Austerity 2.0
A Lost Generation?

Foreword

From David Gallagher, CEO of NCFE

In the years following the financial crisis of 2008, austerity measures undermined public services. Further Education (FE), for so long an overlooked yet vital cog in the educational machine, continues to carry the scars of under-investment resulting in significant challenges today, such as those around apprenticeships and skills gaps.

The Government's rhetoric on support for skills suggests we have begun to turn a corner - for example, through the funding uplift for 16–19-year-olds and the latest Adult Education Budget rise.[1] We need to build on this momentum if we're to ensure funding levels go far beyond those seen prior to the 2008 crash – which, when taking inflation into account, they currently only just reach.

In 2021, the Institute for Fiscal Studies (IFS) stated that "the cuts to education spending over the past decade are effectively without precedent in post-war history."[2] With the additional economic shocks of Brexit, Covid-19 and the current cost-of-living crisis, people are again less able to access educational opportunities or fully engage in their learning.[3]

This is compounded by the crisis disproportionally impacting disadvantaged students, who are likely to have less support from their parents and carers, only widening the attainment gap. Providing the required funding would ensure all learners can access the same opportunities regardless of their background.

There's a wider economic imperative, too. Reduced investment in FE means fewer students are entering courses that will enable them to gain the skills and knowledge they need to access high-skilled employment. This is particularly significant for key sectors such as digital, tech, health and social care, as fewer young people will have the training required to enter these careers.

Without a secure skills pipeline, additional funding, and a focus on skills, the Chancellor of the Exchequer's 'four pillar' plan for the economy – outlined in the Spring Budget – will potentially be at risk.[4]

Following years of unprecedented public spending on health during the pandemic, as well as energy support during the cost-of-living crisis, the FE sector now requires comprehensive funding that's in line with inflation. This funding needs to be underpinned by a strong communications campaign that showcases to young people, parents and carers, employees, and employers alike the benefits of high-quality technical and vocational education.

To reach their full potential over a lifetime of learning, each individual needs the means, as well as the motivation, to seize the opportunities that come their way. Without this, we risk losing another generation of vocational learners.

1 https://feweek.co.uk/significant-in-year-cash-boost-to-national-adult-education-budget-funding
2 https://feweek.co.uk/ifs-education-cuts-effectively-without-precedent-in-post-war-history
3 https://www.fenews.co.uk/fe-voices/the-cost-of-living-crisis-and-part-time-higher-education-in-england/
4 https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-bloomberg

Introduction

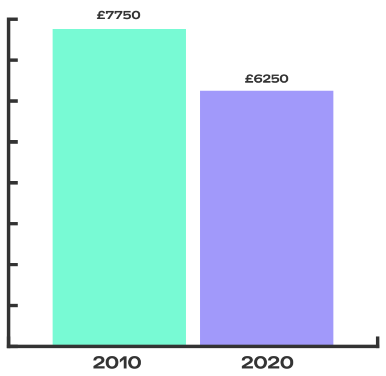
This short report analyses how the 2008 financial crash, and subsequent austerity measures until 2020, impacted FE. The primary focus of this paper is to explore the key themes emerging from the government's approach to skills during this period, and the impact this approach had on younger learners at Level 3 and below in particular.

The report then examines the approach the Government has taken in response to a comparable economic shock – the Covid-19 pandemic and subsequent cost-of-living crisis – and how current funding commitments may influence FE in the coming years. The report closes with three key recommendations from NCFE regarding the future of FE and what government and wider stakeholders can do.

From the Financial Crash of 2008 to 2020

FE funding (post 2008)

Following a wave of austerity cuts in response to the 2008 financial crash, FE bore the brunt of the impact on the education sector. FE saw a sharp decrease in its funding, while per-student funding for schools remained protected from further cuts.[5]



16-19 year olds in FE

According to the IFS, total spending on adult education and apprenticeships dropped in 2011 when austerity measures began and is yet to recover to pre-financial crash levels.[6] Furthermore, spending per student in sixth forms and 16-18 educational settings has only continued to fall.[7]

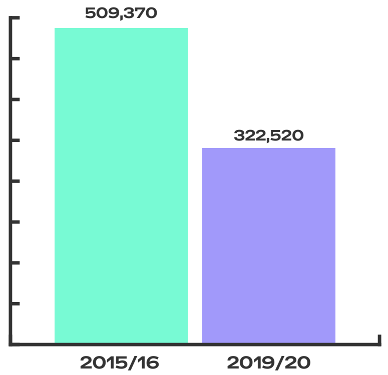
From its peak of £7,750 per student in 2010, each year saw a steady decline, reaching a low of £6,250 in 2019-2020. In addition, the rate of inflation – which has risen 64.05% since 2010 – means that, in real terms, this funding decrease was even more significant than these figures imply.[8]

Moreover, the coalition Government's decision to abolish the Education Maintenance Allowance removed support for the poorest students seeking to enter FE.[9] This was replaced by a smaller, more limited 16-19 bursary grant.

While these funding cuts impacted all 16-19 year olds in education, the attainment gap between students from different backgrounds widened as austerity created hardships for families in the lowest earning percentile. Plus, with less funding, colleges and FE settings are less able to provide additional support, such as extra assistance or enrichment opportunities.[10]

Adult further education and apprenticeships

Austerity measures – and systemic changes such as the introduction of the Apprenticeship Levy – triggered changes to the FE system which produced a noticeable decline in the number of people of any age deciding to study an apprenticeship post-16. Total apprenticeship starts fell from 509,370 in 2015/16 to 322,520 in 2019/20; a decline of more than 186,000 learners.[11]



The impacts were felt keenly by those in the highest levels of deprivation. Among the most deprived quintile of adults (19+), participation in FE (including apprenticeships) fell from 746,150 in 2016-17 to 525,700 in 2019-20 - a fall of more than 220,000.[12]

5 https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics
6 https://ifs.org.uk/publications/adult-education-past-present-and-future
7 https://ifs.org.uk/articles/latest-trends-further-education-and-sixth-form-spending-england
8 https://www.in2013dollars.com/uk/inflation/2010
9 https://www.edge.co.uk/documents/194/Learning_from_the_past_Paper_No._4_EMA_Final.pdf
10 https://ifs.org.uk/articles/latest-trends-further-education-and-sixth-form-spending-england
11 https://explore-education-statistics.service.gov.uk/find-statistics/further-education-and-skills
12 https://explore-education-statistics.service.gov.uk/find-statistics/further-education-and-skills

Outcomes - post 2008

Young people not in full time education

Employment levels for 18–24-year-olds dipped from 64.81% during December-February 2008 to 55.93% during November-January 2012. While these levels have now largely recovered to pre-crash levels,[13] wages remain stagnant. Adjusted for inflation, the median wage for 18-21 years olds hit a decade low between 2011 and 2014 and has still yet to recover to pre-austerity levels.[14]

Productivity

The individual impact on students is reflected in the UK's performance on the international stage. While historically the UK's labour productivity has been on the same level of other G7 nations, since the 2008 financial crash, there has been a noticeable decrease in performance by the UK when compared to international competitors.[15] Though the country's labour productivity has increased each year, it remains far below other leading economic nations.[16]

A stagnation in levels of labour productivity often arises from a decline in workers' skills and education and/or the inability of a country to stay ahead in technological progress.[17] These factors can be exacerbated by underfunding, especially when taken in conjunction with the UK's low level of investment as a share of GDP and business investment in capital.[18]

Skills shortages

Across the last decade, this stifled productivity has coupled with growing skills shortages across a number of sectors, such as digital, tech, and engineering, as well as the health and social care sector which is currently facing a recruitment crisis.[19] While the Government has signalled a willingness to counteract this with support for FE and post-16 education through its Skills for Jobs White Paper,[20] this has not translated into enough of a financial boost to rectify historic underfunding.

The Education and Training Foundation, among others, has also illustrated the growing disparity in pay between FE lecturers and their counterparts in HE and schools[21] – a factor which further impacts the sector's ability to attract highly skilled educators and embed quality in the system.

Social mobility

Many have argued that reduced funding for 16–19 FE creates barriers for young people from disadvantaged backgrounds in accessing the same educational opportunities as their more privileged peers, creating a cycle that prevents social mobility.[22]

The difficulty in breaking out of this cycle has been further exacerbated by the concurrent decrease in spending on adult education.[23] As with 16-19 FE spending, adult education funding decreased in the aftermath of the 2008 financial crisis and has never fully recovered to previous levels. This means that young people will have less opportunity to upskill/reskill through adult education later in their career, placing another barrier to accessing higher paying jobs later in life, should current funding trends continue.

Following the financial crash of 2008, 16-19 vocational students faced considerable cuts in funding to their education, a depleted job market and real term negative salary growth, at best being overlooked and at worst being forgotten. Throughout this period of financial restraint, careers advice for young people has continued to implicitly bias Higher Education over FE;[24] a factor which has reinforced negative perceptions of the sector.

These factors placed a curb on vocational students' life chances and have only worsened skills gaps and increased the number of those struggling to access higher paying jobs. There is real concern that the trends we are seeing emerging again in relation to funding, inflation and the job markets means the current generation of young people could be left equally disregarded.

13 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivitybyagegroupseasonallyadjusteda05sa
14 https://commonslibrary.parliament.uk/research-briefings/cbp-8456/
15 https://stats.oecd.org//Index.aspx?QueryId=107229#
16 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity
17 https://stats.oecd.org/glossary/detail.asp?ID=4819
18 https://www.bankofengland.co.uk/monetary-policy-report/2023/february-2023
19 https://www.gov.uk/government/publications/quantifying-the-uk-data-skills-gap/quantifying-the-uk-data-skills-gap-full-report
20 https://www.gov.uk/government/news/pioneering-reforms-to-boost-skills-and-jobs
21 https://www.et-foundation.co.uk/wp-content/uploads/2019/05/SIR26-Workforce-Data-report.pdf
22 https://www.suttontrust.com/wp-content/uploads/2021/10/Going-Further.pdf
23 https://ifs.org.uk/publications/adult-education-past-present-and-future
24 https://www.gatsby.org.uk/uploads/education/reports/pdf/gatsby-sir-john-holman-good-career-guidance-2014.pdf

Post 2020

Economists have argued that the Covid-19 recession has been "the deepest of the modern age,"[25] and while there has been a modest economic recovery, the length of this recession has had a substantial impact on consumers and businesses.[26] Though employment levels have remained largely stable, there are indications of reduced economic output.[27]

16-19 year olds in FE

In 2019 we saw £400 million committed to 16-19 education,[28] followed by a £1.8bn commitment to increase FE spending in 2020.[29] This translates to an increase from £6,250 to around £6,600 in spending per student in 16-18 colleges. This funding has formed part of a much welcomed and renewed commitment by the Government to invest in skills education, which has included the introduction of T Levels.

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Despite this, spending per-student – which the IFS suggests will be maintained through 2024-2025 – has still not returned to pre-austerity levels[30] although this picture is complicated by a projected increase to full-time learner numbers in colleges.

The Association of Colleges has stated "demographics alone imply an additional 90,000 extra young people in colleges by 2024-5, compared to 2020-1, and a further 100,000 in the second half of the 2020s."[31] As a result, per-student funding will drop significantly without additional investment, especially when high inflation is taken into account.

Adult further education and apprenticeships

Moreover, spending on adult further education and apprenticeships will be 25% lower in 2024–25 compared with 2010–11.[32] Current projections suggest that the number of adults in funded FE will decrease substantially in the coming years, from 786,053 in 2022-23 down to 614,252 in 2025-26. Among 19–24-year-olds, this signifies a drop of more than 42,000 learners.[33]

Without increased funding, there could be profound economic and social implications. EY's Attractiveness Surveys, which assess the factors most influential in drawing Foreign Direct Investment (FDI), regularly cite skills as a key driver in increased investment.[34]

Without boosting support for skills development, we can anticipate productivity gaps broadening and poorer comparative economic growth, as referenced earlier in this report. The Organisation for Economic Co-operation and Development (OECD) concludes that, properly evaluated, a "population's knowledge capital, or collective cognitive skills, is by far the most important determinant of a country's economic growth."[35] Growing a skills-based economy can therefore be viewed as an economic necessity and social imperative.

There was a wider acknowledgment in the Chancellor's Spring Statement that increasing skills levels and productivity is the key to economic growth, and it's essential this is built upon through funding and a commitment from the Government to support FE as an integral part of its economic plans.

25 https://www.theguardian.com/business/2020/aug/12/how-does-uks-covid-recession-compare-with-previous-ones
26 https://inews.co.uk/inews-lifestyle/money/uk-recession-how-compared-2008-crash-hit-consumers-harder-1952129
27 https://www.igd.com/home/article-viewer/t/uk-labour-market-remains-historically-tight/i/30454
28 https://www.gov.uk/government/news/chancellor-announces-400-million-investment-for-16-19-year-olds-education
29 https://www.gov.uk/government/publications/budget-2020-documents/budget-2020
30 https://ifs.org.uk/articles/latest-trends-further-education-and-sixth-form-spending-england
31 https://feweek.co.uk/wp-content/uploads/2021/08/AoC201620-201920projections20to20203020August2021.pdf
32 https://ifs.org.uk/publications/adult-education-past-present-and-future
33 https://explore-education-statistics.service.gov.uk/find-statistics/further-education-and-skills#dataBlock-7ca79b70-8974-4dd2-9225-6c1171c60016-tables
34 https://www.ey.com/en_uk/attractiveness
35 https://www.oecd-ilibrary.org/docserver/9789264234833-5-en.pdf?expires=1674144368&id=id&accname=guest&checksum=5DFA837C6FFF7AD73A368EABEBA5E443

CASE STUDY

Why the life-changing impact of FE is now hanging in the balance

Newcastle-based Alesha Tinnion, 30, has completed vocational courses at both Level 2 and Level 3 with the national training provider Learning Curve Group. Her courses have focused on understanding autism, working with young people and children, counselling, and understanding domestic abuse.

She says: "Learning Curve Group has given me a chance to do well. Without the support I have received, I wouldn't be where I am today. They have given me confidence and support. They have also provided me with a whole new skillset enabling me to work with children."

However, the economic climate has caused significant challenges. Alesha says, "There were days I attended my course, and I was so far in my overdraft due to the cost of living, having my children home due to Covid and needing to buy extra food to feed them." Cost pressures meant there "were days [she] didn't want to get out of bed," and she remains concerned with the future of her course, noting, "I am worried at the venue moving. If it's not close to me then I don't know how I will get there. And if it doesn't provide a creche I know I won't be able to afford childcare."

Despite these challenges, Alesha remains optimistic about the future. "I struggle to afford to take my children anywhere even now, but I am hoping now I have all the skills and qualifications I need I will start to do well and support my family better." She concludes, "the course helped me through the hardest times in my life. It has given me a place I could be known as just me and not all the bad things that were happening – I got my personality back."

Recommendations

To ensure FE is not overlooked in a similar way to the years after the 2008 crash, and that another generation of vocational and technical learners are not at risk of being left behind, NCFE is asking for the following three actions.

1. Fund FE beyond the rate of inflation to address historic underfunding

Underfunding FE created a lasting impact that's widened the attainment gap and contributed to the national skills shortage. If the legacy effects of the 2008 austerity measures and the Covid-19 pandemic are to be addressed and not exacerbated further during the ongoing cost-of-living crisis, it's imperative that funding is raised at least in line with inflation.

Furthermore, this increase in funding would support the Government in ensuring that the positive momentum over their renewed focus on skills is not lost and is seen as the much-needed investment in the future of our economy.

2. Increase awareness of the benefits of investment into FE and skills for businesses, young people, and the economy through a comprehensive communications campaign

In politics and more widely, there's a general bias towards encouraging young people into Higher Education as the best option to raise their attainment. While attitudes have begun to change, more needs to be done to challenge misconceptions around vocational courses.

This requires a comprehensive communications campaign aimed at educating young people, their parents, and businesses on the personal benefits of vocational education and the range of options available. This should be illustrated through case studies from both a learner and employer perspective.

3. Create a joined-up and comprehensive system of careers guidance which begins in school and works closely with employers

There must be a renewed effort to ensure that, from an early age, careers education in schools promotes vocational and technical routes as an attractive option for young people to pursue. This includes discussing with students the range of learning choices available to them outside of Higher Education, such as apprenticeships and T Levels. Information and guidance must be truly independent and not designed and delivered by schools, to ensure learners are aware of all options (spanning academic and technical pathways) and are able to make informed and empowered decisions.

It's unfeasible to expect teachers to take on this additional task when they have no extra bandwidth within their roles, and this is not their area of expertise. Ensuring this system works closely with employers, and links clearly into the world of work, will help expand and promote awareness of technical education and the careers it can create.

Conclusion

From David Gallagher

This report has underlined the impact of both the 2008 financial crash and subsequent austerity measures on FE, demonstrating how this has impacted the sector and hampered a generation of vocational learners.

The economic shock of Covid-19 and unfurling cost-of-living crisis, combined with rapid policy and regulatory change has left the sector in a fundamentally fragile state. While politicians seem to be more appreciative of the importance of skills, the sector needs comprehensive support and transformational new measures. There is bold rhetoric about a 'world class skills system', this simply cannot be achieved without the funding to match.

We stand ready to work with government and a wide range of sector stakeholders to address the challenges faced by the sector after another unprecedented financial shock. We must avoid the same costly repercussions of the 2008 financial crisis and ensure FE is seen as part of the solution to the problems we face as a society.