

Freer Working

Rachel Maclean MP

December 2018

FREER

Contents

Acknowledgements	04
1. Introduction	05
2. Current modes of flexible working	10
2.1 Working in the ‘gig economy’ as a form of self employment	11
2.2 Part-time work and consultancy alongside employment	28
2.3 Greater flexibility within employment	30
3. Lifelong learning	34
3.1 Higher Education	35
3.2 Further Education and work-based skills training	40
3.3 Lifelong learning provision	43
4. Conclusion	49

Acknowledgements

The ideas in this paper have been inspired and developed first and foremost in discussions over many years with my husband and my family on our family dog walks. I'm grateful to them all for providing a constant flow of ideas, the germ of which appears in this paper. I'm also very grateful to Rebecca Lowe at FREER for the opportunity to write this paper and discuss these ideas. The themes in this paper are at the root of the motivation for my original entry into politics. They remain for me a fascinating and continuing driving force. Finally, I would like to thank my colleagues Lee Rowley MP and Luke Graham MP for articulating, and promoting through FREER, some hugely important ideas around freedom: common, universal, and appealing values which unite us all during turbulent political times. (Rachel Maclean MP)

On behalf of FREER, I would like to thank Rachel for this thought-provoking and comprehensive paper, which addresses some of the most pressing issues of our day. We are delighted to publish it, as the inaugural piece within FREER's 'future of work' strand. We are extremely grateful, too, to the many people who have offered advice about work and education, or commented on draft versions of this paper, particularly Andrew Chamberlain, Nick Denys, Simon McVicker, Jack Martin, Abigail Morris, Len Shackleton, Michelle Smyth, Greg Walker, Richard Wellings, and Jonathan Woodhead. (Rebecca Lowe, Director of FREER)

1. Introduction

Work is central to the life of most adults. On one understanding, people in Britain have never worked more: employment is at a high of 32.4 million; unemployment is at the lowest rate since 1975, totaling 1.4 million, or 4 per cent.¹ The number of self-employed workers has grown sharply over the past decade, and currently numbers around 4.5 million.² Yet the nature of the work in which most Britons are engaged has vastly changed over the last century, and technological advancement, globalisation, and changes of political attitude are often seen as threatening the future place of work in our society.

Robots, AI, big data, crypto currencies — all of this change, and more, has arrived, whether we like it or not. Some people want the state to restrict, or even ban, these kinds of technological progress; others want them to be heavily regulated or taxed. But the forces of change are global and powerful. In many cases, irreversible change has already happened: nostalgic laments are impossible. Critics also miss the immense positives of technological advancement. The advances of the past decades have not only changed the future of work, they have improved living standards across the world, to an almost inconceivable extent. Innovation drives up standards, and drives down prices for consumers. The UK has become a world leader in the creative and digital sectors, in genomics, and much more.

-
- 1 Office for National Statistics, UK Labour Market: November 2018; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/november2018>
 - 2 Office for National Statistics, *Labour market statistics time series*; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/dyzn/lms>

These advances do pose challenges, however. Big questions include those regarding the extent to which there should be an official attempt to mitigate any unintended negative consequences, and, more fundamentally, how central work should actually be, both to the individual and to society as a whole. In simple terms, it is clear that work can give individuals a place in society, providing dignity, respect, and a sense of community, as well as the sense of achievement that comes from the chance to use and improve one's skills. These are benefits that not only improve the lives of individuals; dignity, respect, and community are, on most understandings, central to a good and flourishing society. Important subsequent questions, therefore, relate to the distribution of work opportunities, and access to the forms of education and skills training that allow people to compete for the jobs they are suited to.

New questions also arise regarding the age-old trade-off between security and flexibility, in a world in which modern forms of work, such as those within the 'peer-to-peer' or 'gig' economy, are growing. How can we become freer in our working, yet also ensure that unlucky people do not slip through the gaps? This can happen either owing to restricted access to necessary skills or opportunities, or owing to often-unfounded fears about the reduced formal protections that come alongside the wider benefits of a more flexible and individually-tailored approach to work.

Flexibility is a key theme of this paper. Britain is famous for its flexible labour market, a factor that has certainly contributed to our recent record employment performance. In a more focused sense, increasing numbers of people work flexibly, and even more want to. New ways of working are already driving shifts in societal behaviour, and provoking new demands and expectations. Increasing numbers of businesses have recognised that offering flexibility to their workers can improve performance, as well as staff retention. For instance, a recent report for IPSE

by Andrew Burke looks into the value that freelancers add to the clients they work with, and to the economy as a whole. Burke finds that freelancers enable firms to be more innovative, to reduce entrepreneurial risk, and, ultimately, to create jobs.³ And the pace of change regarding flexible working is accelerating. According to a recent YouGov survey, only 6 per cent of people now work a ‘normal 9-5 week’,⁴ and Timewise reported earlier this year that 87 per cent of employees want to work flexibly.⁵ It is also the case that certain structural issues in the workplace to do with productivity and fairness — such as the effect of career breaks associated with motherhood on the lifetime earnings and career progression potential of women — could also be addressed with increased flexibility.

Big-scale cultural transformations related to the number of people working from home, or the length of the working week, for instance, should be left to demand, as driven by the aggregation of individuals’ informed choices. Deleterious unintended consequences arise when public policy attempts to drive social and cultural norms. Nonetheless, there could be a place for the public sector to lead by example. It is also clear that as the nature of work — and the needs and preferences of individuals in an increasingly globalised world — continues to change, demand for better educational opportunities will only grow. In this dynamic age, individuals must keep pace, and continually learn the new skills necessary to contribute and achieve fulfillment across a longer working life span. Nor should we forget the intrinsic value of learning for learning’s sake.

3 IPSE, *The Role of Freelancers in the 21st Century British Economy* (November, 2018), p. 6; <https://www.ipse.co.uk/resource/the-role-of-freelancers-in-the-21st-century-british-economy-report.html>

4 YouGov, *Over nine in ten not working the usual 9-5 week* (24/8/2018); <https://yougov.co.uk/news/2018/08/24/over-nine-ten-not-working-usual-9-5-week>

5 Timewise, *Timewise flexible jobs index 2018*; <https://timewise.co.uk/article/flexible-jobs-index-2018/>

The frameworks of our education system have remained largely unchanged since the industrial revolution. It is time for a fundamental debate on the prevailing notion that, for most people, education finishes in their late teens or early adulthood. Moreover, for decades, post-school educational policy has been tightly focused on university study. It is well known that attendance at these institutions increased at an astonishing rate over the twentieth century. Although the Higher Education Initial Participation Rate for 2016-17 was 49.8 per cent, only 3.8 per cent was made up of those attending Further Education Colleges, and just 5.6 per cent of students were not taking their first degree.⁶ Access to student loans provision is very restricted for those in Further Education (FE), and whilst access has improved for postgraduates, restrictions remain, not least those regarding equivalent or lower qualifications.

There has been a serious fall in the number of part-time and mature students. The Sutton Trust has reported that ‘the number of part-time undergraduate entrants living in England attending UK universities and English further education colleges has fallen annually’, and that between 2010 and 2015 there was a decrease of 51 per cent.⁷ The MillionPlus Group has reported that, between 2011-12 and 2016-17, the total number of mature students in the UK declined by 20 per cent, and that there has been a 41 per cent decrease in mature students over the age of 30.⁸ The decrease in mature student numbers owes much to the

6 Department for Education, *Participation Rates in Higher Education: Academic Years 2006/2007 – 2016/2017*; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744087/Main_text_participation_rates_in_higher_education_2006_to_2017_.pdf

7 <https://www.suttontrust.com/research-paper/lost-part-timers-mature-students/>

8 CBI, *Education system must change to support flexible learning* (26/10/2018); <http://www.cbi.org.uk/news/education-system-must-change-to-support-flexible-study/>

decrease in part-time study, as this form of study traditionally caters to a much broader age range than full-time HE. However, some of this must also be owing to the way in which increased opportunities for full-time degree study has reduced the pool of mature workers without a degree. Looking toward the future, a return to full-time study may seem, for many, simply not to be worth it.⁹ They might believe themselves to be better off studying part-time, thereby reducing the opportunity cost of taking three years out of the labour market — this could be facilitated through changes to the student funding system. Our existing rigid and time-limited education system fails to address the need for new and expanding businesses to offer constant skills training to their workforce, in order to innovate and compete in the global marketplace. We must accept that the student of the future will not be an 18-21-year-old on a full-time three-year course, and recognise the benefits and challenges that this change will bring. This will be key, not least, for the country to meet the skills challenges ahead. Of equal importance, our current approach underplays the vast intrinsic value of good education to everyone, of any age. We urgently need to reassess the critical yet complex roles that both work and education play in our society.

9 Institute for Fiscal Studies, *The Impact of Undergraduate Degrees on Early-Career Earnings* (November, 2018); <https://www.ifs.org.uk/publications/13731>

2. Current modes of flexible working

The topic of work is vast, and, in terms of its scope, becoming vaster by the year. Often associated with this increase is the rise of automation, and fears about its impact upon the labour market. Yet, as the economist Branko Milanović recently outlined, the advent of new technology can always be seen in a positive light: new technology creates new jobs; new jobs create new needs (and desires); and our access to resources is limited by our level of technology.¹⁰ For those people who see work opportunities as key to a good society, and also those who hope that the coming technological revolution — with its expanded robot labour force — will allow human beings to spend more time in valuable leisure pursuits, there is much to look forward to.

This paper will focus on the current and potential future expanse of different types of ‘flexible’ work. These forms of work are often erroneously lumped together under the term ‘gig economy’. In truth, the gig economy itself is currently but a small yet exciting part of a set of very different models of modern work. People in workplaces of all kinds are increasingly demanding and expecting greater flexibility, not least in response to the rise of ‘presenteeism’ and 24/7 email contact, and the increased costs of commuting and business rates and rents.

10 Branko Milanović, ‘Three Fallacies That Make You Fear a Robot Economy’ in *Economics* (12/9/2016); <http://economics.com/three-fallacies-robot-economy-branko/>

2.1 Working in the ‘gig economy’ as a form of self employment

Just over 15 per cent of the workforce is now self-employed,¹¹ a group that seems likely soon to overtake the number of public-sector employees (according to the ONS, the number of public sector workers was down by almost half a million between 2013 and 2018;¹² over the same period, the number of self-employed people was up by almost 400,000.¹³). The standard benefit of becoming self-employed is the overall freedom you gain to rule your own working life. For many, it also better fits other obligations, such as caring for children or ageing relatives, thereby allowing people into the workforce who may have been unable to access it previously. Deliveroo, for instance, reports that 18 per cent of its riders have caring responsibilities for children, and 12 per cent for parents.¹⁴ This new world is positive and exciting, will not disappear any time soon, and opens up a universe of opportunity and increased earning potential. It provides a passport to freedom and building the life you want for yourself, rather than just following what your employer dictates. You can become your own boss, control your own work, re-invent yourself, and prosper.

11 Office for National Statistics, *Trends in self-employment in the UK* (7/2/2018); <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>

12 Office for National Statistics, *Public sector employment time series*; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/g7au/pse>

13 Office for National Statistics, *Labour market statistics time series*; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/dyzn/lms>

14 Public First, *Freedom and Flexibility* (9/11/2018), p. 6; <https://www.scribd.com/document/392753154/Public-First-Freedom-and-Flexibility>

Within self-employment, the ‘gig economy’ is a small but growing part of daily life. It is estimated that 4.4 per cent of the population of Great Britain, or 2.8 million people, have worked within the ‘gig economy’ in the past twelve months.¹⁵ In 2017, the CIPD claimed that only a fifth of Britons were aware of the gig economy, a percentage that increased to around half when the term was explained.¹⁶ It should also be noted that, according to a recent YouGov survey, two-thirds of those involved in this form of work earn less than 5 per cent of their total income in the gig economy; their median income from such work is only £375.¹⁷

Yet the modelling in Public First’s recent paper, *Freedom and Flexibility*, suggests that the gig economy ‘has the potential to more than double in size over the next five years, generating an additional £1.7 billion in higher incomes for the economy, or around an additional £540 a year for 3.2 million workers’.¹⁸ And the gig economy receives a vast amount of attention from critics and supporters alike. Peer-to-peer ‘sharing economy’ companies like Uber, Deliveroo, and TaskRabbit have become a key part of modern life, offering cheap and reliable goods and services, quickly. They provide better customer experiences through the use of advanced technology, not least in terms of being able to track the progress of goods or services you have ordered.

15 Department for Business, Energy and Industrial Strategy, *The Characteristics of Those in The Gig Economy* (February, 2018), p. 5; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf

16 CIPD, *To gig or not to gig? Stories from the modern economy* (March, 2017), p. 6; https://www.cipd.co.uk/Images/to-gig-or-not-to-gig_2017-stories-from-the-modern-economy_tcm18-18955.pdf

17 Above BEIS and CIPD papers report that the median average hourly rate in the gig economy is between £6 per hour and £7.70 per hour.

18 Public First, *Freedom and Flexibility*, p. 6; admittedly, this would still leave most gig workers with a relatively small income from their gig work.

In June 2016, the Chief Secretary to the Treasury, Liz Truss, referred on Twitter to these kinds of companies as the ‘staples of my life’.¹⁹

Working this way offers many people more freedom, a better work-life balance, and greater flexibility. The Public First report referred to above analyses Deliveroo riders’ relationship with the labour market, and finds that these participants of the gig economy, who make up around 12 per cent of its total participants, claim to ‘value the flexibility of their work more than anything else’.²⁰ A further 80 per cent of riders say that ‘flexible work’ is the feature they like most about working for Deliveroo.²¹ The riders are also reported to be ‘making an informed choice to shun traditional employment’, and to feel that they have gained important freedom by escaping ‘overbearing bosses’.²² Crucially, having experienced self-employment, these people want to stay self-employed. In *The economic case for Uber in France*, Uber claims that drivers are particularly attracted to Uber’s low barriers to entry: that they ‘can start driving and making money almost immediately, and on their own terms’.²³

The benefits of the gig economy are not simply for those working within it. Businesses — small businesses, in particular — can benefit from a more mobile and flexible pool of readily accessible labour. These benefits are also passed on to consumers, who enjoy increased choice, better experiences, and decreased expense. Peer-to-peer services not only provide reliable information for those partaking, they also cut transaction costs

19 *The Sunday Times* (3/6/2018); <https://www.thetimes.co.uk/article/anger-at-liz-truss-over-airbnb-7pczqp76>

20 BEIS, *The Characteristics of Those in The Gig Economy*, p. 5.

21 Public First, *Freedom and Flexibility*, p 5.

22 *Ibid.*, p. 5.

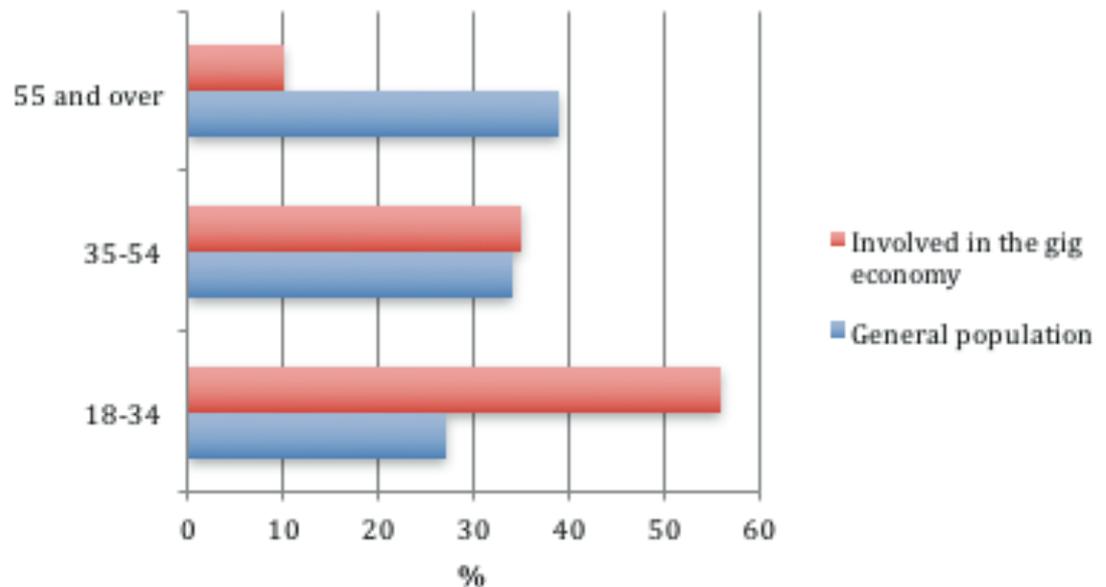
23 Daniel Szomura, ‘The economic case for Uber in France’ on *Medium* (3/3/2016); <https://medium.com/uber-under-the-hood/the-economic-case-for-uber-in-france-1530aa95365e>

by ‘getting rid of the middle man’. Ronald Coase famously argued that a world of zero transaction costs would enable ‘negotiations between the parties [that] would lead to those arrangements being made which would maximise wealth’.²⁴ It is clear that new communications technology has greatly reduced transactions costs — in particular, search costs — thereby facilitating wealth-maximising transactions. New entrants to the market drive up standards and drive down costs, as innovation meets demand and drives growth. Meanwhile, more traditional business models are forced to update, becoming disrupted and newly open to competition, as they lose monopolistic control. The increased access to information via peer-to-peer models ultimately counters the need for restrictive regulation.

Caricatured as only for the young, the gig economy is, in truth, for people from all stages and walks of life. While the following figure affirms that young people are currently the main participants, it also shows that substantial numbers of older workers are involved, and this involvement is likely to grow in future.

24 Mark Pennington, ‘Coase on property rights and the political economy of environmental protection’ in Cento Valjanovski (ed.), *Forever Contemporary: the economics of Ronald Coase* (London, 2015), p. 97.

Figure 1: Age profile of gig economy participants, Great Britain, BEIS²⁵



With the rise of the gig economy, the relationship of the individual to work has never been so fluid or choice-based. Generally, individuals are much better placed than the state to make choices for themselves, and deserve the chance to do so. This applies just as much in the work world as it does in other societal relationships. The gig economy heralds unprecedented freedoms for people from all walks of life to grasp better control of their relationship with whoever provides them work, or the customers demanding their goods and services. In 2017, the CIPD reported that only 14 per cent of people who are engaged in the gig economy — a small amount, of a small amount of people — work in this way ‘because they could not get a traditional job with an employer’, concluding:

we can therefore say that most people are in atypical employment because it suits their individual needs

25 Data from: BEIS, *The Characteristics of Those in The Gig Economy*, p. 14.

and circumstances at the time, and this is more true for people in the gig economy than for others.²⁶

Certainly, few other forms of work allow participants, largely, to work whenever or wherever they want — both to plan where to work, and also to cancel up to the last minute if they wish — and to work for competitors at the same time. For many people — students, carers, resting actors, and more — gig work is freedom work that provides a way of matching their time spent working with other parts of their life.

However, the gig economy is often painted as a zero-hours race to the bottom — as a framework that systematically exploits vulnerable low-skilled workers. It is important to acknowledge that this can sometimes happen. But reforms and protections, including the banning of exclusive zero-hour contracts, have, thankfully, decreased instances of genuinely exploitative practices. These exploitative practices would be supported by few people with a true interest in the maximisation of freedom. However, it should also be noted that while zero-hours work and gig work overlap, they are not the same thing, not least because you can have a contract of employment on a zero-hours basis rather than being self-employed.²⁷ Moreover, common fears about economic insecurity and financial hardship related to participating in the gig economy often lack evidence. Public First reports that Deliveroo riders ‘can typically earn more than they would in the alternative work available to them’.²⁸ And, while the CIPD’s 2017 report, *To gig or not to gig? Stories from the modern economy*, emphasises that ‘just under half (49 per cent) of gig economy participants report they are living comfortably or doing alright, in contrast to 56 per cent of other workers’,

26 CIPD, *To gig or not to gig? Stories from the modern economy*, p. 2.

27 Incidentally, the numbers of people on zero-hours contracts have fallen recently, even while gig work has expanded.

28 Public First, *Freedom and Flexibility*, p. 6.

the percentage of gig economy participants who claim to be ‘finding it very difficult financially’ is the same percentage as other workers (5 per cent), and the percentage of gig economy participants who self-report as fitting in the most comfortable bracket (‘living comfortably’) is very slightly higher (17 per cent) than the percentage of other workers who do so (16 per cent). Gig economy participants are also reported to be more optimistic about their future economic situation than other workers.²⁹

Rather, the key sticking points in the debate about the gig economy focus on questions around employment status and the place for regulation.

Employment statuses

The gov.uk website clarifies that the ‘main types’ of employment status are ‘worker’, ‘employee’, ‘self-employed and contractor’, ‘director’, and ‘office holder’.³⁰ The crucial categories are the first three. However, while ‘worker’ and ‘employee’ are both defined in employment legislation, such as the Employment Rights Act 1996, ‘self-employed’ famously is not.³¹ The 2015 BIS report on the Employment Status Review explains that the term is ‘not officially a status for employment purposes and can sometimes be used as a catch all for employment relationships where neither a contract of employment, nor a contract to personally do work exists’.³²

29 CIPD, *To gig or not to gig? Stories from the modern economy*, p. 16.

30 <https://www.gov.uk/employment-status>

31 Department for Business, Innovation & Skills, *Employment Status Review* (December, 2015), p. 7; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/585383/employment-status-review-2015.pdf

32 *Ibid.*, p. 7.

Box 1: Three key types of employment status

Worker: someone who it can be proven has a (written or unwritten) contract, to do some work for a reward in cash or kind. They are considered by the government to be someone who ‘has to turn up for work even if they don’t want to’, while their employer ‘has to have work for them to do as long as the contract or arrangement lasts’.³³ They have certain entitlements, including the right to the minimum wage, the statutory minimum length of rest breaks and paid holiday, and protection against unlawful discrimination. However, they are usually not entitled to protections such as those against unfair dismissal and time off for emergencies.

Employee: someone who ‘works under an employment contract’.³⁴ They are usually required to work regularly, and for a minimum number of hours; tax and NI are deducted from their wages through the PAYE scheme, under which the state effectively contracts out its tax collecting obligations. They have the rights that workers do, as well as other entitlements, including: statutory sick pay, parental rights, protection against unfair dismissal, and the right to request flexible working,

Self-employed and contractor: someone who ‘runs their business for themselves and take responsibility for its success or failure’.³⁵ This can include people who own businesses, people who contract themselves to work for other businesses, and people who do both. The government explains that employment law ‘doesn’t cover self-employed people in most cases because they are their own boss’, although their contracts will specify

33 <https://www.gov.uk/employment-status>

34 *Ibid.*

35 <https://www.gov.uk/employment-status/selfemployed-contractor>

what they can expect from the person paying them to do work, and they maintain standard protections from the state regarding discrimination and safety.³⁶

A lack of transparency about distinctions between these statuses has led to uncertainty over individuals' rights and employers' responsibilities, not least regarding access to protections such as statutory maternity pay, and particularly if work is not continuous. This situation has engendered nervousness amongst both workers and employers, and can also make related disputes particularly hard to resolve, leading to an unhealthy dependence on tribunal decisions. The 2015 BIS Employment Status Review report emphasised that, in the UK, 'the majority of employment rights are enforced by an individual taking a claim against their employer to an employment tribunal'.³⁷ These frustrations are well known, and there have been several large-scale reviews into the matter over the past decade — the DTI consultation (2002-06), the BIS Employment Status Review (2014-16), and the recent Taylor Review (2017-18) — but little actual progress has been made.

36 <https://www.gov.uk/employment-status/selfemployed-contractor>

37 BIS, *Employment Status Review*, p. 5.

Box 2: Key points from the Taylor Review, *Good Work for all*.³⁸

- ‘The same basic principles should apply to all forms of employment in the British economy’, with ‘taxation of labour consistent across all forms’.
- Platform working should be embraced, ‘ensuring fairness for those working through platforms and those competing with them’. For those working through such platforms, ‘greater clarity should be added to the distinction between workers and self-employed’.³⁹
- ‘The best way to achieve better work is not through national regulation, but responsible corporate governance, good management, and strong employment relations within the organisation.’
- ‘It is vital to individuals and the health of our economy that everyone feels they have realistically attainable ways to strengthen their future work prospects and that they can, from the beginning to the end of their working life, record and enhance the capabilities developed in formal and informal learning and in on the job and off the job activities.’

38 Matthew Taylor, Greg Marsh, Diane Nicol & Paul Broadbent, *Good Work: Taylor Review of Modern Working Practices* (July, 2017), p. 110; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

39 Platform working is helpfully defined as ‘an employment form in which organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or to provide specific services in exchange for payment’ in <https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/platform-work>

Similar and additional solutions offered by those writing about these issues with an interest in public policy, include strengthening the powers of enforcement agencies, and reforming employment status law. Employment policy expert Nick Denys has argued, for instance, that if

the definitions of each employment status can be made clearer there will be fewer disputes as to what employment rights different types of workers are owed. Both businesses and workers can get on with the job, with greater confidence that everyone is getting the rights and obligations they are entitled to.⁴⁰

Counter-arguments, however, emphasise the way in which, if companies are forced to give extra entitlements, they may need to cut pay and will most likely expect greater commitment. Greater clarity would certainly lead to a loss of certain types of flexibility. Indeed, there are strong arguments that a more flexible approach, in which workers could choose from a spectrum of employment statuses, for instance, would be beneficial. At the heart of all this is, again, the classic trade-off between freedom and security, albeit one that sometimes feels driven by the government for taxation purposes, rather than individuals — even though the likely fiscal returns from any tightening up are small. Businesses and individuals are understandably worried about the loss of flexibility that could come from the kind of wholesale change that would lead to complete clarity, and any small ‘tinkering’ changes that might lead to unintended negative consequences. It is right to worry about these things. Again, the enviable flexibility in our labour market is important for employment rates and overall economic stability and growth.

40 Nick Denys, ‘Knowing your employment rights: the case for reforming employment status law’ on *The Law Society* (27/6/2017); <https://www.lawsociety.org.uk/news/blog/know-your-employment-rights-the-case-for-reforming-employment-status-law/>

However, this dependency on the tribunal system is clearly, at best, inefficient.

We, therefore, join the various calls for a serious independent review of the matter of employments statuses — with consideration given to the suggestion of aligning tax statuses with those in employment law, and to the possibility of introducing a wider, or more flexible, spectrum of statuses. The independence of this review is essential, not least in order to take the question directly out of the hands out of interested parties. In broad terms, reform, which should be tax-take neutral, should seek to create a level playing field so that competition takes place in a transparent environment, and should ensure that rights and obligations are grounded in a genuine mutuality of respect between worker and employer.

- Deliveroo’s proposal to allow businesses to agree a ‘charter’ — which would enable them to offer added benefits to the self employed, without this necessarily leading to reclassification — should also be considered.⁴¹ As detailed above, the vast majority of gig economy participants work this way in order to gain top-up income; for 90 per cent of Deliveroo riders, for instance, their work with Deliveroo is not their main source of income. For those whose work in the gig economy is their main source of income, however, and who want to continue to do so as self-employed workers in order to retain access to the flexible work they enjoy, it seems wrong to prevent businesses being able to offer them benefits such as pension contributions.

41 Shona Ghosh, ‘Deliveroo proposed a ‘charter’ to make its workers’ rights problem go away’ in *Business Insider* (23/7/2018); <http://uk.businessinsider.com/deliveroo-proposed-charter-end-workers-rights-argument-2018-7>

- Another interesting proposal that should be considered is IPSE’s ‘Freelancer Limited Company’ — a new company structure for freelancers — which aims to improve certainty about tax and employment status, reducing the threat of R35 investigation⁴² The OTS has already stated that this proposal is ‘worth considering further’, and that it ‘could deliver certainty’.⁴³

As we leave the EU, this is an excellent moment to redress the bigger picture — not least as many have become wedded to an incorrect narrative that suggests that the basic rights of workers in this country are only protected through membership of the EU.⁴⁴ In the meantime, it is clear that certain businesses could be clearer on the terms of their contracts, and that certain workers could become better informed about the nature of the forms of work in which they partake. Education is key here, and a simple advisory online guidance tool could be a valuable starting point. In terms of interim policy suggestions, it is clear the simple fixes of well-intended piecemeal correction could make things worse, but a good place to begin could be to look into formally defining ‘self-employment’.

42 <https://www.ipse.co.uk/our/policy/taxation/freelancer-limited-company.html>

43 *Ibid.*

44 See, for example, Len Shackleton’s chapter, ‘UK employment regulation in or out of the EU’, in which he concludes that most of the relevant rights afforded by the EU would not be changed by Brexit; <https://iea.org.uk/publications/research/breaking-is-hard-to-do-0>

Box 3: Recent litigation

There have been a number of high-profile recent court cases across the world, in which people have sought answers to fundamental questions about the gig economy:

- In April 2018, the California Supreme Court, in the case of *Dynamex Operations West, Inc v Superior Court of Los Angeles*, ruled that all workers are employees rather than independent contractors, unless they meet the requirements of a new ABC test. To qualify as an independent contractor, a worker must: be free from the control and direction of the hiring entity, in connection with the performance of the work; perform work that is outside the usual course of the hiring entity's business; be customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed.
- In October 2016, a UK employment tribunal classified Uber drivers as workers, and therefore entitled to the minimum wage and holiday pay. Drivers argued that the San Francisco-based company controlled their work by allocating customers and dictating prices. Uber unsuccessfully appealed the case in November 2017, and in October 2018, brought the case to the Court of Appeal.
- In October 2017, a London tribunal ruled that Addison Lee drivers were also workers, and therefore entitled to holiday pay and the minimum wage.
- In June 2018, the UK Supreme Court, ruled that a specific London-based plumber could now be classed as a worker rather than self-employed. Previously the tradesman, who works for Pimlico Plumbers, was an independent contractor.

Regulation and freedom

As well as disputes over employment status, there are regular calls for increased state regulation to improve protections both for workers in the gig economy and for those their work affects, whether consumers or local residents. Again, regulation not only threatens many of the advantages of this kind of provision of goods and services — not least, innovation, alongside reductions in cost and improved experiences for consumers — but it also typically limits competition. Often, players that have traditionally enjoyed monopolistic control of certain markets — London black cabs or chain hotels, for instance — call for new regulations in an attempt to hold back the new entrants — such as Uber or AirBnB — that threaten the monopolists' consumer-unfriendly position. It is also worth noting that some sharing economy firms have voluntarily adapted to meet new expectations. AirBnB and Deliveroo have chosen to change certain practices in response to specific criticisms, for instance — showing flexibility and the ability to modulate in order to meet demand and maintain market strength.⁴⁵

The future

Many of the questions above regarding participants' experiences within the gig economy apply to anyone who is self-employed, or takes on any form of work outside of full employment. Again, it should be recognised that most people within the gig economy generally only make a small amount of money through such endeavours. With the increasing popularity of this form of

45 Responding to criticisms that it undercuts tourist or hotel taxes, AirBnB now collects an 'occupancy tax' in the majority of US states and a further eleven countries. This is a tax collected and remitted to local governments on behalf of hosts. Deliveroo also altered its policies, adapting its contracts to allow riders to work for other companies alongside Deliveroo, and removing a two-week notice period. It also now offers insurance.

working, however, we can expect a wider range of activities to become incorporated within it — many more people and organisations will become able to reap its benefits. This type of work has the potential to break down barriers and smash outdated stereotypes.

While, for instance, traditional recruitment processes can be susceptible to discriminatory attitudes towards appearance, class, age, gender, and other personal characteristics, online hiring is much more inclusive. Uber research team member Daniel Szomoru argues that for a country ‘where 25 per cent of people under 25 are unemployed, Uber has been a lifeline for some 14,000 drivers’. He reports that 34 per cent of French Uber drivers are under the age of 30 (as opposed to 12 per cent of taxi drivers), and that many come from poor neighbourhoods, and had previously been ‘struggling to find work elsewhere’.⁴⁶ Again, many participants also have caring responsibilities that prevent them taking on other forms of work.

Moreover, while the gig economy work focused upon so far in this paper is mostly low skilled, the growing importance of freelance work and consultancy, which is high-skilled work, should also be noted. This has been facilitated by businesses concentrating on their core competences, while outsourcing other focuses, alongside technological developments, which allow for a greater degree of flexible working within traditional employment, and create wholly new activities, such as social media managing and web design, which can be done just as well from home as anywhere else.

46 Szomura, ‘The economic case for Uber in France’.

The apparent decline in commuting — down 12 per cent since 2002 — could be an indicator of this.⁴⁷ While National Rail passenger journeys increased by 152 per cent between 1985-2017,⁴⁸ rail usage for commuting has been particularly hit, suggesting a 1.4 per cent decrease in 2017-18 represents the greatest fall since 1993-4, with the 9.2 per cent fall in season tickets reflecting changing commuter preferences.⁴⁹ Distance commuting is largely undertaken by highly-skilled professional and administrative workers rather than the low skilled, with the number of professionals and associate professionals increasing, whilst those performing administrative and secretarial roles or skilled trades decreased in the period 2004-14.⁵⁰ That skilled home-based gig workers need regular upskilling, owing to changes in technology and the legal environment, exemplifies the need for access to the forms of education and training this paper discusses in the following chapter.

47 Department for Transport, *National Travel Survey: England 2017* (26/7/2018), p. 22; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/729521/national-travel-survey-2017.pdf

48 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661933/tsgb-2017-report-summaries.pdf

49 Office of Rail and Road, *Passenger Rail Usage 2017-18 Q4 Statistical Release* (14/6/2018); http://orr.gov.uk/__data/assets/pdf_file/0014/28013/passenger-rail-usage-2017-18-q4.pdf

50 Department for Transport, *Commuting Trends in England, 1988-2015* (November 2017), p. 14; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/657839/commuting-in-england-1988-2015.pdf

2.2 Part-time work and consultancy alongside employment

The ONS's latest 'Workers with second jobs' dataset, released in November 2018, shows that the number of people fitting this description has been relatively stable over the past ten years, between around 1.1 and 1.2 million, with the latest quarterly figure (July – September 2018) reported to be 1.12 million.⁵¹ However, it should be noted that, over this period, employment as a whole grew. It is also often claimed that the true numbers of people taking on second jobs are higher than reported, with 'moonlighters' attempting to avoid declaring extra incomings. In 2015, HMRC's director-general of enforcement and compliance commented that 'people don't feel as strongly about declaring a second job'.⁵² Between 2014-17, the department's 'Second Incomes Campaign' focused on rectifying this, by giving people with a second source of untaxed income from self-employment the 'chance to bring their tax affairs up to date'.⁵³

Again, a combination of business outsourcing and technological development has led to high-skilled consultancy opportunities. People who are able to find time for contracting on the side can gain a new balance of freedom and security. The CIPD's 2017 paper on modern work reports that 'the biggest attraction for working in the gig economy is that it provides people with a supplementary income'.⁵⁴ Public First reports that 'gig economy

51 Office for National Statistics, *Labour market statistics time series*; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/ybcw/lms>

52 Sarah O'Conner & Vanessa Houlder, 'Rise in second jobs makes UK a nation of grafters' in *Financial Times* (25/1/2015); <https://www.ft.com/content/e32e13b2-a32b-11e4-bbef-00144feab7de>

53 Low Incomes Tax Reform Group, 'HMRC are targeting undeclared second income sources' (15/4/2014); <https://www.litrg.org.uk/latest-news/news/140415-hmrc-are-targeting-undeclared-second-income-sources>

54 CIPD, *To gig or not to gig? Stories from the modern economy*, p.35.

platforms are allowing many people with other responsibilities [...] to transition back into the labour market'.⁵⁵

Box 4: Marina

Marina gets up early: she likes to start her day at 6am with yoga practice. Then, she heads to work at the children's charity where she's a part-time project manager, in her Slovenian home town. After the end of her morning shift, she goes online and completes a number of objectives set for her by her manager at a tech start-up in Birmingham. An expert in data marketing, Marina is currently creating email campaigns to sell the start-up's new software product. Marina has always wanted to visit Vietnam. Yet, to satisfy her wanderlust, she doesn't have to negotiate time off with her Birmingham co-workers, or even forgo those earnings while she's there. She can just as easily work from an internet cafe in Saigon, her hotel room, or the beach. Marina is in demand. At any time, she can juggle contracts from companies wanting to hire her because she works fast and delivers results. From week to week, start-ups' projects and their demands change dynamically, meaning they need to access to a wide variety of skill sets at short notice. Fluctuating incomes force leaders to speed-learn new knowledge to ensure critical jobs are completed. Taking on someone like Marina can release them from doing this work themselves, giving them more time to focus on growing their business to the next level.

55 Public First, *FreeAdom and Flexibility*, p. 6.

2.3 Greater flexibility within employment

It is not only independent contractors who value flexibility. 2017 research by Timewise suggests that 54 per cent of the workforce currently ‘works flexibly in one way or another’,⁵⁶ whilst the organisation’s more recent research suggests that, of those soon to enter the labour market, 93 per cent desire a job that allows them to work flexibly.⁵⁷ The Timewise Flexible Jobs Index 2018 reports that of the types of flexibility currently on offer:

- 46 per cent of such jobs are part time
- 25 per cent involve flexible working
- 19 per cent are home working
- 9 per cent are flexible shifts/hours
- 1 per cent are term time

The index also reports that 11.1 per cent of jobs with salaries of more than £20,000 FTE are currently advertised with flexible working. The highest-paid jobs are the least likely to offer flexible working; it is offered for: 12.3 per cent of jobs paying £20,000-£34,999, 10.6 per cent of jobs paying £35,000-£59,999, 10 per cent of jobs paying £60,000-£79,999, and 9.1 per cent of jobs paying £80,000 or higher. Only 9 per cent of jobs in London are flexible, which is the lowest of the UK’s regions on this measure, as opposed to 13 per cent in Scotland and Wales, and 11 per cent across the Midlands.

56 Timewise, *Timewise flexible jobs index 2017*; <https://timewise.co.uk/wp-content/uploads/2018/02/Timewise-Flexible-Jobs-Index-2017-AM.pdf>

57 Karen Mattison, ‘Proof at last: flexible working is for everyone’; <https://timewise.co.uk/article/flexible-working-for-everyone/>

Timewise suggests that 57 per cent of people look to flexible working to improve their work/life balance, 50 per cent believe it is more convenient, and 30 per cent work in this way to cut down on commuting time. It does seem highly inefficient that, each working day, a large number of people travel to and from an office — often incurring high costs in doing so — mainly in order to send emails to each other. Individuals are increasingly clear in their desire to take control of the trade-offs associated with working life, when their current employment framework often does not allow them to do so. Increased flexibility also allows parents to continue with certain forms of work from home while looking after their children. Childcare related career breaks often prevent mothers in particular from attaining the longer and more continued tenures associated with higher lifetime pay and access to the most senior jobs.⁵⁸

On the other hand, recent YouGov polling for RSM shows that there is still reticence about flexible working amongst some employers. Although around three quarters of the businesses surveyed were ‘considering new flexible working options for employees’, and three fifths felt greater flexibility ‘had a positive impact on productivity, worker engagement and efficiency’, reservations were reported (by 20-30 per cent of respondents) regarding security, and the impact on customer service and team dynamics. These fears are understandable. There are also certain public-facing industries — such as healthcare — that will always struggle to offer employees greater flexibility (although the increasing amounts of administration carried out by many workers mean that, often, parts of even traditionally very much ‘on-site’ roles could be carried out more flexibly).

58 See, for instance, this study published in January 2018 by The National Bureau of Economic Research (NBER), drawing on Danish data, which suggests having children creates a gender gap in earnings of 20 per cent in the long-term, alongside dynamic impacts on occupation, promotion to manager etc.; <https://www.nber.org/papers/w24219.pdf>

This can seem a difficult policy area for those of us who believe that cultural change should be driven from within, and fear the way in which extra state-led protections or regulations can risk the very flexibility that makes this kind of working popular and valuable to many. Business flexibility should be left for each business to decide, not least as each enterprise will have different needs and goals. However, the public sector could certainly lead the way in terms of offering more flexible opportunities. Moreover, the Advisory, Conciliation and Arbitration Service (ACAS) could commit to sharing examples of good practice regarding flexible working to inspire confidence in the benefits of such an approach — although any implication of recommendations made should remain clearly recommendations.

In terms of legislative change, employees' rights regarding access to flexible working could also be expanded. It is currently the case that employees can request flexible working opportunities from their employer after 26 weeks of continuous service, by making a 'statutory application'.⁵⁹ They can then take their employer to an employment tribunal if an unsatisfactorily reasoned rejection is given to their request. The current reasons deemed acceptable, as per the relevant legislation, are as follows:⁶⁰

- burden of additional costs
- inability to reorganise work amongst existing staff
- inability to recruit additional staff
- detrimental impact on quality
- detrimental impact on performance
- detrimental effect on ability to meet customer demand

59 <https://www.gov.uk/flexible-working/applying-for-flexible-working>

60 ACAS, *Handling in a reasonable manner requests to work flexibly* (June, 2014), p. 3; <http://www.acas.org.uk/media/pdf/f/e/Code-of-Practice-on-handling-in-a-reasonable-manner-requests-to-work-flexibly.pdf>

- insufficient work for the periods the employee proposes to work
- planned structural change to your business

One proposal worth considering is that the required amount of time to be served before employees can apply to work more flexibly could be decreased to match the trial period they are required to undertake, up to a maximum of three months.⁶¹ It does not seem appropriate that flexible working is effectively deemed a reward for length of tenure: flexible working can be beneficial to employers and employees, alike, and, to local communities and wider society. It is to be expected that smaller companies in particular would find it harder to respond affirmatively to requests on this shorter timeframe, especially at first, but the acceptable reasons for turning down such requests would cover them in these instances.⁶² Similarly, if a manager felt that an employee had not become sufficiently acquainted with their job by the end of the trial period to be able to reach optimum productivity while working flexibly — which, again, is to be expected in certain roles — then that would also be covered, as this is an acceptable reason to refuse an employee's request. Reducing restrictions on the option of flexible working for those workers and employees who see such an approach as valuable and appropriate would help to make it more seem more conventional.

61 There is currently no legal restriction on the length of trial periods, and it would be a deleterious unintended consequence if this change related to flexible working rights were to lead to employees serving longer trials.

62 It should also be noted that any coming tightening in the labour market will likely lead to employees seeking increased benefits, not only in terms of wage rises, but also increased flexibility; for companies, the cost of replacing those employees will usually be greater than meeting their demands.

3. Lifelong learning

The frameworks of our education system have remained largely unchanged since the industrial revolution. It is clearly time for a fundamental debate on the prevailing notion that, for most people, education finishes in their late teens or early adulthood. Recent research from the Learning and Work Institute found that adult learning is at its lowest level for 20 years.⁶³ It is clear that the UK's 'one size fits all approach', which actively deters flexibility, is completely outdated. Our society faces big questions about this, and about post-school education, in general. There have been vast changes over the past decades, in terms of participation, funding, and much more — not least, the changes brought in through the Higher Education and Research Act 2017. The government is currently undertaking a review of post-18 education and funding, which is expected to conclude in early 2019.⁶⁴ It is to be hoped that its conclusions will recognise that 'post-18' does not equate solely to '18-21'. The Education Select Committee's recent report, *Value for money in higher education*, refers to 'compelling evidence for greater flexibility in provision', and recommends that the post-18 review should investigate how to help facilitate a move away from the current 'linear approach to degrees'.⁶⁵

63 George Ryan, 'Adult learners drop to 20-year low' in *TES* (9/11/2018); <https://www.tes.com/news/exclusive-adult-learners-drop-20-year-low>

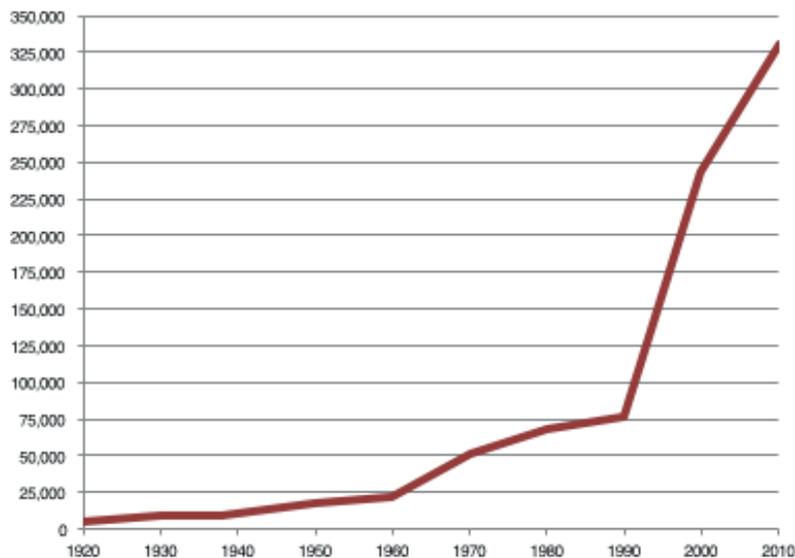
64 Department for Education, *Review of Post-18 Education and Funding: Terms of Reference* (February, 2018), p. 3; <https://www.gov.uk/government/publications/review-of-post-18-education-and-funding-terms-of-reference>

65 House of Commons Education Select Committee, *Value for Money in Higher Education* (October, 2018), p. 14; <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/343/343.pdf>

3.1 Higher Education

It is well documented that the number of students partaking in UK HE vastly increased over the twentieth century. That includes both undergraduates and postgraduates, and can be mapped with changes in attitude and policy. In 1920, only 4,357 people gained an undergraduate degree, whereas by 1950, the total had reached 17,337. After relatively little change by 1960, over 50,000 graduated in 1970. Numbers gradually continued to increase, before a dramatic change at the end of the century. In 1990, 77,163 gained undergraduate degrees; in 2000, 243,246 did — an increase of 215 per cent.⁶⁶ It should be noted that some of the increase in the number of people taking degrees is owing to policy change: the reclassification of polytechnics helps to explain the big jump post-1990.

Figure 2: Students obtaining universities degrees, UK, 1920 – 2010,⁶⁷ Board of Trade, ONS/CSO, HESA



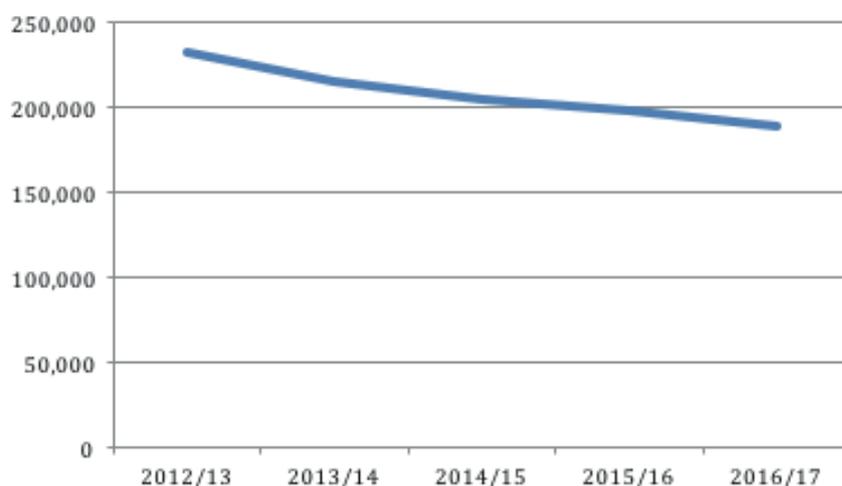
66 House of Commons Library, *Education: Historical statistics* (November, 2012), p. 20; <http://dera.ioe.ac.uk/22771/1/SN04252.pdf>

67 House of Commons Library, *Education: Historical statistics*, p. 20.

After a gradual increase throughout the beginning of 2000s, the number of students overall has decreased from the 2010-11 high of 2,503,010 to 2,317,880 in 2016-17. The number of undergraduates slightly increased between 2014-15 (1,727,895) and 2016-17 (1,766,285), however. In 2016-17, the number of first-year taught postgraduate students reached a ten-year high (551,595).⁶⁸ Demographic change should, of course, be noted here, not least the decline in the number of 18-year-olds.

A recent drop in part-time and mature students has been much discussed. The Sutton Trust has reported that ‘the number of part-time undergraduate entrants living in England attending UK universities and English further education colleges has fallen annually’, and that between 2010 and 2015 there was a decrease of 51 per cent.⁶⁹

Figure 3: Part-time undergraduate student enrolments, England, HESA⁷⁰



68 HESA, *Who's studying in HE?*; <https://www.hesa.ac.uk/data-and-analysis/students/whos-in-he>

69 <https://www.suttontrust.com/research-paper/lost-part-timers-mature-students/>

70 HESA, *Higher Education Student Statistics: UK, 2016/17 - Student numbers and characteristics*

The Open University's recent report, *Fixing the Broken Market in Part-Time Study*, emphasises the way in which the fall in first-year part-time undergraduates has 'hit learners from disadvantaged backgrounds particularly hard', with the yearly decrease in the number of people from such backgrounds beginning courses each year since 2011-12 being 'entirely the result' of the fall in the number of people studying part-time.⁷¹ The report places the blame for this fall on the 2012 university funding reforms. These reforms increased part-time tuition fees, but also allowed some part-time students access to the non-means-tested student-loan system open to undergraduates, albeit in a restricted manner. Public information on the government's website explains that part-time students 'may' be able to access loans, if the intensity of their course, per year, is more than 25 per cent of its full-time equivalent.⁷² Moreover, there are ongoing restrictions regarding equivalent and lower qualifications; for instance, people who already have a first degree can only receive loans for very specific other first degrees, such as certain midwifery and engineering courses.⁷³

In a recent *Wonkhe* article, Becca Bland argues that 'the loans' eligibility criteria are too restrictive'.⁷⁴ Bland points out that 'less than half of part-time entrants even qualify for them', and of those who do, only around 30 per cent choose to access them.⁷⁵ The Open University report referred to above claims that part-time students have not responded 'in the same way' as their full-time

71 The Open University, *Fixing the broken market in part-time study* (November, 2017), p. 3; <https://www.hepi.ac.uk/wp-content/uploads/2017/11/Fixing-the-Broken-Market-in-Part-Time-Study-final.pdf>

72 <https://www.gov.uk/student-finance/parttime-students>

73 *Ibid.*

74 Becca Bland, 'Family means-testing for student loans is not working' in *Wonkhe* (18/9/2018); <https://wonkhe.com/blogs/family-means-testing-for-student-loans-is-not-working/>

75 *Ibid.*

counterparts to fee increases for various reasons, including: an increased aversion to debt, additional financial responsibilities, and a lack of good information and guidance. The last of these can and should be easily addressed by universities, as part of their societal obligations, not least when the above affects on people from disadvantaged backgrounds are taken into consideration.

It should also be noted that fees for part-time study vary, and are typically paid ‘per credit studied’.⁷⁶ It is not surprising that people may wish to pay for their study ‘as they go’, if they can. However, declining rates are of serious concern, and not only because educational opportunities are important for personal fulfillment. The Open University emphasises that part-time students are ‘net-contributors to the exchequer, are usually in full-time employment, and make a major contribution to widening participation, social mobility, and re-skilling the workforce to meet the challenges of the 21st century globalised economy’.⁷⁷ There will be caveats here, regarding increases to the personal tax allowance, but part-time students in employment will, minimally, be contributors in terms of national insurance.

It is not just the number of people engaging in part-time study that has declined recently. The MillionPlus Group has reported that, between 2011-12 and 2016-17, the total number of mature students in the UK — those over the age of 21 — declined by 20 per cent, and that there has been a 41 per cent decrease

76 Rebecca Hughes, ‘Quick guide to fees and finance for part-time students’ in *Which? University* (4/6/2018); <https://university.which.co.uk/advice/student-finance/student-finance-part-time>

77 The Open University, *Part-time Now: Barriers To Part-time Learning In The New HE Landscape*; <http://www.open.ac.uk/cicp/main/widening-access-and-success/research-and-scholarship/research-and-scholarship-projects/part-time-now>

in mature students over the age of 30.⁷⁸ Bearing in mind the overall participation rate changes detailed above, these decreases certainly imply a lack of wider support for such students. It should also be noted that part-time study, which has, as above, also decreased, supports a far broader age range than full-time study. While the government has claimed on various occasions that these kinds of decrease are the result of buoyancy in the labour market, combined with the increased number of students studying full time at the age of 18, this is clearly not a sufficient explanation. Neither, however, does the suggestion of a meaningful correlation with the upping of fees provide a complete explanation, although it should be noted that the Open University has emphasised that, as the only UK-wide university operating across England, Wales, Scotland, and North Ireland, it seems clear to them that the decline in England directly correlates with the fee increase, because the decline has not been as significant in the other UK Nations.⁷⁹ It should also, however, be recognised that drops in uptake do not necessarily equate to failures in the system. A full investigation into the value, and UK provision and consumption, of part-time and mature study should clearly be addressed seriously in the ongoing review.

Providers of part-time and evening HE convincingly argue that our society needs to make ‘being a student’ mean something wider than attending university at the standard age, and for the standard amount of time. It is unsurprising that part-time and mature students do not form a visible demographic group, or create as much lobby pressure as their more ‘traditional’ student counterparts: until it is recognised by society that part-time

78 CBI, *Education system must change to support flexible learning* (26/10/2018); <http://www.cbi.org.uk/news/education-system-must-change-to-support-flexible-study/>

79 Carole Callender, ‘Stop the decline in part-time undergraduate study’ in *Wonkhe* (18/2/2018); <https://wonkhe.com/blogs/stop-the-decline-in-part-time-undergraduate-study/>

students are students, too, they will continue to be seen — and think of themselves as — people who ‘study on the side’. We must accept that the student of the future will not simply be an 18-21-year-old on a full-time three-year course, and recognise the benefits and challenges that this change will bring. This will be key, not least, for the country to meet the skills challenges ahead.

3.2 Further Education and work-based skills training

There is almost unanimous acceptance that the focus of successive governments’ post-school education policy on higher education has been to the detriment of further education (FE) and other forms of skilled-based training. However, the decline of FE provision is also strongly related to the rise of work-based learning and apprenticeships. It should be noted that colleges have focused their funding complaint on the provision for 16-19 year-olds, which is not adult provision, *per se*. And, of course, since people under the age of 18 cannot be offered loans, this form of education has had to be funded through direct support for teaching from the government. It has neither been the case that there has been a switch of government money from FE to HE, nor has public funding for HE and FE been cut since 2012. Rather, adults have been willing to take out loans for HE degrees, while they have not been willing, *en masse*, to take out advanced learner loans for FE adult courses.

Nonetheless, it is clear that successive governments’ seemingly one-sided focus on HE not only creates a feeling of belittlement or even resentment among those people who are not suited or attracted to university education, but it can also lead to employers undervaluing the skills of FE attendees. Moreover, in *Working to Rule*, economist Len Shackleton emphasises that in ‘the area of promoting the supply of skills, governments over

many years have got themselves into a mess with their policies towards apprenticeships. Instead of allowing market forces (including young people's choices) to determine the number of apprentices, they have declared that the market has failed'.⁸⁰ The number of people undertaking this kind of training is falling, and access to funding for FE is harder than for those within HE. The government's latest data release on Further Education and skills shows that:⁸¹

- There were 194,100 apprenticeship starts in first two quarters of 2017-18, which is a decrease of 25 per cent compared with the same point in 2016-17
- 677,300 learners participated in an apprenticeship in the first two quarter of 2017-18
- There have been 10,800 traineeship starts so far in 2017-18, representing a decrease of 9 per cent

The options for learning through the workplace are considerably limited at present. Employees of large companies can expect regular best-in-class professional and personal development. But these opportunities are much harder to access for the low paid, the self-employed, part-time workers, employees of the many small businesses without training budgets, people taking career breaks, and those trying to return to employment after having children or caring for relatives. Taken as a whole, a significant proportion of the UK's workforce does not receive any structured education during their working lives. Government reports are released containing data on the number of individuals in employment who have participated in a training course in the last four weeks, by age and duration of training. In 2017, it was

80 Len Shackleton, *Working to Rule*, (London, 2017).

81 Department for Education, *Further Education and Skills: March 2018*; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693581/SFR23_2018_Further_Education_and_Skills_SFR_main_text.pdf

reported that the ‘prevalence of job-related training declines with age’, and that the ‘amount of training provided by employers is generally higher in large organisations, but older workers are disproportionately found in small and medium enterprises, where training levels are notably lower’.⁸² These individuals miss out on chances to better themselves, and to grasp the opportunities presented in a growing and changing economy. If you cannot afford to take time off to learn, and your employer does not offer access to educational programmes, you can become stuck where you are. This is, not least, why apprenticeships should be open to people of all ages. (Although there is no age limit on becoming an apprentice, extra government support is only available for those under the age of 25.) The job of learning is never finished, and we should all be prepared to move from our comfort zones and change ourselves to grasp new opportunities.

There is much that can be done to improve the situation, and a good starting point would be to reform the apprenticeship levy substantially, making it much more responsive and flexible. It is clearly the case that this should be driven by the needs of the employer and employee, rather than by a bureaucratic system, focused on a target number of apprenticeship starts. Birkbeck, University of London, has suggested that anything defined by an employer as a work-related course, whether a part-time degree or a Higher National Diploma, should also be able to be funded by the levy, even if it is not attached to a formal apprenticeship ‘standard’. And Greg Walker, CEO of the MillionPlus Group, has argued that foundation degrees, which are similar to HNDs, and are employer led, should be able to be funded through the levy if they are directly ‘employer sponsored’ — that is, if the employer approaches the university saying they want the employee to

82 Department for Work and Pensions, *Fuller Working Lives: Evidence Base 2017* (February, 2017), p. 37; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/648979/fuller-working-lives-evidence-base-2017.pdf

undertake the degree, to help with their job or future role.⁸³ Again, Walker argues that this should be the case even if the degree is not attached to an apprenticeship standard. There are also strong arguments that individuals outside of an employer relationship should also be able to access levy funds. These sensible suggestions should certainly be taken into account in the recently announcedt levy review.

3.3 Lifelong learning provision

Too often, the debate about lifelong learning has been dominated by those calling for a centrally-planned top-down approach — some form of National Education Service, acting as an all-seeing ‘guiding mind’. This is an approach that refuses to respect the autonomy of the individual. Such approaches have been tried; they have not worked. So how can we help people gain better access to the education and training they want and need throughout their lives?

Various changes to the current system have been proposed, from calls for extra financial support, including maintenance grants; to better information; to the introduction of credit transfer systems. There have also been demands from across the political spectrum for more fundamental change. It has often been suggested that lifelong learning provision should be offered in the form of some kind of ‘personal learning account’ (PLA). This is becoming a common global theme, as life expectancies increase across the world. Singapore’s innovative approach encourages people to

83 Greg Walker, ‘How can we address the sub-degree deficit’ in *HEPI* (24/7/2018); <https://www.hepi.ac.uk/2018/07/24/can-address-sub-degree-deficit/>

have control over their lifelong learning — using a framework called SkillsFuture (see Box 5) — and is well documented.⁸⁴

Box 5: The Singaporean example

- ‘SkillsFuture’ is a national movement to provide Singaporeans with the opportunities to develop their fullest potential through life, regardless of their starting points. The program is designed to drive Singapore’s next phase of development towards an advanced economy and inclusive society.
- Every Singapore citizen over the age of 25 has access to SkillsFuture Credit. This starts with an initial credit of S\$500 and is topped up at regular intervals. Credits do not expire, but can only be used for education and training via approved courses. It should, however, be noted that S\$500 is not a great deal of money; it is hard, not least for this reason, to see SkillsFuture as a full PLA system.
- More than 2 million Singapore citizens received SkillsFuture Credit in 2016.
- A total of 160,000 Singaporeans started using their SkillsFuture Credit in 2017-18, bringing the total number of users to more than 285,000 since the scheme was launched in 2016. 4,600 working adults attended workshops, with 120,000 using the SkillsFuture Mid-Career Enhanced Subsidy.

84 Joanna Seow, ‘285,000 Singaporeans have used SkillsFuture Credit, with more doing so in 2017’ in *The Straits Times* (1/2/2018). <https://www.straitstimes.com/singapore/manpower/285000-singaporeans-have-used-skillsfuture-credit-with-more-doing-so-in-2017>; <http://www.skillsfuture.sg/AboutSkillsFuture>; <https://www.mom.gov.sg/~media/mom/documents/budget2015/factsheet-skillsfuture-credit.pdf>

The proposals for a UK system are varyingly comprehensive: ranging from the Association of College's call for every English adult to be guaranteed a PLA that would support every level of education and training, involving investment from the state, employers, and the learner; to Bright Blue's suggestion, that all (eligible) adults from across the EU should be entitled to a UK tuition fee loan account; to Policy Exchange's proposal that a new single student-loan system should copy the Australian model, which includes a lifetime cap.⁸⁵

It is clear that a fundamental shakeup is needed in order to make post-18 education fit for the future. A PLA-system could work well within a more honestly segregated system, in which the vast variety of post-18 education on offer in this county were better recognised and appreciated for what it is. The various PLA models that have been suggested should be considered seriously and carefully. The introduction of something as dramatic as a PLA should really come within a bigger overhaul of the system, not least in order to be able to address related costs fairly and sustainably. However, it is worth emphasising that, were the current equivalent or lower qualification restrictions to be removed, there would be near universal coverage in terms of access to loans. It seems, at best, internally inconsistent to retain these restrictions. Why not allow someone with an undergraduate STEM degree, who is running a start-up, to take out a loan to enable them to undertake a part-time foundation course in business, in the same way they could if they wanted to do an MA? Not only does this send a detrimental societal

85 <https://www.aoc.co.uk/13-student-loans-should-be-converted-personal-learning-accounts>; Ryan Shorthouse & James Dobson, *Going Part-time: understanding and reversing the decline in part-time higher education* (2015), p. 18: <https://brightblue.org.uk/wp-content/uploads/2017/03/goingparttimereport.pdf>; Natasha Porter & Jonathan Simons, *Higher, Further, Faster, More: improving higher level professional and technical education* (2015), p. 12: <https://policyexchange.org.uk/wp-content/uploads/2016/09/higher-further-faster-more.pdf>

message promoting credentialism, it also leads to perverse incentives, with some students taking courses at higher levels than they require, committing themselves to higher rates and longer study time.

In terms of the ways in which the current system could be improved by reducing disincentives to those already in work who are keen to undertake study part time, or as mature students, it seems key, both in terms of expense and overall fairness, to recognise that older learners normally have a different set of needs and commitments from their 18-year-olds counterparts, and therefore require different support. It is worth noting the clear distinction recognised in Wales between full-time and part-time study.

Again, it is already the case that the state has committed to supporting most post-18 students by offering the opportunity to take on a student loan, which effectively works as an income-contingent, fixed-term tax liability. Restrictions on access to these loans, particularly for those people wanting to undertake to FE, often relates to fears about the rate of return, although, it should again be noted that adults in England can borrow money to pay towards a professional high level qualification under the Advanced Learner Loans scheme. HMT estimates the overall cost of HE spending as £17.3bn,⁸⁶ yet the additional cost of student loans must not be forgotten.⁸⁷ Oft-cited research from the Institute for Fiscal Studies calculated that, in 2014, for each £1 loaned, the 'long-run cost' to the government (or subsidy) was

86 Institute of Fiscal Studies, *2018 Annual Report on Higher Education Spending in England* (September, 2018), p. 65; <https://www.ifs.org.uk/uploads/publications/comms/R150.pdf>

87 Institute of Fiscal Studies, *2018 Annual Report on Higher Education Spending in England*, p. 45.

43.3p.⁸⁸ HE institutions are highly dependent upon fees, providing 52 per cent (£17.7bn) of HE providers' £35.7bn income.⁸⁹ The taxpayer continues to provide a substantial proportion of HE funding, paying £8.5bn of the £17.3bn cost of the 2017 HE finance system.⁹⁰ Although the whole of our society — and economy — benefits from good post-18 education provision, it is only right that the main expense rests on the primary direct beneficiary, from the point at which those beneficiaries are capable of making payments.

Different rates of loan payment, or even different starting points of payment could be considered, however. It could be the case that, in certain cases, in-work students could begin paying back a certain percentage of their loans while studying, for instance, perhaps supported by their employers, as part of a reformed apprenticeship levy, or via other potential co-payment models. Lower annual payment rates, which began from the outset of, or during, study, would provide greater reassurance to state auditors, and make it easier to expand the forms of education and training that could be included in student loan provision. Flexible payment plans, as offered to students at Birkbeck, also make part-time and mature study a more viable option for more people.⁹¹

88 Nicola Danbridge, 'Student loans under the spotlight' in *The Telegraph* (24/4/2014); <https://www.telegraph.co.uk/education/educationopinion/10782911/Student-loans-under-the-spotlight.html>

89 HESA, *Income and Expenditure of HE providers in 2016/17* (7/3/2018); <https://www.hesa.ac.uk/news/07-03-2018/income-and-expenditure-he-providers-201617>

90 Institute of Fiscal Studies, *2018 Annual Report on Higher Education Spending in England*, p. 65.

91 <http://www.bbk.ac.uk/student-services/fee-payment/instalments>

In the long term, however, it is clear that lifelong learning will only be increasingly important, and that there should be a clear focus on flexibility. This will be essential, not least for reskilling professional freelancers and others in the growing gig economy. First, institutions should provide better and more impartial information, advice, and guidance, as part of their societal obligations. Second, some form of national PLA policy seems an attractive way forward, although this would need to fit within an efficient, cost-effective wider system. The use of such accounts should be driven by the individual, and should be accessible at any age, and via any route of recognised learning, with options for businesses to help support their employees' upskilling. Ultimately, frameworks are needed here that deter neither the flexibility of provision, nor individuals' access to high-quality learning opportunities that support their particular needs, talents, and interests. Reducing the current equivalent and lower qualification restrictions regarding access to loans could be seen — alongside the existing structure, which includes advanced learner loans — as a neat route to provision of the near universal coverage of a loans-based quasi-PLA. It is worth noting, however, the possibility of future serious revisions to the current loans system.

4. Conclusion

Liberal capitalism will continue to bring untold benefits to human health, wealth, and happiness — lifting countless people out of poverty. Change means that old ways of working will disappear, but these old ways are often un lamented by the people they affected the most: the people who actually worked in the dirty and dangerous occupations of the past, for instance. In their place, we have gained new opportunities to earn more, to work when and where we want, and to experience greater fulfillment.

Freedom is attractive to people of all ages, but it has a particular resonance for those people who are just beginning their working lives, today. They have been brought up to expect that others will listen to them, and have been encouraged to express themselves. Policies that will allow more of them to choose how and where to work will have huge appeal.

A continuous striving to learn, to contribute more, and an endless curiosity about the world is an essential part of what makes us human. We are by nature restless beings, seeking new challenges, and if this is not channeled into healthy and productive outlets, it can make us sick, both mentally and physically. Breaking away from our corporate parents means breaking away from the security and comfort of paternalistic employers, however. To some, it can understandably feel as if they are leaping head first into an unknown, which is both exciting and unnerving.

There is a role, here, for a forward-thinking approach that liberates the working relationship, and enables individuals and society to benefit. This should be an approach that empowers the individual: a way of working that enables workers to be freer.

About FREER:

FREER is a major new initiative from the Institute of Economic Affairs (IEA), promoting a freer economy and a freer society.

Our Parliamentary Supporters support FREER's mission to promote the value and virtue of economic and social liberalism. They do not necessarily agree with every policy the initiative proposes but advocate the widest possible debate on freedom as the engine for prosperity and happiness for all. Articles that are written under the auspices of FREER are the author's own, and do not necessarily reflect those of FREER or the IEA. Initially, FREER will be housed within the IEA. Whilst FREER will have its own advisory board, brand, and image, it will be financed, run, and operated by the IEA. However, this does not imply endorsement of FREER's statements by the IEA, or endorsement of IEA statements by FREER. The Institute of Economic Affairs is an independent charity and does not support any political party or any individual politician. It seeks to promote a better understanding of the role free markets can play in solving economic and social problems. It is happy to work with politicians of all parties—as well as many people of no political persuasion—in an endeavour to promote this mission. It also works on initiatives such as FREER, across the political spectrum, in pursuit of its mission.

However, the IEA takes no corporate position on policy positions and the positions taken by authors in printed materials are those of the author(s) alone. The IEA in no way endorses the specific text put forward by individual authors, nor the political party to which an author may belong.

Registered In England 755502. Charity No CC/235 351 Limited by Guarantee. Any opinions, conclusions or other information in this message are those of the individual sender and not necessarily The Institute of Economic Affairs, (which has no corporate view), its Managing Trustees, Academic Advisory Council members or senior staff. Any information contained in this message that does not relate to official business of The Institute of Economic Affairs shall be understood as neither given nor endorsed by it.

FREER

Contact:

info@freeruk.com

@FREER_UK

www.freeruk.com