

## Written evidence submitted by the Open University

### Executive Summary

1. The Open University (OU) response to this inquiry focuses on the contribution of adult skills and flexible lifelong learning to supporting the economic recovery after the pandemic and, over the medium-term, boosting productivity and economic growth.
2. The level of skills among the workforce is a crucial determinant on long-term economic growth. For example, it is estimated that improvements in skills accounted for 20% of the UK's productivity growth before the financial crisis.
3. Government policy has a huge impact in determining the level of skills among the workforce. For example, student funding reforms in England in 2012 were the key driver of a 51% fall in the number of adults aged 21 and over accessing undergraduate higher education in England over the last decade.
4. This decline has had a substantial economic impact. For example, 40% of the UK's workforce has skills that are materially misaligned with their jobs and there are growing shortages of higher-level skills. The pace of economic and technological change, accelerated by the pandemic and recent changes in the UK's trading arrangements with the EU, means encouraging and supporting adults to access lifelong learning so they can upskill and reskill is becoming even more important.
5. Reforms in Wales following the Diamond Review demonstrate the impact government policy can have in boosting lifelong learning – a combination of affordable fees which can be paid for out-of-pocket without a loan combined with means-tested maintenance support has been transformative. Similar policies in England – including targeted fee grants and maintenance bursaries for disadvantaged adults in priority areas – would help encourage more adults to engage in lifelong learning.
6. The UK Government's proposed Lifelong Loan Entitlement, which is being introduced through the Skills and Post-16 Bill, is a positive step forward. The detailed design features will be crucial in determining the impact on adult skills and so on productivity and economic growth. This includes:
  - Ensuring that the new entitlement can be used for any approved course at Level 4 and above, including for modular study.
  - Removing so-called ELQ rules which constrain student choices about how best to use their entitlement.
  - Implementing the recommendations of the Education Select Committee to extend maintenance loans to distance learners and ensuring that part-time students can access support with the additional costs of study via Childcare Grants and the Parents' Learning Allowance.
  - Ensuring that people who are already in the workforce, including graduates, are able to access support through the Lifelong Loan Entitlement for reskilling and upskilling.

- Ensuring that the entitlement includes all modes of study – full-time and part-time, face-to-face and distance learning – and for all levels of study at Level 4 and above to deliver maximum choices for the individual about what best meets their needs and the needs of the economy.

## 1. How much difference can government policy make to economic growth?

7. Government policy can make a huge difference to economic growth both in terms of its level and its composition, and in terms of how the benefits of growth are shared between different parts of the population.
8. Our focus at The Open University is on the impact of government policy on economic growth through adult education and skills policies. As highlighted by the UK Government in *Build Back Better: Our Plan for Growth*, this is a key determinant of productivity and so of long-run economic growth: “High quality education and skills training play a vital role in sustaining productivity growth and our international competitiveness: improvements in skills accounted for 20% of the UK’s productivity growth before the financial crisis”.<sup>1</sup>
9. It is crucial that adult education policy enables all individuals to reach their economic potential by supporting them in developing their skills – and so their productivity – across their whole lives and encouraging them to do so. This includes:
  - a. Supporting people with the costs of skills development to recognise that investment in skills has benefits to wider society and the economy.
  - b. Tackling the financial constraints that prevent many individuals from investing in their skills development due to being unable to finance the direct and indirect costs out of their own resources or to secure credit.
  - c. Reducing the risks involved for individuals of investing in their skills development given the uncertain returns to this at an individual level.
  - d. Persuading individuals of the potential economic returns on offer from investing in their skills development to help them progress in work.
10. It is also crucial that adult education policy:
  - a. Supports people to retrain to minimise adjustment costs of structural changes in the economy driven by changes in technology, consumer preferences and government policy.
  - b. Encourages employers to invest in developing the skills and productivity of their workforce and of their wider supply chain.
  - c. Ensures that skills development matches the economy’s skills needs and demands both now and in the future.
  - d. Avoids creating linear and impermeable occupational pathways to ensure people can develop the transferable skills needed to be able to adapt to changes in the economy over their career.

## 2. What are the causes of the gap in the UK’s level of productivity compared to other advanced economies, and why has productivity growth been persistently weak in the aftermath of the 2007-09 financial crisis?

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<sup>1</sup> UK Government, [Build Back Better: Our Plan for Growth](#), 2021

11. One issue which has contributed to the sluggish performance of UK productivity over the last few years has been the reduction in investment in skills at all levels for people who are already in the workforce.
12. For example, the sharp fall in the number of people in England accessing flexible higher education over the last decade – with a 67% fall in the number of new part-time undergraduate entrants accessing higher education every year – has led to:<sup>2</sup>
- A 51% fall in the number of adults aged 21 and over accessing undergraduate higher education since 2008/09.
  - 1.2 million “lost learners” aged 21 and over – this is how many people in England would have accessed undergraduate higher education between 2009/10 and 2018/19 if numbers had remained constant at 2008/09 levels.
  - England now having 40% fewer adults over the age of 21 entering undergraduate higher education each year relative to its population than the rest of the UK.<sup>3</sup>
  - A 26% fall in the total number of people in England of all ages accessing undergraduate higher education since 2008/09, with numbers falling in 512 out of the 533 Parliamentary constituencies in England.
  - Some parts of the country being hit far harder than others in terms of the decline in the number of people accessing higher education, threatening levelling up aspirations. For example, the fall in the total number of people of all ages accessing undergraduate higher education was 39% in the North East and 33% in the North West compared to 16% in London and 23% in the South East. 50 out of 533 constituencies in England saw a fall of 40% of higher, almost two thirds of which are in the North East and North West.
13. As is widely acknowledged, the main cause of this decline was the student funding reforms in England introduced in 2012. When tuition fees were increased to replace the removal of almost all teaching grant, there was a sharp fall in the number of mature students accessing higher education as, to the surprise of policymakers, they proved substantially more price and debt sensitive than young students, even though fee loans were extended for the first time to part-time students.<sup>4</sup> The reforms also involved abolishing the means-tested part-time fee grant that had previously exempted every part-time student on a low income from paying any tuition fees at all, with 57,000 part-time students in receipt of the grant in 2010, which has had a clear impact in discouraging many adults from disadvantaged backgrounds from studying.<sup>5</sup>
14. The decline in lifelong learning has had a substantial economic impact. Around 40% of the UK’s workforce has skills that are materially misaligned with their jobs and the decline in part-time higher education makes it a lot more difficult to resolve this issue. The UK Government’s Industrial Strategy Council identified significant and growing shortages of higher technical and professional skills as well as interpersonal and core management skills

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<sup>2</sup> All data in this paragraph comes from OU analysis of HESA, Student Record 2008/09 to 2018/19, English undergraduate first year students unless otherwise stated

<sup>3</sup> HESA data and Office for National Statistics, [Population Estimates for the UK, England and Wales, Scotland and Northern Ireland: Mid-2019](#), 2020. The entry rate in England was 5.1 per 1,000 21-64 year olds compared to 8.4 per 1,000 21-64 year olds in the rest of the UK

<sup>4</sup> See, for example, Department for Education, [Impact of the student finance system on participation, experience and outcomes of disadvantaged young people: Literature Review](#), May 2019

<sup>5</sup> Department for Business, Innovation and Skills, [Interim Impact Assessment: Urgent Reforms to Higher Education Funding and Student Finance](#), November 2010

such as critical thinking, creativity, negotiation, communication, teaching and training.<sup>6</sup> And, looking ahead, one in eight workers with low or intermediate level qualifications is at high risk of their jobs being automated within 20 years and virtually everyone at this skill level is considered to be at medium or high risk.<sup>7</sup> As acknowledged in the UK Government's Industrial Strategy, the increasing speed of technological change is making lifelong learning not just a choice but an economic necessity, both to help people retrain in the face of structural economic change and to upskill so that the UK economy can take full advantage of new technologies with a workforce that is equipped to utilise them effectively.<sup>8</sup>

15. The impact of lifelong learning at HE level on productivity is illustrated by the wage returns enjoyed by people who study at higher level as mature students. Research from London Economics estimated that there are significant lifetime earnings benefits from a part-time degree: for example, male part-time graduates at the OU in England who begin their studies with A-levels and complete a degree at age 37 are estimated to earn a total of £224,000 more in real terms over the rest of their career after accounting for the total costs of study facing the individual and the Exchequer. After applying the 3.5% Green Book discount rate to future increases in earnings, this is a net present value of £113,000. This has significant benefits to both the individual and, with around 40% of the total benefit flowing to the Exchequer, to the taxpayer too. The estimated returns to completing a part-time higher education qualification as a mature student are even higher for those who begin their studies without the traditional entry qualifications demanded by most other universities, which include well over a third of OU students.<sup>9</sup>

### **3. How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?**

16. The UK Government's initial response to the pandemic has been highly effective in protecting jobs via the furlough scheme, with far smaller increases in unemployment than were forecast.
17. However, the pandemic has accelerated several consumer and technological trends which will have a significant long-term impact on the structure of the UK economy, adding to the impact of the substantial changes in the UK's trading relationship with the EU following the end of the Brexit transition period. This risks significant labour market difficulties and associated scarring effects as the economy adjusts to these changes which could have long-term adverse consequences for affected individuals and communities.
18. Lifelong learning, including at higher levels, will be crucial in reducing and mitigating these scarring effects by helping people upskill, reskill and retrain to allow them to adapt to changes in work and, where necessary, to move between industrial sectors and occupations in response to structural economic changes.
19. Flexible part-time higher education can enable people to access these lifelong learning opportunities in their local area as it can reach every part of the country. For example, the OU is one of the five biggest universities in 90% of Parliamentary constituencies in England.

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<sup>6</sup> Industrial Strategy Council, [2020 Annual Report](#), February 2020

<sup>7</sup> Office for National Statistics, [The probability of automation in England: 2011 and 2017 \(Table 5b\)](#), 2019

<sup>8</sup> See e.g. HM Government, [Industrial Strategy: Building a Britain Fit for the Future](#), 2018

<sup>9</sup> London Economics, [The Economic and the Social Impact of the Open University](#), 2020

The role of flexible higher education is especially important in places where there is limited face-to-face provision and in places where there are relatively few working age adults qualified to level 4 and above – the OU tends to have a significantly higher entry rate and market share in these areas – and so be a crucial delivery mechanism for achieving the UK Government’s levelling up ambitions around skills.

20. The OU has also been involved in a number of initiatives since the start of the pandemic, in partnership with the UK Government, to help reduce potential economic scarring impacts through supporting adult skills development, including:
- a. [Open Door to Success](#). This is a collection of online courses focused on employability skills, basic maths and English, key skills for life and advice on writing CVs and interview preparation hosted on the OU’s OpenLearn platform. Since November 2020, the OU has worked with the DWP National Partnerships team to roll out and build awareness of these courses to over 750 Job Centre Plus (JCP) offices across England, Scotland and Wales. The programme originated from a pilot developed and run since mid-2019 with a single JCP office in Kingston-upon-Thames.
  - b. [GICAST Cyber Security course](#). Funded by the Department for Education and Nesta, this programme provides free introductory training to support a job seeker moving into a new career in cyber security and was launched on the OU’s OpenLearn platform in January 2021. The course involves 8 weeks of part-time study using a series of game-based scenarios to teach learners the fundamental concepts of cybersecurity and understanding of online safety. Learners also have access to personalised coaching support. Learners who successfully complete the course can access additional training to gain Cisco certification as a route into a career in the cyber sector.
  - c. [The Skills Toolkit](#). The Open University is one of the UK Government’s partners in the online learning platform launched to help boost people’s skills while on furlough during the pandemic.

**5. What policies are effective in helping people to reskill, move between occupations and sectors and take advantage of new opportunities? How could these be best implemented in the aftermath of the pandemic, and as technological developments such as artificial intelligence change the nature of work?**

21. The most effective and transformative policy to enable the UK Government’s objective of providing adults with opportunities to upskill and reskill throughout their lifetime through flexible lifelong learning will be a combination of affordable fees which can be paid for out-of-pocket without a loan and/or with support from an employer, combined with means-tested maintenance support. Reforms in Wales following the Diamond Review<sup>10</sup> led to the creation of such a system and it has proved highly effective in encouraging lifelong learning with, for example, Student Loan Company statistics showing a 72% increase in the number of part-time students in Wales in receipt of student support after the first two years after reform<sup>11</sup> and HESA data showing a 72% increase in the number of part-time students at Welsh providers entering degree programmes over the same time period.<sup>12</sup>

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<sup>10</sup> Welsh Government, [Review of Higher Education Funding and Student Finance Arrangements in Wales](#), 2016

<sup>11</sup> Student Loans Company, [Student Support for Higher Education in Wales](#), 2020

<sup>12</sup> HESA, [HE Student Data](#), 2021

22. Policies to provide financial support for lifelong learning in England could include:
- a. **Targeted fee grants for adults in priority geographical areas and/or from disadvantaged backgrounds.** The increase in the cost of study following student finance reforms is widely acknowledged as the key barrier to adult higher education including by former Universities Ministers Lord Willetts, Lord Johnson and Chris Skidmore MP. Targeted fee grants would reduce the cost of part-time higher education in England for those eligible to similar levels as in the rest of the UK.
  - b. **Targeted maintenance bursaries for part-time students targeted on those from priority geographical areas and/or disadvantaged backgrounds.** Most part-time students in England receive no support at all for their living costs. This deters many adults who are interested in higher education, especially those from disadvantaged backgrounds.
23. The other key policy which would help encourage more people to engage in lifelong learning is reform of the student support system to incentivise flexible learning.
24. This includes:
- a. **Adopting the Augar Panel's recommendations around the Lifelong Learning Loan Allowance in full including extending fee and maintenance loans to high-quality modular study and relaxing ELQ rules.** The independent panel which supported the UK Government's review of post-18 of education and funding (the Augar Panel) highlighted that the design of the student support system distorts decisions in favour of three-year undergraduate degrees and against higher technical qualifications and lifelong learning.<sup>13</sup> Their proposal to introduce a Lifelong Learning Loan Allowance that can be used for any approved course at Level 4 and above, including for modular study, as well as to remove all so-called ELQ rules which constrain student choices about how best to use their funding entitlement, would be a crucial step in achieving the UK Government's aspirations to encourage people to study more flexibly across their lives and to ensure there is better alignment between the skills employers need and the outputs of the higher education system.
  - b. **Ending the anomaly of excluding distance learners from the maintenance loans they need.** Only a small minority of part-time students in England are eligible for maintenance loans: students are only eligible if they are studying towards a degree and distance learners are excluded. This means that nine out of ten part-time students cannot get a maintenance loan. As acknowledged at Comprehensive Spending Review 2015 and the subsequent Department for Education consultation on part-time maintenance loans,<sup>14</sup> this prevents many potential students from studying and adds to the challenges for working part-time students in juggling their paid work with their studies, with an associated impact on completion rates. Extending maintenance loans would also support flexibility and remove one of the distortions in the student support system highlighted by the Augar Panel as well as in the recent Education Select Committee report on adult skills and lifelong learning.<sup>15</sup>

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<sup>13</sup> Department for Education, [Post-18 Review of Education and Funding: Independent Panel Report](#), 2019

<sup>14</sup> Department for Education, [Consultation on Part-Time Maintenance Loans](#), 2016

<sup>15</sup> Education Select Committee, [A plan for an adult skills and lifelong learning revolution](#), 2020

- c. **Extend support for the additional costs of study via Childcare Grants and the Parents' Learning Allowance to all students.** More than one in three part-time students have dependent children and incur additional costs from participating in HE, including from the cost of formal childcare. However, part-time students in England are excluded from the support provided to meet these additional costs for full-time students with children. Extending the Childcare Grant and the Parents' Learning Allowance to all students would end this anomaly, making it easier for working adults with children to study and supporting completion rates. This was also one of the recommendations made by the Education Select Committee report on adult skills.<sup>16</sup>
25. The UK Government's proposed introduction of the Lifelong Loan Entitlement from 2025 through the Skills and Post-16 Education Bill<sup>17</sup> – with student loans extended to modular study and everyone entitled to four years of post-18 education at level 4 and above – is a positive step forward. However, the detailed design features will be crucial in determining the impact on adult skills and so on productivity and growth. For example, it is essential that:
- a. People who are already in the workforce – including graduates – are able to access support through the Lifelong Loan Entitlement for reskilling and upskilling: as the UK Government has highlighted: *“80% of the 2030 workforce are already in the workforce today”*.<sup>18</sup>
  - b. The entitlement includes all modes of study – full-time and part-time, face-to-face and distance learning – and at all levels of study at Level 4 and above to deliver maximum choice for the individual about what best meets their needs and the needs of the economy.

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<sup>16</sup> Ibid

<sup>17</sup> HM Government, [The Queen's Speech 2021](#), 2021

<sup>18</sup> UK Government, [Build Back Better: Our Plan for Growth](#), 2021

## About The Open University

- The OU's mission is to be *Open to people, places, methods and ideas*. For most of our undergraduate qualifications there are no academic entry requirements. We believe students should have the opportunity to succeed irrespective of their previous experiences of education.
- The OU operates across all four nations of the UK and has 176,000 students. We teach four in ten (44%) part-time UK undergraduates and is one of the five biggest universities in 90% of Parliamentary constituencies in England.
- The OU is by far the biggest provider of higher education for those from disadvantaged backgrounds and teaches one in ten undergraduate students from the most disadvantaged (POLAR4 Q1) areas in England. It is also the 5<sup>th</sup> largest provider for young entrants from the most disadvantaged areas.
- The OU is the leading distance learning provider in the UK and has world-leading expertise and capability in the delivery of high-quality supported online learning in virtually all subject and professional areas. We also host free online educational resources on OpenLearn, which delivers academic-led bite-sized learning experiences designed to fit into everyday life and has attracted over 75 million visitors since its launch in 2006 and saw a trebling in visitor numbers in the first few months of the pandemic with more than 1 million visitors in the first 8 weeks of lockdown.
- In the most recent National Student Survey data for the OU (2019), our overall satisfaction rate was 87%, keeping the OU in the top 20 of UK universities and continued to rank first for assessment and feedback.
- There is no typical OU student. People of all ages and backgrounds study with us and for many reasons – to update their skills, get a qualification, boost their career, change direction, prove themselves or keep mentally active.
  - 72% of our directly-registered students work full or part-time
  - 26% of our undergraduates live in the 25% most deprived areas
  - 30,791 students with disabilities studied with us in 2019/20.
  - At least 36% of our students begin their studies with 1 A Level or less.
  - 34% of new OU undergraduate students are under 25 years old.

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