



Association  
of Colleges

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# Building our Industrial Strategy Green Paper

A response from the  
Association of Colleges: April 2017

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## Background

The Association of Colleges (AoC) represents over 95% of the 322 colleges in England incorporated under the Further and Higher Education Act 1992<sup>1</sup>.

Colleges are drivers of social mobility, economic growth and community development. They provide high-quality technical and professional education and training for 3 million young people and adults and thousands of employers. In doing this, they support people into careers, as well as strengthen the economy. Colleges are inspirational places to learn because education and training is delivered by expert teaching staff in purpose built facilities.

Colleges offer first-rate academic and technical teaching, particularly at advanced level covering a broad range of disciplines including science, engineering, IT, construction, hospitality and the creative arts.

## Joint Response from AoC and the Open University (OU)

The Association of Colleges (AoC) and The Open University (OU) strongly welcome and support the focus on developing skills, as one of the proposed ‘ten pillars’ in the Government’s Industrial Strategy. Lifelong adult education and training is a core part of a successful Industrial Strategy and a precondition to its success. The Industrial Strategy provides the opportunity for the Government to rectify the skills crisis in the UK. Action to support adult skills provision in England will raise productivity, help those who are unemployed or on low wages, and ultimately strengthen the country’s economy following our departure from the European Union (EU).

To do this, the UK needs long-term investment and reform to improve the availability of skilled and highly-qualified people. Economic success in the coming years will depend on embedding a lifelong learning culture throughout our society. Adults with low and medium skills need to be encouraged and supported to take up learning opportunities throughout their working lives and fill gaps in their basic skills, retrain or upskill. We advocate for a coherent national skills strategy, designed with flexibility to meet individual’s needs and circumstances and those of employers; one that pulls together and builds on the best of what is already out there through collaboration and partnership.

AoC and OU are keen to work with the Government to help shape the adult learning landscape and incentivise innovative models of delivering high-quality education across both further and higher education. This will promote social mobility and deliver the skills employers need. We believe that for the Industrial

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<sup>1</sup> Following a number of college mergers in the last 12 months, there are 204 further education colleges (FE), 16 specialist colleges, three national colleges, 89 sixth form colleges and 10 special designated institutions.

Strategy to truly 'embed the concept of lifelong and adult learning' we need a fundamental culture change. The guiding principles to enable a new national skills strategy, to create a new 'lifelong learning culture' need to be built around:

- 1. Speed.** We need to start to skill and reskill people **right now**.
- 2. Scale.** The strategy must be ambitious about the numbers of people it in plans to reach, and be flexible in the variety of learning approaches used, including learning in institutions, in the workplace and digital and online learning.
- 3. Partnership.** We need to build on existing partnerships and establish new coalitions to deliver the change.
- 4. Investment.** We need to build and encourage investment in skills from Government, individuals and employers.

Elements that could help to achieve this are:

- An education and careers information, advice and guidance (IAG) service that is available to people of all ages.
- Clear progression pathways for adults, including apprentices, which help people build careers through enhanced skills.
- A national credit rating and transfer service for recognition of prior education .
- Personalised learning accounts -'Help to Learn ISAs' which could be used for approved learning or training.
- Guaranteed total apprenticeship spending, particularly with more funds available for smaller employers, that are outside the scope of the Levy, reserving funds to support quality and access.

## **AoC response**

- 1. Does the green paper identify the right areas of focus: extending our strengths, closing the gaps and making the UK one of the most competitive places a start or grow a business?**

1.1 We agree with the aim to develop an Industrial Strategy for the long-term.

- 2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?**

2.1 We agree that developing skills is core to the future prosperity of the country and welcome this as one of the pillars. The UK needs long-term investment and reform to improve the availability of skilled and highly-qualified people,

but we think a broad approach should be taken to this issue to include the school and university systems, (as well as further education).

2.2 The strategy is relatively silent on the question of public spending. Public spending on education is 4.3% of GDP in 2016-17<sup>2</sup> and is forecast to fall to 4.1% by 2019-20<sup>3</sup>, at a time when the total number of school pupils is rising. There are flat cash allocations across the education system at a time when staff costs are rising. Although there is a collective realisation that the UK needs to compete globally on the skills and capabilities of its people, budget decisions are forcing cutbacks. There is a positive economic case for higher investment in education and training, both for individuals and employers<sup>4</sup>. Exit from the EU makes this issue even more critical. If there are new controls on immigration, employer behaviour will need to change. In some sectors of the economy, the non-UK EU workforce is 15% of the total<sup>5</sup>. Government action is needed to ensure that the young population is properly prepared for the future, but also to help train adults to fill vacancies. This should imply more spending not less. We would recommend that a target to raise education spending to 5% of GDP would be rational to achieve the objectives set out in the 'developing skills' pillar.

### **3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?**

3.1 The education and skills system is centralised by comparison to other advanced countries and this has resulted in relatively weak local partners for colleges. Employer organisations often represent a minority of local businesses (though sometimes the larger ones). Local council staff often have very broad responsibilities and insufficient time to focus on skills issues. This is a result of cuts in local government and decision to restrict budgets for local enterprise partnerships.

3.2 The Government's skills devolution plans involve the transfer of the entire post-19 education and skills budget in 2018, outside apprenticeships and higher education, to new combined authorities and a corresponding transfer of powers. Colleges are keen to make the new arrangements work, but there are weaknesses in the approach. The regulation of further education is already complicated and risks becoming even more so. Different areas have

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<sup>2</sup> Public Spending Statistics 2016, chapter 4.

<sup>3</sup> Office for Budget Responsibility Fiscal Sustainability Report, 2015 forecasts education spending will be 4.1% of GDP in 2019-20, Page 69.

<sup>4</sup> "Estimation of the labour market returns to qualifications gained in English Further Education, December 2014" Department for Business, Innovation and Skills (BIS), Research Paper 195).

<sup>5</sup> Keohane, Broughton and Ketola, "Working together: European Workers in the UK", SMF, June 2016.

been offered different powers and there is ambiguity between combined authority and local enterprise partnership roles. There is a risk that uncertainty and complexity will hold back investment and curriculum change. One way to move matters forward may be to encourage local partnerships in which different organisations meet to discuss how they can align their plans to meet local needs.

#### **4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?**

- 4.1 The UK is widely considered to be lagging behind compared to Germanic and Nordic countries in the area of skills. The Department for Education's (DfE) Post-16 Skills Plan published alongside the Sainsbury Review sets out a route map for developing a stronger technical education system.
- 4.2. Policy making towards higher education is more influenced by lessons learnt from USA and Australia. There is a risk that public and private investment in the English residential university model will crowd out the development of alternatives.
- 4.3. The market models created using USA and Australian examples may not help the English technical education system develop in a helpful direction. The current reforms to apprenticeships rely heavily on employers to act as intelligent consumers and to drive provider behaviour. Company short-termism and prejudice may result in decisions that are not in the interests of those who are actually trained. A better approach may be to seek to develop models akin to those used in Germanic and Nordic countries involving a partnership built around strong institutions.

### **Developing Skills**

#### **10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?**

- 10.1 The UK has problems with basic skills, which start early in the education system. DfE data indicates that there is an 89% correlation between Key Stage 2 SATS results and GCSE outcomes<sup>6</sup>. That is, if a young person fails to achieve grade 4 or above at age 11, it is highly unlikely that they will achieve grade C or 4 and above at the end of Key Stage 4. There should, therefore, be a greater focus on basic skills at Key Stage 3 for those young people who

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<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/429074/2014-06-16-analysis-of-use-of-key-stage-2-data-in-gcse-predictions.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/429074/2014-06-16-analysis-of-use-of-key-stage-2-data-in-gcse-predictions.pdf)

have not reached the required levels at age 11, before they experience 'failure' at 16.

- 10.2. The long tail of under-achievement at age 16 creates a considerable burden on the post-16 education system, which is exacerbated by a rigid DfE policy towards English and maths resits. The condition of funding is a blunt instrument to achieve this objective, because there is no leeway where a student started midway through the year or refuses to enrol for a course. It also doesn't allow for the professional judgement of those in colleges to be taken into account. The requirement for concurrent English and maths classes for those on two-year courses limits timetable flexibility and is not a decision made on evidence. In addition, GCSEs do not necessarily test skills used in the workplace<sup>7</sup>. A quick review of the funding condition rules and a longer review of the qualification requirements are both overdue. The aim of this review would be to secure a co-ordinated suite of English and maths qualifications to cover academic pathways taken by young people, as well as the new technical routes and basic skills needed for adult life.
- 10.3. The new transition programme is a chance to take some new approaches towards young people with low skills, but it would be sensible for this to happen incrementally and build on what already works. Many college programmes for 16 and 17-year-olds with low or few school achievements mix a strong focus on English and maths with an occupational focus, e.g. on construction, motor vehicle, hair and beauty, catering, early years, health, care and agriculture. This balance needs to remain to support engagement. It is worth noting that a group of students is far from homogenous and includes those with learning difficulties, disrupted education because of caring responsibilities, English as an additional language and education in Pupil Referral Units. Transition programmes will need to be flexible to meet these various needs and will sensibly include experiences of work as an alternative to full placements, as well as opportunities to improve confidence and self-esteem. They should also include youth social action to ensure that the curriculum is broad and balanced. Progression routes out of the transition year need to be designed so that students do not have to repeat what they have learnt, but can also move mid-year into apprenticeships and traineeships. Accountability measures will need to be realistic to take into account the student profile.
- 10.4. The strategy rightly identifies the need to increase maths skills at all levels from adult basic skills to undergraduate. This will not happen without a concerted effort on teacher training. There are shortages of staff at all levels because of rising demands in secondary schools and elsewhere. AoC's

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<sup>7</sup> Employer Consultation <http://www.et-foundation.co.uk/wp-content/uploads/2016/12/Employer-Consultation-final-report3.pdf>

recent workforce survey<sup>8</sup> found 30% of colleges reported staff shortages. Average starting salaries for maths graduates appear to exceed £25,000<sup>9</sup>. Average teacher pay in colleges for staff of all ages and experience is £30,000<sup>10</sup>. The various maths bursaries provide useful incentives, but DfE needs to go further and look at the recruitment and retention picture across its whole brief. An ambitious but achievable long-term goal might help concentrate minds. The target should be that, by 2030, all 18-year-olds are qualified at the current Level 2 standard and the majority reach Level 3. Planning should start now on the teacher supply necessary to make this happen.

## **11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?**

11.1 The Government's plans for technical education have many positive features, but a number of things will be necessary to make it work:

- High-quality courses will need staff with the right expertise and high-standard facilities. This implies a degree of specialisation supported by longer term investment. DfE's current approach to 16 to 18 education involves annual budgets and low barriers to entry. This may need to change.
- A communication plan for young people, parents/carers, employers and school staff will be necessary. Technical education needs to be a valued first choice option for all young people. This needs to start now and should include both new and old forms of media and employers giving backing to the plans. This must run alongside a comprehensive and engaging system of careers education information, advice and guidance starting at primary school to help young people make informed choices.
- Work placements will be central to the new vision of technical education. As completion of a work placement is a condition of student certification, it is vital that employers are fully informed of, and engaged with the new system. Unlike many European countries, the UK does not have a history of extended work placements.
- Technical education will be employer led but requires effective teaching to ensure high quality. College leaders and staff must be involved in T-Level design and piloting.

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<sup>8</sup> Unpublished AoC survey, 2016.

<sup>9</sup> HESA Destination of Leavers in Higher Education data 2013-14 reported by Complete University Guide

<sup>10</sup> ONS Labour market data

- 11.2 Institutes of Technology have the potential to be high status, high performing organisations, making a substantial contribution to raising productivity and enabling economic growth. To achieve these aims, they should build upon the best of what the FE sector currently delivers. In order to succeed in a competitive education market, attract school leavers, and build the respect and confidence of employers.
- 11.3. Institutes of Technology (IoT) should not be stymied by an unnecessary legacy of FE regulation. To be leaders in the provision of technical education, Institutes of Technology will, at least in time, need accreditation powers. These should be in the area of technical qualifications, in much the same way that universities have accreditation powers in the area of academic qualifications (Foundation Degree Awarding Powers and Taught Degree Awarding Powers). As identified in the Skills Plan, Institutes of Technology and FE colleges will run qualifications from a register of national qualifications.
- 11.4. As well as running 'national qualifications' relevant to the 15 routes where applicable, Institutes of Technology should develop skills amongst an upcoming workforce that are not only relevant to current industry needs but are to some extent future-proofed. Courses will need to be locally relevant, develop amongst students a fundamental understanding of the basics of technologies, and be inter-disciplinary to give students flexibility and the ability to transfer skills. Courses must be current in terms of the knowledge they impart.
- 11.5. Institutes of Technology should not be restricted in the growth of places on technical courses. Institutes of Technology should compete on an equal footing in an education market where universities are not restricted in offering places on academic courses. Similar funding regulations should apply across technical and academic education. The Office for Students (OfS) should be the appropriate market regulator for Institutes of Technology, although there is work to do to align the role of OfS and Education and Skills Funding Agency (ESFA). The quality and standards of the education in an Institute of Technology should be scrutinised by an appropriate inspectorate. This should be a higher education inspectorate with the necessary skills to make fully informed judgements about technical education at this level.
- 12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?**



- 12.1 There would be some advantages in improving the application process for further education and apprenticeships, but care must be taken in moving this reform forward. The higher education admission system in England has developed over 40 years, is fairly self-contained, is partly-funded by fees charged to students and administers applications that are made on a national basis.
- 12.2. Admission into further education operates mainly on a local level (constrained by daily travel) and includes more than 2,100 schools with sixth forms and 1,000 private training providers, alongside the 322 further education and sixth form colleges. There is less standardisation in terms of courses and it would be hard to collect fees from students. A national system at age 16 or 18 could bring significant benefits, but requires an overhaul of the roles and some upfront investment. The success of UCAS is the product of decades of accumulated investment in people, IT and training. A parallel system for further education requires a long-term plan, must involve the majority of institutions in a particular area, (including the more selective ones) and will require some upfront work to create pre-conditions for success. Features of the UCAS system which make it work include: the standardisation of course information, the fast transfer of A Level data to allow offers to be confirmed and the transfer of data back to institutions to help them reduce costs in other areas.
- 12.4. Recruitment into an apprenticeship involves recruitment into a job with training. There are about 100,000 employers who have, or are, training apprentices and there is a great variety in the approach they take to recruitment. More could be done to improve the experience and access for potential apprentices, particularly young apprentices, but this will probably mean adapting practices from job sites rather than from UCAS.

**13. What skills shortages do we have, or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?**

- 13.1. Colleges have a track record lasting decades of focusing on industry needs in their local area or sector. Features of strong provision include staff with relevant industry experience (dual professionals), secondments, employer provision of work placements, employer involvement on advisory groups and in course design, shared use of facilities, knowledge transfer arrangements, and collaborative work between employer groups to promote recruitment.
- 13.2. Apprenticeships provide a key link between employers and the education and training system. Every part of the apprenticeship system is being reformed in 2017 and this creates a risk that numbers in training will fall.

Although the levy and public sector targets have generated new interest in apprenticeships, many large employers may wait until they have sufficient funds in their levy account and until they are confident that the new standards work. At a time when the economy may slow and unemployment may rise, it would not be helpful for employers to become more cautious. The Government could act to balance this by guaranteeing total apprenticeship spending, for example, by ensuring that there are more funds for smaller employers but also by reserving funds to support quality and access.

**14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?**

14.1 The decision to fix the adult skills participation budget outside apprenticeships at £1.5 billion over the course of this Parliament is helpful. It supports employer and individual investment in education and training at a time of considerable change. Government must provide support to courses taken by adults because apprenticeships are not available to part-time workers or those seeking a career change. Student loans are only suitable for those on above average pay levels and are currently only available for Level 3 courses. There are a number of sectors that require a large number of people with Level 2 skills.

14.2 Courses funded from the Adult Education Budget help individuals acquire basic and intermediate skills to get them into work. A key task in the next 12 months will be for colleges to work with local enterprise partnerships, local government and others to work out the best way to use available funds. They must also ensure that provision in colleges, adult education centres and other training providers meets local needs. Planning should also start now on supporting workforce development in disadvantaged areas.

14.3 There is also a case for a more imaginative approach to adult education and skills. A recent report by the Learning and Work Institute identifies six core capabilities needed for life and work: literacy, numeracy, digital and financial, skills, citizenship and health. It describes these capabilities as a Citizen's Skills Entitlement and estimates that an investment of £200 million a year could double the number of people accessing similar provision. The return would be an additional 280,000 people into work by 2030<sup>11</sup> compared to current approaches. Our joint response with OU on page two outlines suggestions for improving lifelong learning, for example through

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<sup>11</sup> Learning and Work Institute "Skills and Poverty" September 2016

the introduction of personalised learning accounts.

- 14.4 The recent announcement in the Spring Budget that DfE will test new approaches to lifetime learning is a positive step. There may be benefits in developing a modest learning account system to motivate a particular group of students but it is also important to ensure that employers do not shirk their responsibilities to train their own staff for immediate business needs.

## **Upgrading Infrastructure**

### **16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?**

- 16.1. The National Infrastructure Plan records proposals to spend £23 billion, between 2016 and 2021 on school places<sup>12</sup> to meet rising demand but is silent on the provision of post-16 places. Facilities in schools are unlikely to be suitable for future post-16 demand because of the need to shift the focus towards better technical education. The college estate is an asset that could be used for this purpose, but only if a number of funding obstacles are tackled. The indicative £500 million four-year skills capital budget within the Local Growth Fund, controlled by local enterprise partnerships, is unlikely to be used because of pressure from other priorities and the difficulties that colleges have in raising private investment. There may be a shortfall of places for young people because of these funding and credit constraints.

## **Driving growth across the whole country**

### **35. What are the most important new approaches to raising skill levels in areas where they are lower?**

- 35.1. Exit from the EU is likely to end the UK's access to the European Social Fund (ESF) which has been used by colleges over the last two decades to help retrain and improve the skills of hundreds of thousands of people. Over the last five years, colleges have received between £50 to £100 million a year in ESF income and £18 million in direct European grants. This represents 1% - 2% of total income and is very important to colleges in more economically disadvantaged parts of the country. The money is concentrated in a small number of colleges – some of whom are currently quite financially weak. Brexit provides an opportunity for new approaches to European funds, but the focus on areas with high unemployment and low productivity must not be lost. We believe it would be sensible to devise

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<sup>12</sup> HM Treasury National Infrastructure Delivery Plan 2016-21, Page 76.

a new English Social Fund with existing funding levels, less bureaucracy and action to help people get into work and deal with economic change.