if the direction were to be agreed, change would take years. Nevertheless, the goal of a system which uses resources more effectively to meet the learning needs of all people at all ages is one worth pursuing.

A new funding model

Principles for a funding model

The central principles for a reformed funding system should be as follows.

Trust

A system should trust individuals and employers to understand their own learning needs, and make wise choices.

- The case for this is that a well-informed individual (or employer) is best placed to understand his or her real needs, and that individuals who feel in control of their own learning are much more likely to succeed at that learning. Conversely, individuals who do not see the purpose of the learning offered are unlikely to be motivated, and hence unlikely to be successful.
- This implies that policy should allow considerable scope for individuals to choose what they learn, even when this does not accord with the perceptions of Government, their employers or other interest groups. Such an approach is only feasible if individuals and employers have access to reliable, impartial advice and guidance, to find out what is available, to assess its relevance and likely returns. It does not imply that the state does not continue to seek to influence demand, and to pay for those kinds of learning which are deemed to be in the public interest. This principle is best supported by a demand-led funding model.

Subsidiarity

Planning decisions on what is offered, and on what terms, should be made as close to the individual learner or employer as possible.

- The closer decision making is to the learner, the more likely it is to be relevant, and to motivate, particularly if the learner and funder are both well informed about opportunities and likely outcomes.
- This implies a greater degree of discretion for learning providers and local government to make decisions at local level, and a degree of delegation of budgets (and discretion over their use) to those levels. This is likely to call for a strengthening of the skills and knowledge of the staff of those organisations. It also implies a clearer role for institutional governing bodies and Local Authorities in setting priorities at local level.

Recurrence

A system should allow people to make mistakes and try again.

- The outcomes of particular learning programmes and career choices are always uncertain and involve an element of risk. People change their minds, and their plans and circumstances change. Despite high motivation, some fail to achieve the desired outcomes. The element of risk deters individuals, employers and the state from investing time and money in learning unless the outcomes are fairly certain. In a funding system which concentrates all the investment in a single attempt, usually in adolescence, the risk of wrong choices is extremely high, and the 'wastage' in the system is costly.
- A truly lifelong system should ensure that investment is spread more evenly across the life course, making the risk of a single wrong decision less damaging for all concerned. This argues strongly for a rebalancing of resourcing across the life course, and for measures which maximise the total volume of investment in later life.

Diversity

No single party should have a dominant voice over what is provided, how, when and for whom.

- The concentration of funding in the hands of a single agency reduces responsiveness and diversity. Public funding should be divided to reflect the variety of national and local interests and needs, so that providers are encouraged to promote diversity and innovation. This will continue to include a major element to meet national priorities, or which require long-term planning, which will not emerge as direct demand from learners or employers. These include long-term skills needs (beyond the planning timescales of individual employers), and needs like supporting social cohesion. However, there should be a limit on the proportion of funding for provision which is under the direct, or indirect, control of central Government. This implies that a substantial proportion of the public funding devoted to general and vocational education (as distinct from the training of public sector employees), should be channelled either through local, rather than national, routes, or through demand.

Sustainability

It should not be possible for the range and nature of what is on offer in any locality to be destabilised at short notice.

- In the past there have been occasions when areas of provision have been closed, or particular kinds of learner excluded, as an unintended consequence of policy initiatives in other fields (for example, the concentration of resources on vocational programmes led to the unintended closure of provision for older people).

- A more collaborative and devolved model of funding should be able to anticipate and avoid such effects.

Simplicity

The overall system should be as simple as possible.

- Simplicity makes it easy for individuals, and employers to understand the opportunities available, and assess costs and benefits. It also enables managers and policy-makers to evaluate performance and understand and anticipate the impact of changes. Linked to this is administrative simplicity, to minimise transaction costs, which contribute nothing to the overall efficiency of the system.

These principles are, of course, rightly in tension with each other. We therefore need a plural model of funding, with different funds available to meet different needs, and funded through different channels. These need to be balanced in such a way that providers are not incentivised to respond only to one voice.

Policy objectives

The principles proposed above underpin any reformed structure. In the light of these, a funding model needs to achieve the following objectives.

Guarantee curriculum range. The range of provision which ought to be available in a given area needs to be determined by a combination of national, local, employer and individual priorities. Whatever mechanism is in place, it must allow for needs which are not yet articulated locally.

Secure equity. In order to address social inclusion concerns and to ensure that benefits are distributed equitably it may be necessary to weight funding for particular groups, communities or individuals. This could be achieved through weighting in either supply or demand models. A variety of stakeholders might wish to contribute funds to support particular client groups.

A second dimension of equity is securing the minimum educational entitlement for all. Everyone must be guaranteed access to whatever level of educational achievement is regarded as the norm for those leaving the initial compulsory education system.

Encourage diversity and innovation. The supply model encourages innovation in areas where demand is not vocal, as long as providers have incentives to experiment. The demand model encourages innovation where individuals have a strong sense of their learning needs, and feel that their needs might be met (which requires some change in public attitudes).

Secure stability. If a funding model destabilises the major providing institutions, all suffer. A core of institutional funding is therefore important, and some degree of continuity over time is required. This implies a significant proportion of core institutional funding.

Support quality. Funding systems must not undermine quality, but notions of what constitutes appropriate quality will vary between stakeholders. The demand model needs to ensure that vouchers can only be redeemed by suppliers who participate in an appropriate quality assurance system.

Monitor and evaluate system performance in a balanced way. Different stakeholders will have different ideas about purposes and achievements. Some outcomes are valuable despite never having been specified in advance. Measures of the performance of the system should be able to recognise this through monitoring in three complementary ways: through 'hard' measures (qualifications, participation rates), 'soft' measures (sample surveys of satisfaction and achievement are perceived by learners on completion); and indirect measures (of outcomes like well-being, to which learning can be a contributor).

Maximise private investment. The stronger the central direction, the less likely it is that individuals and employers will be inclined to invest. A strong element of demand funding, with limited constraints, is most likely to have this effect.

Control public expenditure. The management of the system must ensure that public money is being spent efficiently on legitimate activity.

Prevent fraud. It is easier to avoid financial irregularity in the supply model, where the sums are large and the activities readily traceable. However, it is possible to avoid this with appropriate controls on how vouchers can be spent (only with accredited suppliers who agree to participate in a regulated system of data collection).

Support a flexible credit system. A key issue is what funding pays for: the 'currency' of a funding system. The traditional model of payment for whole courses is relatively inflexible, and a credit-based system would allow for greater responsiveness and flexibility. The national systems for credit are converging, and could, in time, form a base for this. However, linking the award of credit to funding creates a conflict of interests which would need careful management.

Devolving funding

Table 1 is an attempt to translate the principles and objectives into a more coherent funding model. It proposes that some kinds of learning should be funded through demand and some through supply. It also proposes a clearer role for the state in a system where the state is a major, but not the only, player, and where many other interested parties will have views and leverage over what is provided and how.

Table 1: A coherent funding model

Type of learning	Objective	Current arrangement	Rationale
Funding through supply (providers)			
Basic entitlement	Ensuring that everyone has the chance to achieve the basic level of education, expected of the initial education system, and to be employable.	Current Government 'entitlement' provides this, on the basis of normal school leaving achievement at 16 (5 GCSEs / Level 2). However Government is in the process of raising this threshold by raising the effective leaving age for all to 18, and expects half of all young people to progress to Level 4.	Entitlement is universal and not open to market influence.
Initial professional/ vocational education	Ensuring an adequate supply and maintenance of particular skills.	The objective of much higher education and of Train to Gain. This represents the largest proportion of current public funding.	Needs can be nationally/regionally determined, and need to be planned for.
Crisis needs	Ensuring opportunities for people to learn to deal with major life events/life crises – relationship breakdown, redundancy/ unemployment.	Currently left to the market, except in relation to unemployment.	Provision needs to be there regardless of short-term market demand.
Fund through demand (individual vouchers, accounts, loans, etc.)			
Human right to learn – weighted for disadvantaged groups	Ensuring that everyone has access to, and encouragement to take up, some level of ongoing learning throughout life. Keeping people learning maintains their ability to learn and to see themselves as effective learners, and contributes to a range of other public policy objectives..	Currently left to the market. Much informal and non-formal learning takes place, but a third of all adults report no learning of any kind since leaving school, and only 40% have done so in the last three years. ¹⁰	Motivating individuals, strengthening 'ownership' of learning and maximising participation.
Continuing professional/ vocational learning	Ensuring an adequate supply and maintenance of particular skills.	Employers appear to persistently under invest.	To secure responsiveness to real need.
Life phases – associated with the phase changes (25, 50, 75), or the 'big 0', or 'tenth birthday' entitlement	Ensuring opportunities for people to learn to meet the major events of the various phases of the life course – labour market entry, maintaining relationships, child rearing, moving home, retirement, bereavement and dependency.	Labour market entry is relatively well funded. Other phases much less so, with much planning and delivery in the hands of other Government departments.	To associate learning with celebration of change.
A 'welcome entitlement' for people moving home (including internal and external migrants)	To make learning a core part of a new identity for people arriving in a new home/location.	None – new proposal.	To motivate people to integrate in a new community and to see learning as part of their new identity.

¹⁰ The NIACE Adult Participation in Learning Survey 2008 uses a very broad definition of 'learning'.

The role of Government

A model based on subsidiarity decisions should be devolved to the lowest possible level. In three cases, the lowest possible level has to be national.

- Some things can only be done by Government, because they require a national democratic mandate, or they involve the co-ordination of a nationally consistent service. For example, only Government can establish a credit framework to allow individuals to have skills and capabilities recognised anywhere in the country.
- Some things need to be done to reflect national needs which may not be delivered by local demand. For example, the nation requires a supply of doctors, whose training is too expensive and long term to be dependent on local initiative.
- Some things are required on grounds of equity. For example, no Government will allow local initiative to result in people being treated differently on grounds of sex or age.

Decisions on how to distribute national public funding can only be made by national Government. However, this can include the decision to transfer funds to other agents to carry out broad purposes with limited central control.

This gives Government three key, but distinct, roles as follows.

1. Underpinning framework

Only Government can secure the underpinning framework for lifelong learning, since no other agency has the democratic authority to do this, nor the overarching view. This should be seen as quite distinct from funding particular kinds of learning.

Elements of the national framework should include (there may be others):

- an agreed national 'curriculum model' to define the minimum range of learning opportunity which should be available in every area, against which adequacy can be measured. This should set minimum range, and should be developed through a wide consultative process to secure ownership at all levels;
- a single coherent credit framework, in which all qualifications can be located, to provide a comprehensible and flexible range of options for learners and funders;
- a system to recognise and accredit providers to be eligible for public funding;
- an accessible and high-quality advice and guidance service providing lifelong support to individuals to plan and manage their careers; and
- a stable set of major institutions of lifelong learning covering the whole country. These will require core funding to secure their long-term stability (which should allow for the addition of new providers and the failure of existing ones). The fixed costs of running such institutions should be seen as separate from the variable costs of running particular programmes.

2. Distribute funding for learning

Government should put in place a model which invests public funding in such a way as to maximise total learning, and lever maximum private investment. Funds for learning should be channelled in such a way that all the major interest groups have a substantial resource, removing the monopoly power currently exerted by the national funding agencies. This means that a substantial proportion of the funds that were managed by the LSC (now the Funding Agency) should be channelled through Local Authorities and FE Colleges with only limited central control.

This should include the following:

Funding supply – to meet national priorities, which include:

- the basic entitlement (equivalent to what is expected as the school leaving level of education);
- national economic priorities; and
- 'life crisis' provision.

This funding will not be equally distributed between individuals, since some national needs are more expensive than others.

Funding demand – to support individually managed learning:

- guarantee learning as a human right;
- meet the needs of the life phases; and
- provide the 'welcome entitlement'.

Unlike the supply-led funding, demand-led funds should be equally divided across all groups and individuals across the life course. Funding mechanisms should be designed to encourage people to use their entitlement across the life course, perhaps by the 'big O' voucher, or by tying vouchers to the four life stages.

3. Securing equity

Thirdly, Government needs to create mechanisms to ensure that individuals who would not otherwise be able to do so, can take part (through grants, loans, vouchers, tax relief, etc), that individuals are treated equitably, and that there are mechanisms for remedying disadvantage. This is a primary role for the state, although the mechanics of regulation and administration may be devolved to other agencies (like the Student Loans Company).

The role of Local Authorities

A significant proportion of the national budget for lifelong learning should be in the hands of Local Authorities, with a remit to use it to secure an adequate and appropriate range and quality of provision within their area, in line with the strategic priorities of that area.

The role of FE colleges

A significant proportion of the national budget for lifelong learning should be in the hands of the governing bodies of the major FE colleges.¹¹

The role of employers

Employers would be supported with public money for learning which meets national or local objectives through the funds allocated to Local Authorities, FE colleges or HE institutions.

The role of individuals

Individuals would have access to free education to the level of the basic school-leaving equivalent entitlement. They would also receive funding through some form of learning account, earmarked for learning through accredited providers. This would include:

- a lifetime fund to support a minimum amount of continuing education, vocational and general across the life course, over which they would have complete discretion over subject, mode of study etc;
- a regular supplement to this entitlement either every ten years or at the three life stage points – 25, 50 and 75. This would serve as a reminder of the need and opportunity to continue learning; and
- a welcome entitlement, paid whenever they move to a new area, to make learning a part of their new identity in a new area, and help them to make initial contacts in a new community.

¹¹ In most of the country this is relatively simple, since there is only one major FE institution. In areas where there are several, funding would need to be organised in a way which encouraged collaboration.

Annexe 1:

Lifelong Loans and Lifelong Learning Accounts

A key issue is how to encourage individuals to invest in their own learning, especially when costs are high and returns are delivered over the long term. In higher education this issue is addressed through the Loan Scheme. This operates as an income contingent loan. An individual's repayment is set at a fixed proportion of earnings, and repayment is only made when income reaches a threshold level (which protects those who gain no financial benefit from their degree). The current scheme has a zero rate of interest, and there is a cut-off date after which the loan is cancelled, 25 years after graduation. The net return to the taxpayer is about 50 per cent.

Extending this scheme to all learners would represent a very large cost to the taxpayer. However, such a scheme could be introduced if there was a real rate of interest. A possible model could be based on the following principles:

- A loan to cover tuition and living costs – subject to a maximum loan related to the nature of the programme – to avoid unrealistically large loans.
- Interest charged from the time of issue at a low, but real rate.
- Repayment based on a maximum proportion of earnings.
- A cut-off date, after which the loan is cancelled.
- Repayment holiday (with interest frozen) for those who are unemployed or taking on caring roles.

A loan scheme could operate as part of a lifelong learning account, in which people could accumulate funds from state, employer, personal money and loans. This would be very different from the current Government scheme of 'Skills Accounts' which are essentially a formal record of entitlements that already exist (Level 2/3 qualifications, Skills for Life, etc.).

Annexe 2: The Four-Stage Model

Commissioners have discussed the idea of reshaping our understanding of 'lifelong' in terms of four phases, each presenting a distinct set of challenges and opportunities, and each with implications for learning. The four stages are:¹²

- **Childhood to adulthood (up to 25).** A period which takes people from total dependence to total independence. During the stage from 16 to 25 most young people experience considerable turbulence, while they develop a relatively stable adult identity in a rapidly changing and uncertain world. This instability now affects most young people, whatever their social and educational background, and the effects will be strengthened by recession.
- **Mid life (25–50).** A period when life for most people is focused on earning, building careers and raising children.
- **Third age (50–75).** The transition out of employment into retirement. A phase when many people have more choice over the use of their time, and face decisions on when to retire, and how to use the expanding years of 'retirement'.¹³
- **Fourth age (75+).** A phase of increasing dependency, when life choices become more limited, mainly as a result of growing disability. Although most people in this phase continue to live independently, fewer than one in ten ever go into residential care, and some remain economically active into their 90s).

¹² The age limits are indicative; we recognise that particular individuals make the transitions at a wide range of ages.

¹³ On current projections, this stage of life will grow soon to form a third of most peoples' adult lives.

Annexe:

Overview of participation in adult learning



Introduction

This annexe provides a summary of data on participation in adult learning. It highlights the key sources of data on which the stocktake is based, providing an overview of the headline participation figures from each of these sources, before going on to discuss patterns of participation in relation to a range of demographic variables.

In the final section, this annexe includes a breakdown of participation according to *Learning Through Life's* four-stage approach. This reveals some significant patterns.

Measuring adult participation in learning

Over recent decades increasing efforts have been made to measure adult participation in learning: determining an exact level of participation has proved to be difficult, however, with variation between results of different data sources affected by target population, definition of learning, reference period and methodology.

Despite the difficulties in measuring participation, it remains important to do so. Firstly because participation in learning is associated with personal, social and economic benefits, and secondly, from an equity perspective, we want to be able to understand who participates in what form of learning and why, and who does not.

The main sources of data used to measure adult participation in learning in the UK are:

- **population surveys**, such as the Labour Force Survey (LFS), the National Adult Learning Surveys (NALS) and NIACE's Adult Participation in Learning Survey;
- **employer surveys**, such as the National Employer Skills Survey (NESS);
- **administrative data**, such as those collected by the Learning and Skills Council (LSC), the Higher Education Statistics Agency (HESA) and their counterparts across the four nations of the UK.

This annexe draws on the key data sources featured in the following section. Data on participation in learning are also available from other sources, including large datasets such as the national cohort studies, as well as smaller regional and local studies.

Key data sources

The **Labour Force Survey (LFS)** is a quarterly sample survey of households living at private addresses in Great Britain, yielding responses from around 15,000 households each quarter. Its purpose is to provide information on the labour market that can then be used to develop, manage, evaluate and report on labour market policies. The survey covers adults aged 16+ in Great Britain. Results are combined with a similar survey in Northern Ireland to provide UK figures. Within the survey, questions on participation in learning include: enrolment on education courses; job-related training or education in the last three months; job-related training or education in the last four weeks; job-related training in the last week; participation in adult learning by type (i.e. taught or non-taught).

The **National Adult Learning Survey (NALS)** was introduced in 1997 to monitor the effectiveness of the government's adult learning policies and its progress in meeting national learning targets for adult participation. Additional surveys have since been undertaken in 2001, 2002 and 2005. The survey covers around 5,000 adults aged 16+ in England and Wales, excluding those in continuous full-time education. The NALS series uses a broad definition of learning, categorised as taught or self-directed learning, with respondents being asked about participation in learning during the previous three years or since leaving continuous full-time education, whichever was shorter.

The current questions and definition of learning used by NIACE were first adopted in the 1966 **NIACE Adult Participation in Learning Survey**. Annual surveys to document adult participation in learning in the UK have been undertaken annually since 1999. The surveys covers around 5,000 adults aged 17+ across the UK. Using a broad definition of learning, respondents are asked about participation in learning during the previous three years.

The **National Employer Skills Survey (NESS)** was commissioned by the LSC to provide detailed information from employers in England on skills deficiencies and workforce development to serve as a common basis to develop policy and assess the impact of skills initiatives. The 2007 survey, which incorporates responses from over 79,000 employers, builds on those undertaken in 2003, 2004 and 2005. Questions relating to participation in learning include: funding or arrangement of off-the-job training; funding or arrangement of on-the-job training; number of staff for whom training has been arranged.

Administrative data on adult participation in learning is collected by a range of agencies including the following:

- The Learning and Skills Council in England collected data from providers in receipt of further education (FE), work-based learning (WBL) or adult and community learning (ACL) funding, and from providers funded by the European Social Fund through its Individual Learner Record procedures. This work is, from April 2010, likely to be the responsibility of the Funding Agency and the Young People's Learning Agency (YPLA).
- The Higher Education Statistics Agency, in collaboration with DIUS, the Welsh Assembly Government, the Scottish Government and the Department for Employment and Learning Northern Ireland collects and releases data on student enrolments obtained by higher education students at HE institutions in the UK.

Participation in formal learning

Data on participation in formal learning is collected at an institutional level and collated by education departments and their agencies for public release. While datasets are usually available on request for further analysis, Statistical First Releases do not always provide a sufficiently detailed breakdown of the data by age (or other demographic variables) to enable easy identification of patterns of participation across the life course.

Provisional figures show that in 2007–08 1,026,500 learners aged 16 to 18 and 3,095,400 learners aged 19 and over participated in LSC-funded learning (excluding higher education). The latter figure represents a 2.7 per cent decrease from 2006–07. As Table 1 demonstrates, the 2007–08 figures continued a perceptible downward trend in adult participation on LSC-funded provision, especially among learners aged 60 and over.

Table 1: Participation in LSC-funded learning provision in England, 2004–2007

	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change in learner numbers 2004–2007	
				(000s)	Percentage
All learners	5,589.0	4,910.9	4,192.1	-1,396.9	-25.0%
Learners aged 19+	4,547.1	3,885.8	3,166.5	-1,380.6	-30.4%
Learners aged 25+	3,731.1	3,137.7	2,509.7	-1,221.4	-32.7%
Learners aged 60+	592.1	476.2	359.7	-232.4	-39.3%

Source: LSC (2007) *Further Education, Work Based Learning, Train to Gain and Adult Safeguarded Learning – Learner Numbers in England 2006/07*

In 2007–08 the total number of HE enrolments at UK HE institutions stood at 2,306,105. Sixty-four per cent of all enrolments were full time and 36 per cent were part time. Since 2003–04 enrolments have increased by 4.8 per cent overall and by 8.7 per cent among full-time students. Over the same period part-time enrolments declined by 1.5 per cent. In 2006–07, 21 per cent of full-time enrolments and 82 per cent of part-time enrolments were over 25 years of age.

Participation in any learning

Measuring participation across all forms of learning, including those which are neither publicly funded nor provided through formal educational institutions, is more problematic. In order to identify the proportion and profile of the population engaged in learning, the National Adult Learning Survey and the NIACE Adult Participation in Learning Survey incorporate questions into their national population surveys to identify learning participation in the previous three years.

In 2008, the NIACE survey reported that one in five adults were currently learning (20 per cent) with 38 per cent having participated in some learning activity during the last three years. This equates to nearly 18.5 million adult learners across the UK. Thirty-six per cent of respondents, the equivalent of around 17.5 million UK adults, reported not having participated in learning since leaving full-time education. Since the series began in 1996, the survey has consistently shown around two-fifths of respondents reporting participation in learning (see Table 2).

Table 2: Participation in learning: NIACE Adult Participation in Learning Survey 1996–2008

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
All current or recent learning	40%	40%	41%	46%	42%	39%	38%	42%	42%	41%	38%

The most recent survey in the NALS series was undertaken in 2005. The survey showed that 80 per cent of adults aged 16–69 not in continuous full-time education had participated in learning over the previous three years, with 69 per cent of respondents reporting learning in the last twelve months. In recent years the English Local Labour Force Survey (ELLFS) has also adopted the NALS questions on learning, with broadly consistent results between the two surveys (see Table 3).

Within NALS, a distinction is made between whether learning is taught or self directed, and between whether it is vocational or non-vocational. Between 1997 and 2005, the proportion of taught learners rose from 58 to 62 per cent, participation in self-directed learning rose from 57 to 65 per cent and participation in vocational learning rose from 67 to 73 per cent. Between 1997 and 2001 participation in non-vocational learning fell from 30 to 25 per cent and has remained unchanged since then.

Table 3: Participation in learning – NALS and ELLFS (1997–2005)

	NALS 1997	ELLFS 2000/1	NALS 2001	ELLFS 2001/2	NALS 2002	ELLFS 2002/3	ELLFS 2003/4	NALS 2006
Learning participation in the last three years	73.6%	73.9%	75.6%	75.7%	76.4%	77.3%	75.9%	80.2%

As Table 3 shows, the NALS question generates much higher levels of participation in learning than found in the NIACE series. While at first sight, the difference in

participation rates between these surveys appear puzzling – both surveys take a similarly broad and inclusive approach to their definition of learning, including taught and self-directed learning, carried out recently or in the last three years – the most likely explanation for the difference is that while the NIACE survey provides a single statement of what is in scope, NALS provides respondents with ten opportunities, each prompted by a short question, to recognise experiences in their lives as episodes of learning. As a result, the gap between the two surveys is thought to usefully capture the difference between overall participation and people’s perception of themselves as learners and potential learners, with the NIACE series less likely to capture shorter and more informal episodes of learning.

Participation in work-related learning

While both NALS and the NIACE series of surveys ask respondents a range of questions to determine whether or not their learning is vocational, the most notable sources of data on job-related education and training (JRET) are the Labour Force Survey (LFS) and the National Employer Skills Survey (NESS). The former asks individuals, on a quarterly basis, about their participation in JRET in the previous 13 and four weeks, while the latter asks employers about the funding and provision of training in the previous 12 months. Interestingly, the two data sources provide different estimates as to the number of employees who receive such training over any one year.

In 2007, the National Employer Skills Survey reported that 67 per cent of employers provided training and development for their staff over the previous 12 months, with 46 per cent providing off-the-job training and 54 per cent providing on-the-job training for their employees. Sixty-three per cent of all employees – a little under 14 million adults in England – were reported to have received training. Table 4 shows an increase, both in the proportion of establishments training staff and in the proportion of employees trained since the current series began in 2003.

Table 4: Training and workforce development activity – NESS, 2001–2007

	NESS 2001	NESS 2003	NESS 2004	NESS 2005	NESS 2007
Establishments training staff over the last 12 months	n/a	59%	64%	65%	67%
Establishments providing off-the-job training in the last 12 months	35%	n/a	47%	46%	46%
Employees trained per 1,000 employees	n/a	567	609	609	628

Each quarter, LFS respondents are asked whether they have participated in learning during the 13 weeks prior to the interview taking place. In contrast to the NESS data, within the five-quarter LFS dataset (January 2007–March 2008) 25.5 per cent of respondents of working age in employment reported participating in job-related education and training during this period, equivalent to just over 7.5 million adults across the UK.

Patterns of participation

As well as providing information on overall levels of participation, analysis of the data also enables the identification of patterns of participation in relation to a number of demographic, educational and employment variables. Some of the patterns identified within both the NIACE and NALS data include the following:

- **Gender:** NALS shows that men are more likely than women to engage in learning, while the NIACE surveys shows that men and women are equally likely to be learning.
- **Age:** participation in learning declines with age (NALS and NIACE).
- **Disability:** participation among people with a disability is lower than among those without (NALS).
- **Terminal age of education:** there is a positive association between years of initial education and participation in learning as an adult (NALS and NIACE).
- **Highest level of qualification:** there is a positive association between highest qualification and propensity to learn (NALS and NIACE).
- **Socio-economic class:** those in higher socio-economic groups are more likely to participate in learning (NIACE).
- **Employment status:** those in paid employment or who are registered as being unemployed are most likely to participate in learning (NALS and NIACE).
- **Occupational status:** those in managerial and professional occupations are most likely to participate in learning (NALS and NIACE).
- **Income:** participation in learning is positively associated with household income (NALS).
- **Benefits:** respondents not dependent on means-tested benefits are more likely to report learning than those on benefits (NALS and NIACE).

Participation across the life stages

One of the principal recommendations emerging from *Learning Through Life* is that the distribution of learning opportunities across the life course should take as its starting point a division into four quarters: <25, 25–40, 50–75 and 75+. One of the key implications of this restructuring would be a revision of the collection and analysis of public data on education and training to be consistent with this structure. The following tables, based on the 2008 NIACE Adult Participation in Learning Survey provide a first look at what information such an analysis might provide.

The NIACE survey shows that, in general, the older people are, the less likely they are to participate in learning, with 79 per cent of 17–19-year-olds and 60 per cent of 20–24-year-olds reporting participation in learning. This compares with just under half of the rest of the working-age population, followed by a steep decline in participation among those aged 55 and over. Since the series began, the smooth decline in participation across age groups has been replaced by marked differences between young adults, those of working age – where levels of participation have become more uniform – and adults aged 55+.

Using the four-stage model recommended in *Learning Through Life*, Table 5 shows that two-thirds of respondents in the first quarter are learning, compared with 45 per cent of respondents aged 25–49, 27 per cent of respondents aged 50–74 and 11 per cent of those aged 75 and over.

Table 5: Participation in learning across the four life stages: NIACE Adult Participation in Learning Survey, 2008

	17–24	25–49	50–74	75+
All current or recent learning	67%	45%	27%	11%

The NIACE survey does not show any statistically significant difference in the overall participation rates of men and women. When the survey series began in 1996, men (43 per cent) were slightly more likely than women (38 per cent) to be engaged in learning. Since then, the gender gap has reversed and become narrower, with 38 per cent of men and 39 per cent of women reporting participation in learning in 2008.

Applying the four-stage treatment, Table 6 shows that in the first and fourth quarters of the life course, men are more likely than women to participate in learning. Between the ages of 25 and 74, however, a higher proportion of women than men are engaged in learning.

Table 6: Participation in learning across the four life stages, by gender – NIACE Adult Participation in Learning Survey, 2008

	17-24	25-49	50-74	75+
Men	67.6%	43.6%	24.7%	12.4%
Women	66.1%	45.4%	29.5%	9.4%

The NIACE survey suggests that socio-economic class is a key determinant of adult participation in learning, with the 2008 survey showing a statistically significant difference in the participation rates of adults in socio-economic groups ABC1 from C2s and again from DEs. As a result, adults in the highest socio-economic groups are around twice as likely to be learning as those in groups DE.

Using the four-stage approach, Table 7 shows that respondents in higher socio-economic groups are more likely to participate in learning across each of the life stages. The greatest gap in participation between those in the lowest and highest socio-economic groups is found in the first quarter of the life course. By the second quarter, the gap closes somewhat, although it increases again in the third quarter as participation rates of C2 and DEs drop off considerably. By the fourth quarter the key divide is between ABs, a quarter of whom continue to participate in learning, and other older adults.

Table 7: Participation in learning across the four life phases, by socio-economic class– NIACE Adult Participation in Learning Survey, 2008

	17-24	25-49	50-74	75+
AB	86.4%	55.3%	43.2%	24.3%
C1	75.8%	48.3%	34.0%	12.5%
C2	64.1%	39.2%	19.4%	8.1%
DE	50.0%	35.4%	15.2%	5.6%