

NEW CHALLENGES, NEW CHANCES: NEXT STEPS IN IMPLEMENTING THE FURTHER EDUCATION REFORM PROGRAMME

Further Education Loans consultation

a response from the National Institute of Adult Continuing Education (NIACE) to the Department for Business Innovation and Skills, October 2011.

As the UK's leading independent non-governmental organisation and charity for lifelong learning, NIACE welcomes the opportunity to comment on the Government's plans to introduce Loans for people aged over 24 to undertake study in further education in England at Level 3 and above. This forms part of a wider consultation exercise (*New Challenges, New Chances*) and NIACE's comments should be read alongside its responses to other proposals to reform the further education sector.

NIACE regrets the Government's decision to withdraw many of the entitlements to fee-free funding which existed prior to this year but accepts that the consultation is about 'how' rather than 'whether' to introduce a loans system. It also believes that the rationale behind the introduction of loans (to prioritise learners under the age of 24) represents unhelpful age discrimination and is flawed given the changing age demographic of the population in England. It has more sympathy with the Government's wish to prioritise spending on those with lower skills but will continue to argue for a more equitable distribution of learning opportunities across the whole lifecourse so that all adults have more accessible and affordable opportunities to learn.

NIACE has long supported the principle that individuals who are able should contribute towards the cost of their learning since this increases the overall volume of funding which allows more provision to be made than would be possible with public funding alone. NIACE also supports the Government's commitment to directing putting resources into the hands of individuals to purchase the learning they require. However NIACE believes that Government does have a responsibility to ensure a smooth transition to a new system, with a full understanding of the consequences of its decisions – including how they interact with other reforms (not least in higher education).

The Government's decision to offer loan support to adult further education students on broadly the same basis as those for higher education is a symbolically welcome demonstration of the Government's commitment to the FE sector. However, NIACE is deeply concerned that it may have underestimated the degree of differences between the two sectors and that it may not be feasible

to introduce a loans system by the 2013/14 academic year. Going ahead is a high-risk strategy which could result in a significant fall in demand and the destabilisation of many providers.

NIACE's chief concern is that there appears to be little public evidence that potential learners will have any appetite for taking out loans for level 3 study. This may result in a fall in enrolments which will destabilise staffing levels with a knock-on effect on the viability of many programmes (including for younger full-time learners).

Q1 What information do learners, employers, colleges, training organisations and careers advisers need about FE loans to cover learner contributions?

A loans system will only be effective if it is based on informed consumer choice in a reformed market. Because *New Challenges, New Chances* does not consider information, advice and guidance, it is not at all clear how Government intends to empower potential students to exercise such choice. This is a particular concern given that there will be a need to persuade many learners that taking out a loan is a good investment.

In addition, not all FE providers have particularly sophisticated strategies for pricing their provision – which will make it even more difficult for prospective learners to assess whether investing in one particular course over another is right for them.

It is likely that the National Careers Service will play an important role in providing advice and guidance to supplement information from providers but as yet it is not clear how this will work in practice. In practice, careers officers are not trained to offer guidance on whether or not a particular programme represents value for money for any particular student. Learners, employers and providers alike will all need timely and effective access to authoritative advice about loan eligibility, the value of loans, associated costs and the process of application and repayment.

There is a massive task ahead to prepare the sector for this challenge and a clear and transparent communications plan needs to be developed. Quite apart from preparing prospective learners and employers for the change, there needs to be a programme to support educational professionals. This will require not only a significant resource commitment but also a genuine dialogue with sector bodies, not the presentation of a *fait accompli*. NIACE stand ready to contribute to this task which is likely to require web-based resources, paper communication and, probably, a programme of face-to-face briefings at key points in the journey. It is imperative that any programme should NOT be led by marketing agencies keen to 'sell' the reforms and 'paper over the cracks' but led by sector

intermediary bodies able to understand and address in detail genuine implementation issues which will, inevitably, arise.

Any communication programme should also include a genuine research component (this policy area is conspicuously under-researched at present) which seeks to respond to genuine concerns raised by practitioners about such matters as costing and pricing different forms of provision, different elasticities of demand, the differing propensities of various groups to access loans and more.

At present there are still many unanswered questions about this policy. For example:

- Will the ELQ policy mean graduates will be ineligible for FE loans?
- What will happen to current Careers Development Loans?
- What will the minimum threshold be for a loan – and will there be a maximum?
- Will Government permit cross-subsidisation between cheaper classroom-based subjects and those requiring significantly higher capital investment?
- Will STEM subjects require special protection? In HE, STEM subjects are priced in broadly in line with other subjects. In FE, will learners be expected to pay a fee closer to the costs of delivery?

Q2 How can we engage individuals and employers so that they make use of loans to support skills and training?

Ever since proposals for loans were first publicised in *Skills for Sustainable Growth* in November 2010, NIACE has expressed a concerns about the lack of research of how loans may affect learner and employer motivation to purchase education and training and how loans may be perceived. NIACE understands that it is only recently that large scale market research has been commissioned. Even so more may be needed: FE provision at level 3 and above is highly complex (far more than the HE sector which is dominated by full-time three-year undergraduate degrees). At present nobody can claim to know how loans might impact on courses in particular industrial sectors, starting at different times of the year or targeting particular segments of the population.

NIACE has, for many years, undertaken research on adult participation and barriers to access and on motivation to learn. It is in touch with many networks of providers—colleges, third sector providers, and local authorities that could be used inform policy understanding and development. NIACE strongly recommends that the Department for Business, Innovation and Skills consider supporting a programme of practitioner-led research. In 2010 NIACE undertook such an exercise for LSIS which involved 600 practitioners working with young adults not in education, and employment or training (NEET) reflecting on their practice and

researching a range of issues to build common understandings to inform teaching and learning.

Whatever engagement strategies are used, NIACE would caution against presenting the benefits of learning solely in terms of wage gain since individuals have many and varied motivations for participating. In addition, NIACE would also urge caution before over-claiming the anticipated wage returns on learning across the life course – because the situation may be changing, varies considerably between occupations and evidence must still be seen as provisional as is apparent from BIS Research Paper 53 *Returns to Intermediate and Low Level Vocational Qualifications* (September 2011).

Q3 How can we support learners who are progressing from FE to HE using loan support?

There is already an issue about part-time HE students who may be required to start paying back their loans before completing their studies. 84% of 24+ Level 3 FE students are part-time: BIS should re-assess the assertion that no adult will start repaying until they have completed their course. Indeed, this issue complicates the picture for those learners who take level 3 qualifications before moving on to degree-level studies. In particular NIACE is concerned about those mature students (almost 40,000 in 2009/10) following the Access route involving some 1,500 courses. The Advocate for Access to HE has suggested that public funding should continue for programmes of Access to HE in order not to damage the prospects of social mobility and NIACE endorses this recommendation. Access for adults is critical to any widening participation strategy and if Access Courses ceased to recruit, the social intake of many universities would narrow considerably.

As the level 3 loans policy could affect participation both at level 2 and level 4 (again this under-researched), NIACE suggests that consideration should be given to writing off the FE loan of any student who goes on to complete a HE course. This would demonstrate a positive commitment to progression, social mobility and an understanding as to how the whole post-school learning ecology works rather than dealing with parts of it in isolation from each other.

Q4 Will the introduction of FE loans to cover learner contributions for Level 3/4 for those aged over 24 create any particular barrier(s) to access provision based on (i) race, religion or belief; (ii) disability; (iii) gender; or (iv) age?

There is a lack of rigorous, large-scale research in this area and the Government will be offered a lot of opinion and anecdote. However it is true to say that, generally speaking financial constraints of any kind will tend to act as a barrier to

participation in learning—in combination with other factors. The consultation question is right to segment this by various groups. This recognises that participation in learning is influenced by cultural as well as purely financial factors. It is essential that further detailed research is done on this—in communities with focus groups of learners.

Current research indicates that investment in learning through loans (or the acquisition of 'debt') is likely to be affected by social class. Those with experience of other student loans (for their children perhaps), mortgages, pension funds or long term investments are likely to be more comfortable with the idea and may also be more likely to access IAG.

If different demographic groups do have a different propensity to take up loans there may be significant labour market consequences to be considered. The impact of any decline in enrolments among low-paid women may be felt more quickly in public sector jobs in healthcare and education which traditionally recruit from this pool (for classroom assistants for example). This could unbalance particular labour markets in unpredictable and destabilizing ways.

Equality impact assessments will be critical. NIACE urges the Government to establish benchmarking studies immediately so that it is possible to measure accurately the effect of change on demand from particular groups of learners for particular subjects, qualifications and modes of study so that mitigating action can be taken swiftly if required. This benchmarking should analyse participation and achievement at level 3 for a period of years, setting out who participates, what they study and what they achieve. This would allow for better assessment of impact once the policy is implemented.

There appears to have been little consideration of the impact on families where one generation's readiness to take on student debts may be affected by the actions and experience of a family member of a different generation. Many parents supporting their children through higher education for example, might be unwilling to take on higher levels of personal debt for their own learning. The intergenerational effects of extending ICLs to adults and young people at Level 3/4 and 5/6 should not be underestimated and needs to be thoroughly researched.

If Government wishes to introduce loans for adult apprenticeship training the complexities multiply because of the nature of the contract between the apprenticed worker and the employer. NIACE believes that few adults would be willing to pay to be trained by their employer unless successful completion led to a licence to practice conferring a clear and immediate labour market advantage. In addition, it is clear that the employer shares the benefits of the apprenticeship by being able to use people's labour power while they are being trained. For this reason NIACE believes that loans to individuals for apprenticeship training are not appropriate. Consideration should however be given to whether the loan

should be made to the employer. Fairness might however be ensured by requiring an individual contribution if the apprentice leaves before or immediately after the completion of a programme.

Q5 How can we minimise (additional) bureaucracy as we implement the FE loans model?

NIACE supports the use of the Student Loans Company for allocation and recovery through HMRC. Using current structures will minimise bureaucracy but it is important that the SLC sees its level 3 customers as of equal priority as higher education customers and also fully understands the complex nature of level 3 roll-on roll-off provision. There may be a substantial staff development and training need to be addressed.

The processes of application and selection differ considerably between FE and HE, as do the pattern of starts and the patterns of participation (more part-time for instance). This is also true of the funding models used by the Skills Funding Agency and the Higher Education Funding Council for England and it is unclear at present when and how the loan entitlement would be triggered and how the loan pot will be managed. In the more complex world of FE (with almost ten times as many providers as there are universities) there is a real risk of additional bureaucracy creeping into the system through over-complex and disproportionate eligibility criteria. While appreciating that administering loans of low value may be costly, NIACE reminds the Government that most adults study part-time (currently 80 per cent of those studying at Level 3). Furthermore, NIACE is unaware of any modelling of how any reform of fees for full-time courses might impact on the costs and viability of part-time provision.

There appears to have been little information in the public domain about the assumptions that Government is using about the rate of default upon loans and payback periods. Without these, it is difficult to judge how best to design a system efficiently.

Q6 What safeguards should be in place to ensure that learners make the best use of the loans available to them?

NIACE believes that role of the National Careers Service will be critical in making this reform work. Its role in providing impartial information, advice and guidance to individuals on career *and* financial aspects is central and also challenging given the short implementation timescale. NIACE's perception is that there is currently insufficient alignment between the development of the NCS, Lifelong Learning Accounts and Fees reform.

A properly implemented fees loans system (working within the principles of fairness, freedom and responsibility) should not be regarded as a cheap option. The best safeguard for learners will be ensured by moving resource to the front line to support their decision making and (see response to Question 1), delivering a clear and authoritative support programme. This would allow an offer to be made which can be free to users at the point of use and should involve an unambiguous code of conduct for advisers to ensure that learners receive unbiased and accurate information about the financial implications of different choices.

Q7 Do respondents believe that payment of FE loans to colleges/training organisations should be made (i) 3 times a year (in line with HE); (ii) quarterly or (iii) monthly?

NIACE supports the view of the Reference Group that three times a year would provide the best balance between flexibility and accountability while containing bureaucracy.

Q8 Do respondents believe that allocations should be reassessed (i) annually but not in-year, (ii) once during the year and at the end of the year or (iii) more regularly during the year?

NIACE believes that an annual re-assessment is appropriate initially. Once the system 'beds down' this might be reconsidered.

Q9 In a demand-led system, what would be the most effective way of ensuring that our spend and commitments stay within the available loans budget?

NIACE believes that low take-up of loans and a fall in recruitment is a higher risk than that of demand outstripping available spending. Learner need and a wish to undertake education and training may not decline – but enrolments may fall sharply if people are unwilling to take out loans.

There is a suspicion in some parts of the sector that were this situation to arise, the Treasury would claim that this represented a fall in demand which would justify a cut in budgets for FE. NIACE urges the Department to give an unambiguous commitment that the funding will be reallocated within the FE sector if the uptake of loans is lower than anticipated.

One way to ensure costs could be contained would be to give providers indicative Level 3 Fee Loans 'allocations' based on current learner numbers – but this could give rise to questions about the impartiality of provider guidance. Could learners

who believed they had taken out a loan on the basis of 'biased' advice seek legal redress for mis-selling?

Conclusion

Overall NIACE is concerned that too many of the proposals for income contingent loans in FE appear to be based on insufficiently evidenced assumptions and calls on Government to delay system-wide change. If this is not possible, NIACE urges the Government to guarantee that the overall FE budget will not be reduced if demand falls (for the very least over a transition period of, three years) because the public has not been prepared adequately for the advent of loans.

NIACE is ready to elaborate on any of the responses given in this paper. Please contact Principal Policy & Advocacy Officer Alastair.Thomson@niace.org.uk in the first instance

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