

March 2019

Personal Education and Skills Accounts

**Recommendations from the Independent
Commission on Lifelong Learning**

March 2019

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Introduction

In 1919, the Lloyd George government's Ministry of Reconstruction published the *Report on Adult Education*. The report set out the fundamental importance of educational opportunities throughout life:

*Adult education is a permanent national necessity, an inseparable aspect of citizenship, and therefore should be both universal and lifelong.*¹

Today, access to learning throughout life is no less vital for individuals or for society as a whole. But sadly, a century on, the aspirations set out in the 1919 report for an education system which is truly "universal and lifelong" is no closer to being a reality.

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Giving people access to learning and training opportunities throughout their lives has immense benefits, from better employment opportunities to improved health outcomes.

Public Health England has noted that "adults participating in adult learning courses in the community show enhanced social capital."² Research by the Learning and Work Institute found that the benefits of adult learning include an improved ability to understand and manage one's health, increased life expectancy, more opportunities for career progression, increased productivity in the workplace and increased participation in society, culture and the arts.³ The WEA in 2018 similarly found huge benefits for adult learners, as well as their families and the wider community. Two in five adult learners they surveyed said learning gave them a heightened sense of belonging to their community, a similar proportion gained a greater understanding of other cultures and almost three in five felt more confidence in helping their children to learn.⁴

In addition to these significant personal benefits, there are clear advantages to the country of having a highly educated workforce, equipped with the skills to thrive in a modern economy. *The Economist* published a report in 2017 which argued that technological change was making lifelong learning an economic imperative because workers will need to develop new skills to meet the changing needs in the job market.⁵

¹ WEA, *Ministry of Reconstruction's Final Report on Adult Education*, available via: <https://www.wea.org.uk/news-events/blogs/ministry-reconstructions-final-report-adult-education>

² Public Health England, *Local action on health inequalities: Adult learning services*, 2014, available via: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/635837/Skills_and_lifelong_learning_-_the_benefits_of_adult_learning_-_schuller_-_final.pdf

³ Learning and Work Institute, *Healthy, Wealthy and Wise: The impact of adult learning across the UK 2015-17*, 2017, available via: <https://www.learningandwork.org.uk/wp-content/uploads/2018/04/LW-EU-Report-April-2018.pdf>

⁴ WEA, *Empowering adults through education*, 2018, available via: https://www.wea.org.uk/sites/default/files/WEA_Impact_Report_2018.pdf

⁵ Palmer, A. 2017. 'Lifelong learning is becoming an economic imperative'. *The Economist*, January 2017

The UK government's own Industrial Strategy includes commitments to improve technical education and make sure that "people have the opportunity to learn and train throughout their working lives."⁶ In the Greater Manchester strategy *Our People, Our Place*, an explicit objective is set to: "better capitalise on the talents of older residents and combat poverty later in life, [by] increas[ing] economic participation amongst the over 50s... Increasing the employment rate of the over 50s to the all-age average in Greater Manchester could increase Gross Value Added (GVA) by almost £1bn each year".⁷

The benefits of adult learning are already evident in the jobs market. More than four out of five adult learners surveyed by the WEA said that their course "boosted the skills they need for work" and nearly half of those who were unemployed when they began the course "gained a job as a result of their course."⁸

Yet despite these benefits, over the last decade, only around one in five adults took part in learning in any given year. As the House of Lords Economic Affairs Committee notes in their 2018 report, *Treating Students Fairly: The Economics of Post-School Education*:

*Part-time study and adult learning have declined dramatically... This neglect of part-time and mature students is short sighted: flexible learning is important for mature students looking to learn new skills to adapt to changes in the labour market and working practices.*⁹

We must, therefore, do more to create an education system which genuinely supports learning at every stage of life. It is this shared belief which has brought this Commission together and which underpins the recommendations we have set out.

The case for Personal Education and Skills Accounts

Any one of us might one day need the opportunity to return to education or training: whether difficult family circumstances prevent a child from thriving at school, a young adult starts out on a career path which turns out to be the wrong one for them or an experienced professional finds the path to promotion blocked because they lack a certain qualification. As we work for longer – a third of us now expect to retire after our 70th birthday¹⁰ – and the pace of economic and technological change increases, the

⁶ HM Government. 2017. *Industrial Strategy. Building a Britain fit for the future*. London, HMSO, p.99

⁷ Greater Manchester Combined Authority, *Our People, Our Place: The Greater Manchester Strategy*, 2018, available via:

<https://www.greatermanchester-ca.gov.uk/ourpeopleourplace>

⁸ WEA, *Empowering adults through education*, 2018, available via:

https://www.wea.org.uk/sites/default/files/WEA_Impact_Report_2018.pdf

⁹ House of Lords Economic Affairs Committee, *Treating Students Fairly: The Economics of Post-School Education*, 2018, available via:

<https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/139/139.pdf>

¹⁰ The Independent, *Number of people retiring after age 70 doubles since 2010*, 2018, available via:

<https://www.independent.co.uk/money/spend-save/retirement-late-number-age-70-pension-work-longer-a8266461.html>

need to retrain and update our skills during our working lives is ever more vital. It should be a government priority to facilitate this.

In the most basic terms, everyone should have continuing opportunities to learn, retrain and upskill.

For every person who is unable to follow their passions or fulfil their potential because they cannot access learning and training, there is an economic and human cost which is unacceptably high. Policymakers of all political parties must think creatively about how to increase opportunities for, and nurture a culture of, all-age learning.

This report sets out a vision for a culture of all-age learning in England, at the centre of which is a nationally available Personal Education and Skills Account (PESA).

The PESA would be an account opened at the age of 18 for adults in England, topped up with government funding, to help access learning and training opportunities throughout life.

We believe that PESAs would widen access to adult learning and transform the landscape of post-18 education while putting the further education and skills sectors on a more sustainable financial footing.

The accounts will address how funding is often a major barrier for adults to access learning opportunities; in the government's 2010 National Adult Learner survey, nearly three in five people cited cost as a barrier to learning.¹¹ The Commission believes that additional government-backed loans cannot be the full solution. Given that around two in five mature students are over 30 and have work, mortgage, or family responsibilities,¹² they are unlikely to be attracted to a scheme that requires them to take on more personal debt in order to participate in further study.

PESAs for all would, therefore, vastly improve the ability of many people to afford to participate in adult learning and skills. Of course, many factors other than finance, such as a lack of confidence and difficulties in accessing courses, also play a role in deterring people from adult learning. By building in careers guidance into our proposals the model we recommend for a PESA aims to address some of these factors too.

PESAs are only one part of this picture, but we believe that they would have a very positive impact. Our Commission will make further recommendations in subsequent reports on other issues which affect the ability of people to access learning throughout life.

¹¹ Department for Business, Innovation and Skills, *National Adult Learner Survey 2010, 2012*, available via: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/34798/12-p164-national-adult-learner-survey-2010.pdf

¹² UCAS, *Mature undergraduate students*, 2018, available via: <https://www.ucas.com/ucas/undergraduate/getting-started/mature-undergraduate-students>

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The Commission was convened by the Leader of the Liberal Democrats, Sir Vince Cable MP, and the party has provided some staff support. Some Commission members also have links to the party.

However, our recommendations have been arrived at independently and are our own conclusions based on our professional backgrounds in the fields of education and skills.

It should be noted that while the recommendations in this report reflect the collective views of the Commission, individual members may not agree with every observation or recommendation. The report also does not necessarily represent the views of the organisations with which the Commission members are affiliated.

We hope this is a timely proposal which will be of interest to politicians of all parties and to many others, helping to reignite a vital discussion about learning and skills across our country.

Overview of recommendations

- **Introduce a universal Personal Education and Skills Account (PESA) which will be opened for adults resident in England at the age of 18, to encourage saving towards the costs of education and training throughout life.**
- **The government will make three contributions to the accounts, each worth £3,000, when the account holder turns 25, 40 and 55.**
- **Account holders and their employers will also be able to make payments into the accounts. This will be incentivised by government offering tax relief and/or match-funding on contributions made by account holders.**
- **Governments will also be able to choose to make additional payments into accounts. These could be triggered by specific events such as redundancy or a period of long-term unemployment, or targeted to reduce social and economic inequality, such as by being given to workers on low incomes or with a low level of qualifications.**
- **From the age of 25 onwards, account holders will be able to use money saved in the accounts to pay for education and training courses which are delivered through accredited providers.**
- **When using money from their accounts, account holders will be given careers guidance sessions to support them in choosing a course or qualification which will help them achieve their personal or career development aims.**
- **Accounts will remain open and available to account holders throughout their life.**

Context

There is a growing disconnect between the way post-18 education and training are provided and the reality of the skills needs of the population.

The House of Commons Education Select Committee, in their report, *Value for Money in Higher Education*, found that:

This country is facing a serious skills deficit. Two thirds of businesses... said that skills gaps are a threat to the UK's global competitiveness. Over half of businesses...were "not confident there will be enough people available in the future with the necessary skills to fill their high-skilled jobs"...[A]lmost three-quarters (72%) of manufacturers are concerned with finding the skills they need for their business...[and] the majority of hard-to-fill vacancies (67%) are caused, at least in part, by a lack of skills, qualifications and experience among applicants.¹³

We know that the average British worker will, in the future, do several different jobs throughout their lifetime and almost half will retrain completely during the course of their career.¹⁴ Meanwhile, the number of adult learners has fallen dramatically, almost halving between 2004 (four million) and 2016 (2.2 million).¹⁵ Considering the economic, social and health benefits, it is imperative that policymakers consider ways that high-quality education and training can be provided continually throughout adult life.

Funding

Our higher education and student finance systems are still tailored mainly to people taking their first degree or beginning an apprenticeship at around the age of 18. Meanwhile, there is a desperate shortage of funding in the Further Education sector, which is eroding provision for adult learners. Although the UK spends about £90 billion a year on education, only 2.5 per cent of that (£2.3bn) is spent on adult education and apprenticeships.¹⁶ Of this, the adult education budget is £1.5bn: just 1.6 per cent of the total spend on education. This is completely disproportionate when more than seven in

¹³ House of Commons Education Select Committee, *Value for Money in Higher Education*, 2018, available via: <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/343/343.pdf>

¹⁴ The Telegraph, *Britons in the workplace: The figures that lay bare the life of an average British employee*, 2015, available via: <https://www.telegraph.co.uk/finance/jobs/11975788/Britons-in-the-workplace-The-figures-that-lay-bare-the-life-of-an-average-British-employee.html>

¹⁵ TES, 'Our society is suffering from adult education cuts', 2018, available via: <https://www.tes.com/news/our-society-suffering-adult-education-cuts>

¹⁶ Institute for Fiscal Studies, *2018 Annual Report on Education Spending in England*, 2018 available via: <https://www.ifs.org.uk/uploads/publications/comms/R150.pdf>

ten people in the UK is aged 19 or over.¹⁷ The percentage of GDP that the UK spends on worker training fell by 0.12 percentage points to just 0.01 per cent between 1993 and 2015.¹⁸

Access and provision

Despite warm words from across the political spectrum about the importance of all-age learning, government has so far failed to tackle this disparity in learning opportunities between the generations. The focus on education for under-18s by successive governments, which is very welcome, has inadvertently led to the neglect of adult education outside of university degrees. Now is the time for government to deliver equality of opportunity for learners aged under 18 and for learners aged over 18.

While the proposals set out in this report focus specifically on helping individuals to fund tuition and training, we strongly recommend that government also acts to address supply-side funding shortages within adult education. Any government serious about tackling the challenges around access to all age learning and training must look at these and other supply-side issues in parallel with the introduction of PESAs.

Adults will also need – and will continue to need – access to learning and training near where they live. Sadly, this entitlement is being chipped away. Baroness Sharp of Guildford, in her 2011 report, *'A dynamic nucleus: Colleges at the heart of local communities'*, argued that:

[Colleges] are key players in the educational infrastructure of this country and, perhaps more importantly, a vital part of local employment and skills 'ecosystems'.

The communities they serve are diverse. They provide for young and old, public and private sector, employers and employees. The best colleges reach out to their communities and provide encouragement and leadership.¹⁹

However, funding and regulatory challenges prevent many colleges from fulfilling that potential in full. Eight years on from this report, these problems have not been solved. We share Baroness Sharp's vision for thriving community hubs which provide all-age learning opportunities and we want to see this potential realised.

We are clear that additional government funding for adult learning should be used to support various types of provision, not just within colleges but also online and by

¹⁷ Office of National Statistics, *Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland*, 2018, available via: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimateforukenglandandwalesscotlandandnorthernireland>

¹⁸ McKinsey Global Institute, *Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation*, 2017 available via: <https://www.mckinsey.com/~media/McKinsey/Global%20Themes/Future%20of%20Organizations/What%20the%20future%20of%20work%20will%20mean%20for%20jobs%20skills%20and%20wages/MGI-Jobs-Lost-Jobs-Gained-Report-December-6-2017.ashx>

¹⁹ Independent Commission on Colleges in their Communities, *A dynamic nucleus: Colleges at the heart of local communities*, 2011, available via: http://www.learningandwork.org.uk.gridhosted.co.uk/wp-content/uploads/2017/01/dynamic_nucleus_-_full_-_final.pdf

community-based learning in other settings. Our Commission will address this issue in more detail in a future report.

Technological change

The need to improve access to adult education is made more essential by the fast pace of technological change which will continue to have a dramatic impact on the job market.

A report by PWC in October 2017 found that around one third of UK jobs could be at risk from breakthroughs in artificial intelligence (AI) within the next fifteen years,²⁰ although jobs in other areas may well be created. Regardless of whether the fourth industrial revolution leads to a net increase or decrease in jobs, the type and nature of work will inevitably change considerably.

Although technological innovation brings many benefits, it is also an understandable cause of concern for many people who are uncertain about the impact it will have on employment in their sector. As the Learning and Work Institute notes:

The rise of emerging economies and the unrelenting advance of technology are placing a premium on skills for both life and work. They are remaking the world of work: the so-called 'rise of the robots' may not replace all of today's jobs, but it is changing the type of jobs and skills needed.

*Once a lack of skills locked people out of career progression, increasingly it will lock people out of the jobs market altogether.*²¹

Politicians and policymakers must provide workers with opportunities to retrain and upskill, enabling them to adapt to and thrive within the fast-paced changes in the job market.

Learning from the experience of other countries

There are already examples of similar initiatives working well in other countries. In Singapore the SkillsFuture Credit programme offers direct subsidies of S\$500 to citizens over the age of 25 for a pre-approved list of courses, and higher subsidies for mid-career professionals. In 2016, the programme included over 18,000 courses and was used by over 126,000 Singaporeans²².

²⁰ PWC, *Will robots really steal our jobs? An international analysis of the potential long term impact of automation*, available via: <https://www.pwc.co.uk/services/economics-policy/insights/the-impact-of-automation-on-jobs.html#cta-1>

²¹ Learning and Work Institute, *Power to the People: The case for Personal Learning Accounts*, 2016, available via: <http://www.learningandwork.org.uk.gridhosted.co.uk/wp-content/uploads/2017/01/Lifetime-learning-policy-solution-FINAL.pdf>

²² The Diplomat, *How Singapore Encourages Lifelong Learning and Workforce Resilience*, October 2017, available via: <https://thediplomat.com/2017/10/how-singapore-encourages-lifelong-learning-and-workforce-resilience/>

In France, Personal Training Accounts enable workers aged 16 or over to acquire rights to hours of training through an account that remains valid throughout their career. Every year it is credited automatically with hours. For a full-time employee, this can amount to 24 hours a year up to 120 hours, then 12 hours a year up to a maximum of 150 hours.²³

In the state of Upper Austria, a vocational training account was introduced in 1994. The accounts were initially available to workers and those without a 'Matura' certificate (equivalent to A-Levels). It was later extended to people with the Matura and then to those degree-holders who were both on low incomes and aged over 40. Typically, the account can be used to pay 50% of the total costs of a course. About 20,000 employees used the training account in 2006.²⁴

In Scotland, Individual Training Accounts were launched in October 2017, giving eligible people – those in low-paid work or actively seeking employment – up to £200 each towards a single training course or training episode each year.²⁵ We also understand that similar proposals are going to be trialled in Wales shortly.

²³ European Trade Union Institute, *France: entry into force of the Personal Activity Account*, February 2017, available via: <https://www.etui.org/ReformsWatch/France/France-entry-into-force-of-the-Personal-Activity-Account>

²⁴ Fritz Bauer, Individual learner accounts in Upper Austria. In European Centre for the Development of Vocational Training (Cedefop), *Individual learning accounts*, 2009, available via: http://www.cedefop.europa.eu/files/5192_en.pdf

²⁵ Skills Development Scotland, *SDS Individual Training Accounts*, available via: <https://www.skillsdevelopmentscotland.co.uk/what-we-do/employability-skills/sds-individual-training-accounts/>

Personal Education and Skills Accounts – PESAs

We propose that, from 2020, every individual is given a Personal Education and Skills Account (PESA). This will make money available to adults in England for education or training.

Introducing these accounts from 2020 would be a fitting tribute to the centenary of Basil Yeaxlee's ground-breaking report on adult education, which first articulated the idea of all-age learning.²⁶

If government is serious about creating a culture of all-age learning, it must commit to making this a permanent initiative. This cannot apply for one year or one parliament only.

As adult education is a devolved matter, these proposals are presented as applying to England only, although we believe that similar proposals could work successfully elsewhere within the UK.

Learning from past UK experience

The aims of this proposal are similar to those of the Individual Learning Account (ILA) policy introduced by the Blair government in 2000. Under that scheme, government provided an initial incentive of £150 towards the cost of eligible learning for the first million account holders. Discounts were offered on other learning schemes.

The scheme was closed in 2001, primarily because:

1. take up of the accounts was far higher than expected, which put pressure on the budget and administration of the scheme, and
2. there were reports of training providers mis-selling training courses, delivering poor-quality training, and accessing ILAs but then not providing the training which had been paid for.²⁷

We would not want the PESAs we recommend to run into problems like those of the previous ILAs. As the details of our proposals make clear, we would make sure that money in these accounts can only be accessed by verified, reputable providers and the means of funding them must be sufficient and sustainable.

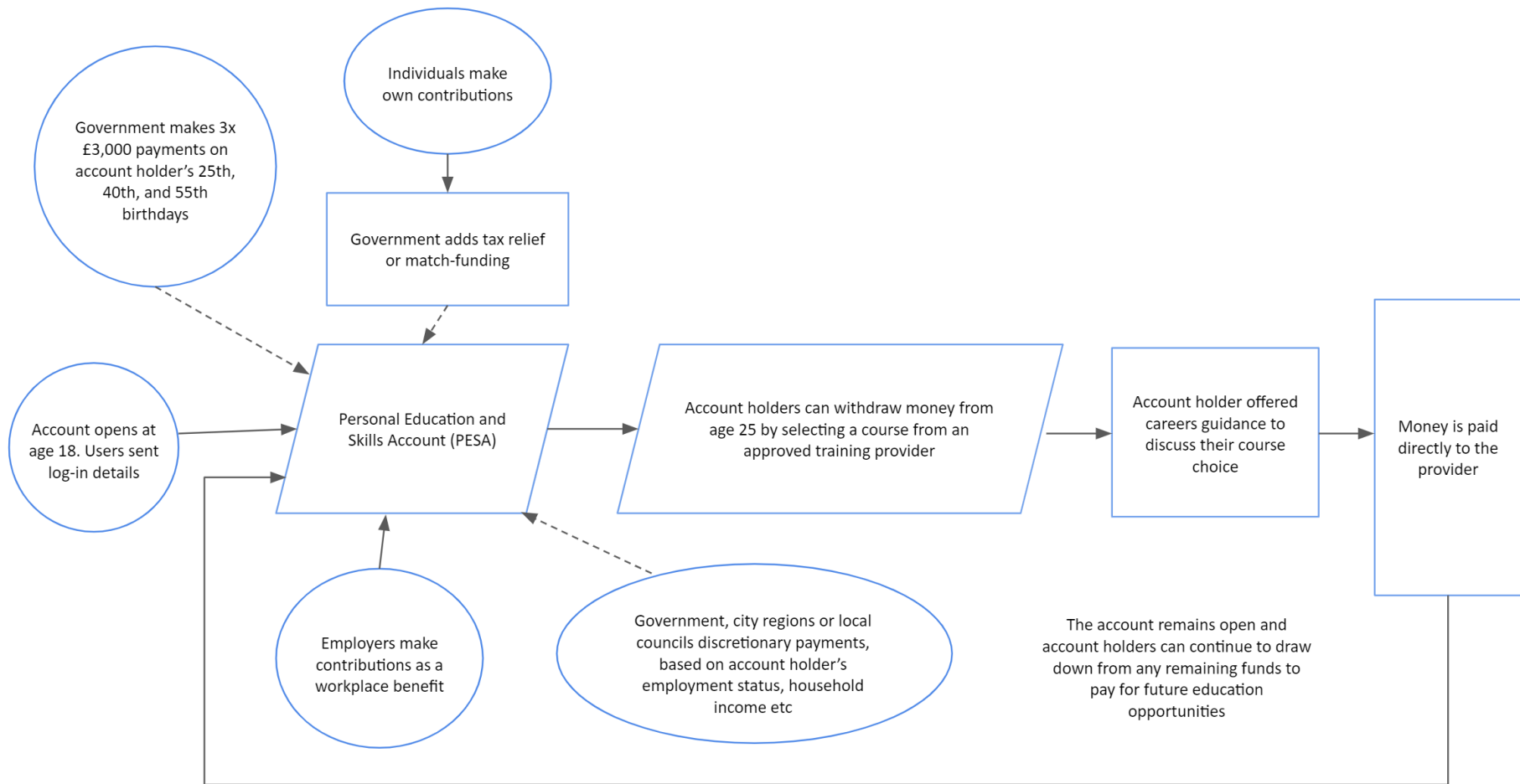
We would be supportive of accounts being piloted in select local areas, before being rolled out nationwide, in order to test thoroughly that the proposed administration and management arrangements of the scheme are robust. Regions such as Greater

²⁶ Yeaxlee, B. A. (1920) *An Educated Nation*, with a preface by A.L. Smith, London: Oxford University Press.

²⁷ Internal briefing supplied to the Commission by the National Audit Office

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Manchester and the West Midlands, which have devolved adult education budgets, would be ideal areas to host pilot schemes.



The suggested format for setting up the PESAs would be as follows:

Availability and access

- A PESA will be made available to adults living in England and opened from the age of 18. They will receive a letter from the Department for Education, alerting them to the fact that an account has been opened for them, to how funds in the account can be used, and what funding will be paid into the account for their use in the future.
- Eligibility for the accounts will be based on similar nationality and residency requirements to student finance, so that all UK and EEA nationals, refugees, and others with settled status who are ordinarily resident in England can access them.
- The individual account holder will be sent personalised details to enable them to log in through an online portal to view their account and manage it.
- Logging into accounts should be made as simple as possible while making sure that they remain secure. Accounts should be linked to the account holder's National Insurance number to prevent fraud.
- Individuals will not have direct access to money in the accounts. Money will be kept in the digital account until the account holder decides to transfer funding to an approved institution for their chosen course.
- Access to accounts should, in general, be through the online portal, but telephone access should also be available for people without internet access.
- Accounts will be opened for every eligible adult by default but if, for any reason, someone does not want an account, they will be able to write to the Department for Education requesting that their account is closed.

Payments

- As soon as an account is opened, it will be possible for account holders, family members, employers and others to pay contributions into the accounts. Funding in accounts will not be transferable between individuals.
- The government will make three payments of £3,000 into accounts when the account holder turns 25, 40 and 55. The value of these payments should be updated in line with inflation and could be increased further by government.
- Anyone who has logged into their account will be considered to have activated their account – and will therefore be eligible to receive the payments from government.
- Policymakers should consider which other events could trigger an additional payment by government into the account, such as redundancy or a period of long-term unemployment due to ill-health. The government may also use discretionary payments to reduce social and economic inequality or in pursuit of other policy goals. For example, payments could be made to promote retraining in shortage

occupations or increase training participation rates in certain parts of the country or sectors of the economy. Additional means-tested top-ups could be provided to certain account holders based on their income or previous level of qualifications.

- Local authorities and city regions could also choose to make payments into accounts to incentivise participation in education or training in their area. The accounts can also be used to encourage both workers and employers to prepare for future changes in the job market and invest in the skills of the workforce.
- Account holders and their families should also be able to make contributions. To incentivise this, government should offer tax relief or match-funding (up to a limit) on contributions made by account holders themselves. This could be done by offering a top-up equivalent to the basic rate of tax (as is the case with government's Tax-Free Childcare scheme).
- Employers could make contributions as a benefit to their employees. Over time, this could become a common form of workplace benefit, with employers offering generous rates of PESA contributions to attract and retain staff.
- As a further encouragement to saving, government should apply a competitive interest rate to the accounts to reflect that government is able to invest with account holders' money before they draw down on it.

Funding in accounts could be accessed and spent as follows:

- Account holders will be able to use the funding in the accounts from the age of 25 onwards.
- Each account will be controlled by the account holder via a dedicated online portal. They can decide when, on what courses, the funding is spent.
- Accounts should be administered by the Department for Education, either through an existing or newly established non-departmental public body (NDPB). The NDPB should be accountable to the Secretary of State, who in turn will be accountable to Parliament for the running of the scheme.
- Clear guidance must be given to the agency managing the scheme, setting out:
 - what information should be provided to account holders via the online account portal;
 - the need to offer quality careers guidance to account holders before they spend money from their accounts;
 - that payments from the accounts will only be allowed to go to approved education or training providers.
- Money in the accounts may be used for first-time or repeat qualifications, and for individual modules or for entire courses. This offers maximum flexibility for

applicants to spend the account on the sort of education or training that will most benefit them.

- Account holders will not have to withdraw the entire amount in one go and could add money to their account throughout their lifetime. Accounts would remain open if all of the money in them is spent so account holders have the option to begin saving again.
- Money which is never used by the account holder cannot be transferred to another account holder. If the account holder dies before all the money in the account is spent, the value of any contributions made by the account holder (minus any tax-relief or match funding made by government) will be refunded to the account holder's estate.
- When an account holder decides that they want to make a payment towards the cost of an education or training course, they would be able to log into the account via their online portal and select an approved provider from a list of payees. The money will be paid directly from the individual's account to the education or training provider to cover all or part of the cost of tuition or training.
- The Department for Education will undertake a rigorous vetting exercise to make sure that only approved education and training providers are listed through the account portal and able to receive payments from these accounts. This process would be similar to the existing processes undertaken by the Office for Students and Register of Apprenticeship Training Providers.
- To make sure the money from the accounts is spent specifically on education and training, we propose restricting permitted uses of the funding to tuition and training costs only. We recognise that living costs may be another barrier to accessing learning in adulthood, but believe these should be met by other funding streams, which government should take steps to address in addition to introducing these accounts.
- If people decide not to continue an education or training course they could withdraw from a course, giving a term's notice to the education or training provider. Remaining unspent funds will be returned to their account.
- To make sure people are making truly informed choices about the way they spend the money, students looking to make a withdrawal from their PESA will be offered career guidance, arranged on an opt-out basis, to discuss their course choice and where they hope that this will take their career. Careers advisers will not, however, be able to exercise a veto over the course that the learner chooses to take.

Learners of all ages – including those who are past retirement age – should continue to be encouraged to access and spend the money from these accounts. As highlighted in the introduction to this report, the value of education goes far beyond the impact it can

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have on employment and earning potential. Lifelong learning has the potential to have emotional, mental and physical health benefits, increasing learners' engagement in their community and reducing the likelihood that they will depend on public services such as social security and the NHS.

Promoting equal access and take up

As set out above, we think that the PESA should be made available to all those over 18 on a non-means tested basis.

The impact of advances in automation and AI on the jobs market will be a problem felt broadly across the social and economic spectrum, including by people currently on average and above average salaries. As such, any attempt by government to tackle this problem must be ambitious and far-reaching.

However, it is essential that steps are taken to make sure that the accounts are used by disadvantaged people with low qualifications, who according to the Social Mobility Commission, “are the least likely to access adult training despite being the group who would benefit most.”²⁸

Every effort must, therefore, be made to make sure that there is high take-up of the accounts by people from disadvantaged backgrounds with lower levels of prior educational attainment. Equally as important will be to make sure that everyone who accesses an account is given information to help them to spend the money in a way which will be most beneficial for them.

We recommend national, regional and local government and other agencies should consider giving top-up funding to people who may be in need of additional education and training, such as people who have recently been made redundant or who have had an extended period of unemployment. The government could also decide that additional top-ups should be made based on the account holder’s previous level of education.

If these accounts are rolled out gradually or are subject to a pilot, priority should be given to extending these accounts to people most disadvantaged by the current system. This could be done by piloting the accounts in areas with high numbers of social security claimants or low wage growth. This should be delivered by partnering with education providers and organisations in the voluntary sector who have a strong track record of reaching the most disadvantaged.

Communication

We think engagement in all-age learning will be improved if people are prompted to begin thinking about all-age learning while they are still engaged in full-time education at school or college.

²⁸ Social Mobility Commission, *The adult skills gap: is falling investment in UK adults stalling social mobility?* 2019, available via: <https://www.gov.uk/government/publications/low-skilled-adults-are-missing-out-on-training-the-skills-gap>

Although money in PESAs will not be able to be used until the age of 25, we recommend that everyone receive the first correspondence from the Department for Education informing them that their account has been opened at the age of 18.

Once accounts are opened, account holders should be provided annually with a statement of the balance of their account and a reminder of how they can access their funds.

The Department for Education should allocate some of its engagement and communication budget to be spent specifically to promote PESAs. Funding from this budget should be funnelled through local authorities and others, which can in turn spend money on promoting the accounts through schools, colleges, youth and adult services, job centres and health services. It is essential that a range of engagement techniques are used, including targeted advertising on social media.

The government has been successful in promoting Help to Buy ISAs, with more than a million people opening accounts in the first 18 months of the scheme.²⁹ We suggest that in rolling out PESAs, lessons are learned from ISAs and other successful schemes.

Careers Guidance at the heart of PESAs

The Department for Education should offer careers guidance to account holders to support them in making informed decisions about spending the money they have accrued. This will be especially important for account holders who are using their account many years after they last took part in formal education and training and who may be less familiar with the qualifications and institutions they are applying to.

Careers guidance should be provided by the National Careers Service and funded by central government. This guidance should not be at any direct cost to the account holder. For account holders who will find it difficult to attend a guidance session in person, an online consultation option should be offered.

Ahead of first using their PESA, account holders will be referred for at least one appointment with the National Careers Service to discuss the course or qualification they are planning to apply for and whether it will help them achieve their stated personal or career development aims. The purpose of these appointments will be to make sure account holders have all relevant information before deciding how to spend the money in their account. Careers advisers will not have the power to veto decisions which account holders make, nor will government have the power to compel account holders to attend the appointment before accessing the funds.

²⁹ The Guardian, *Help to decide which of two Isas is the best to buy into*, 2017, available via: <https://www.theguardian.com/money/2017/aug/19/help-to-buy-isa-first-time-buyers-lisa>

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Additionally, training should be provided to jobcentre staff and trade union representatives to enable them to give guidance on accessing and using these accounts when needed.

The website which account holders' access to view their account details will also include information on the different places which they can contact for advice before spending money from the account.

The website will also contain information about the learning providers in the account holder's local area, including the learning and training options offered at each and the courses available.

As well as helping applicants to identify the most useful ways of investing the money they have accrued, a benefit of this guidance will be to provide additional safeguards to make sure account holders are not persuaded to spend their funds either on poor-quality qualifications or with poor-quality education or training providers.

If resources allow, further careers guidance sessions should be offered to people undertaking study funded from their PESA during and at the end of their course too.

Measuring and monitoring the success of the scheme

As with any new scheme, especially one which is supported by a significant amount of public funding, it will be important to put in place processes to monitor the impact the scheme is having.

We would recommend that the responsible Minister be required to report back annually to Parliament on the impact of the scheme and that the Department for Education publish regular statistics on the take up of the scheme. Within this process, key statistics to monitor will include:

- Levels of take up, including how many accounts have been logged into and how many people have spent funding from their account.
- Information on the previous educational attainment and income levels of people who are making use of the account to make sure PESAs are being accessed by people who will most benefit from them.
- Data on the employment and earnings outcomes of participants, underpinned by an independent evaluation to show the impact of the scheme.

Funding these proposals

As set out, our proposals include both 'core' costs, without which the accounts will not be able to deliver the benefits which we have described, and 'additional' costs where government may consider providing top-up funding depending on the state of the public finances and political priorities at the time.

We have set out costings and suggested sources of funding for the core elements of these proposals. However, we would encourage government, when introducing these accounts, to consider whether it is possible to allocate additional revenue to enhance the scheme further and deliver even more positive outcomes.

Core costs of the scheme

Universal payments

The maximum total liability to government of PESAs will be £6.6 billion a year, on the assumption that £3,000 is paid into the accounts of every eligible person on their 25th, 40th and 55th birthday from 2020 onwards.

However, whilst we hope these accounts will be well used from 2020, draw down rates are likely to be lower in the first few years of the programme until it gains traction.

Over the last decade, the number of adults taking part in learning in any given year has consistently been around 20%. The government could, therefore, reasonably assume that only around 20% of the money nominally 'allocated' in the first few years of the programme will be spent by learners.

The government should, therefore, initially budget for the Annual Managed Expenditure of the programme to be £1.3 billion a year, rising in future years as awareness of the accounts increases and their introduction incentivises greater participation in education and training.

While PESAs may seem like a significant new investment, this should also be seen in the context of recent reductions to the adult education budget. Between 2010-11 and 2015-16, the non-apprenticeship portion of the Adult Skills Budget fell from £2.5 billion a year to £1.14 billion a year – a reduction of £1.36bn. The Adult Education Budget (comprising non-apprenticeship spending on adult skills plus community learning and discretionary learner support) has been frozen in cash terms at £1.5 billion each year since the 2015 Spending Review.³⁰ In practice, therefore, the cost of introducing these new accounts

³⁰House of Commons Library, *Adult further education funding in England since 2010*, 2018 available via: <http://researchbriefings.files.parliament.uk/documents/CBP-7708/CBP-7708.pdf>

would only require a small amount of additional investment over and above the cost of reversing the cuts to adult education funding in the last decade.

Tax breaks and match funding to encourage saving

We propose that government should allocate an additional £350 million to finance tax relief or match-funding for people making voluntary contributions to their accounts.

This figure is based on our ambition for employee and employer contributions to PESAs to become just as common as paying into an occupational pension. Our estimate is based on an ambitious target for 20% of employees to be paying into their PESA within the first few years. The government would provide a 20% top-up on these payments, as is the case with Tax-Free Childcare.

The government may want to cap the amount of money on which it pays this top-up at between £500 and £1,000 a year, so that government pays no more than £100-£200 to each account holder.

Publicity costs

As we have outlined above, any government planning to introduce these accounts should also make additional dedicated funding available for:

- Promoting the accounts
- Regular communication with people who are eligible for accounts and account holders
- Careers and education guidance services, delivered through local authorities

Additional costs

We have not costed any further discretionary payments by government or other public bodies to certain groups, which should be allocated as resources allow.

How would PESAs be funded?

At times of ongoing financial restraint at national, regional and local government level, we believe that it is important to identify a sustainable means of funding these proposals.

We have, therefore, identified some possible sources of revenue from existing government spending on learning and training, which we think could be more effective if reallocated to fund these accounts:

1. The Apprenticeship Levy

The Office of Budget Responsibility forecasts that the Apprenticeship Levy will raise £3.1bn in the 2020/21 financial year.³¹ In the first 18 months since the levy was introduced, less than 14% of levy funding was spent, leaving £2.7 billion in employers' apprenticeship service accounts.

If these underspends continue, some Commission members felt that revenue raised from the Apprenticeship Levy which levy-paying businesses fail to spend within the 24-month time limit could be reallocated to PESAs rather than letting this funding go back to the Treasury.

However, there are signs that changes in the type and level of apprenticeships employers are choosing may mean these underspends will not continue in future. In this case, some Commission members supported widening the Levy so that employers could use some of it to contribute the PESAs of their employees. They considered whether to increase the levels of funding the Levy can raise, either by widening eligibility to more employers or by increasing contribution rates.

2. Emergency funding for colleges

By stimulating greater demand for learning opportunities throughout adulthood, the introduction of PESAs would help to put Further Education colleges back on a more sustainable financial footing after decades of underfunding. Although the exact sums of money which could be saved in future years is uncertain, it is noteworthy that around £57 million in the last year alone was being spent on emergency government bailouts for colleges.³²

3. National Retraining Scheme

The National Retraining Scheme established by government in the 2018 Budget in partnership with the CBI and TUC, is intended to support people to reskill "with a particular focus on those with jobs that are at risk of technological change over the age of 24, and who do not hold a qualification at degree level."³³

In the 2018 Budget, £100 million of new funding was announced for the "testing and development" of the scheme, "initial elements" of which will be rolled out this year.³⁴

³¹ FE Week, *Levy revenue forecasts downgraded by the best part of a billion*, 2018, available via: <https://feweek.co.uk/2018/03/14/levy-revenue-forecasts-downgraded-by-the-best-part-of-a-billion/>

³² BBC, *Further education college finances face double whammy*, 2018, available via: <https://www.bbc.co.uk/news/education-45524935>

³³ Department for Education, *Training: Written question - 206254*, 2019, available via: <https://www.parliament.uk/written-questions-answers-statements/written-question/commons/2019-01-08/206254>

³⁴ HM Treasury, *Government support to boost skills and prosperity*, 2018, available via: <https://www.gov.uk/government/news/government-support-to-boost-skills-and-prosperity>

The government should consider whether some of this funding could be best used to deliver part of the cost of the PESA.

4. Flexible learning fund

In the March 2017 Budget, government announced they would allocate £40m by 2018-19 to test different approaches to help people to retrain and upskill throughout their working lives. The Flexible Learning Fund was launched as a pilot programme out of that funding to “develop methods of delivering learning that are flexible and easy to access for adults who are in work, or returning to work, with either low or intermediate level skills.”³⁵ The PESA model would be one very effective way of meeting these aims. The current value of projects funded by the Flexible Learning Fund is £11.7m.

While this funding is not guaranteed longer term, this could contribute to the initial cost of setting up the PESAs or an initial pilot of the accounts.

5. Taxation

The Commission would, in principle, support increasing taxation if necessary, to fund PESAs provided that such tax changes promoted intergenerational fairness and helped to put PESAs on a sustainable footing.

6. Savings from other areas of public spending

If successfully implemented, within a few years of introduction, PESAs could deliver savings in other areas of public spending. This could include reducing social security spending by helping unemployed people into work and helping low-paid workers into higher-paid positions.

³⁵ Department for Education, *The Flexible Learning Fund: Specification for project proposals*, 2017, available via: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/656055/Flexible_Learning_Fund_-_Specification_for_proposals.pdf

Conclusion

Improving educational opportunities can unlock so many benefits for society and for individuals, including more varied career paths, greater earning potential, boosting confidence, and improving health outcomes. A collective belief in the importance of fostering a culture of all-age learning brought the members of this Commission together and has underpinned our discussions in recent months.

The vast benefits of all-age learning have not been reflected sufficiently in the priorities of successive recent governments of three different political complexions.

However, we are hopeful that this tide is starting to turn. The current government's review of post-18 education, chaired by Philip Augar, has a broad remit to examine:

ways to help people make more effective choices between the different options available after 18... ensuring they have access to a genuine range of high quality academic, technical or vocational routes...enabling people from all backgrounds to progress and succeed in post-18 education... [and] future-proofing the economy by making sure we have a post-18 education system that is providing the skills that employers need.³⁶

We hope that the conclusions of the Augar Review will be ambitious in their scope and will define post-18 education as being education for all ages, in a way that our current education funding system has unfortunately failed to do.

To this end, we hope our own recommendations will provide a timely and useful contribution to that debate and will be taken into consideration as part of or along with the recommendations of the government's review.

We do not pretend that PESAs will be a silver bullet which will resolve all the myriad challenges which prevent many adults from accessing learning opportunities or reaching their full potential. But we do believe that an ambitious and fully funded commitment to PESAs will empower individuals to pursue their goals and equip them with the financial resources to do so. PESAs have the potential to enhance education and training opportunities for all.

³⁶ Department for Education, Prime Minister launches major review of post-18 education, 2018, available via: <https://www.gov.uk/government/news/prime-minister-launches-major-review-of-post-18-education>