

# Reskilling for Recovery: policy costing appendix

This appendix sets out the possible costs for retraining and upskilling those who will be unemployed once the furlough scheme closes. Alongside the costs it also outlines the productivity benefits of successfully upskilling a proportion of those who will retrain.

## Change in participation in adult education

Total participation in adult FE and skills has fallen by **1.2 million** since 2012/13, from 3.3 million to 2.1 million (Table 1).

Table 1: Change in total participation in adult FE and Skills<sup>1</sup>

Year	Total participation in adult FE and skills
2010/11	3,163,200
2011/12	3,149,700
2012/13	3,280,600
2013/14	2,929,600
2014/15	2,613,700
2015/16	2,324,700
2016/17	2,236,800
2017/18	2,179,100
2018/19	2,068,200

## Additional Unemployment

Unemployment in England in the 12 months to December 2019 was 1,111,700.<sup>2</sup> To estimate the increase in unemployment we adopt the OECD's forecast that the unemployment rate will rise from 3.9% to 9.7% in the UK by October, when the furlough scheme is due to end.<sup>3</sup> Assuming the rate in England rises by the same amount, unemployment will reach 2,334,110 in October. This **increase of around 1.2 million**, is almost exactly the same as the fall in participation in adult FE and skills from its peak.

## The costs and benefits of engaging the 1.2 million in training

We estimate the cost of engaging the 1.2 million additional unemployed people in our Right to Retrain and contrast that to the economic benefit of reaching a target of upskilling half of them.

### Costs

The total adult skills and FE budget stood at £3.6bn in 2018/19.<sup>4</sup> Given participation of 2,068,200, this gives a rough budget of £1,740 per participant. Spending this amount on each of the 1.2 million new participants gives an additional investment in training of **£2.13bn**.

Added to this is the cost of the Learners Living Allowance (LLA), which is worth an average of £6,150 per participant.<sup>5</sup> Scaled up to 1.2 million people gives an upfront cost of **£7.52bn**.<sup>6</sup> This gives a **total cost of the programme at roughly £9.65bn** (Table 2).

Table 2: Estimated cost of the Right to Retrain for 1.2 million people

	Per person	Total cost
Training	£1,740	<b>£2.13bn</b>
Learners Living Allowance	£6,150	<b>£7.52bn</b>
Total	£7,890	<b>£9.65bn</b>

### Benefits

We set a target of upskilling half of the 1.2 million additional unemployed people. To estimate the benefits of this, we adopt research by the Department for Education on the economic value of key intermediate occupations.<sup>7</sup>

We use having a Level 3 apprenticeship compared to a Level 2 qualification as a proxy for upskilling. The DfE research estimates the lifetime productivity returns of this at between £80,550 and £423,128 for men and £39,206 £186,405 for women. We use the lower bound to give a conservative estimate.

Taking a weighted average of the lower bounds for men and women based on the gender balance on existing

<sup>1</sup> Data from the DfE's FE and Skills Statistics March 2020 release. Available at: <https://www.gov.uk/government/statistics/further-education-and-skills-march-2020>.

<sup>2</sup> Annual Population Survey, accessed via Nomis.

<sup>3</sup> OECD Economic Outlook, June 2020. Available at: <http://www.oecd.org/economic-outlook/june-2020/>

<sup>4</sup> House of Commons Library (2019) *Adult further education funding in England since 2010*. Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7708/>

<sup>5</sup> Widdowson, J. and Corney, M. (2020) *FE should be at the heart of shielding 19 to 24-year-olds from unemployment*. Available at: <https://feweeek.co.uk/2020/06/15/fe-should-be-at-the-heart-of-shielding-19-to-24-year-olds-from-unemployment/>

<sup>6</sup> The government may decide to make the LLA repayable along the same lines as HE maintenance loans.

<sup>7</sup> Hayward, H. et al (2014) *The economic value of key intermediate qualifications: estimating the returns and lifetime productivity gains to GCSEs, A levels and apprenticeships*. London: Department for Education. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/387160/RR398A\\_-\\_Economic\\_Value\\_of\\_Key\\_Qualifications.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/387160/RR398A_-_Economic_Value_of_Key_Qualifications.pdf)

adult education participation (60% vs 40% in favour of men) gives a lifetime productivity return of close to £64,000. Scaled up to the 600,000 new upskilled learners gives **a total economic benefit of £39bn**