



Association of Accounting Technicians (AAT) response to the Education Select Committee on Adult Skills & Lifelong Learning

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to this inquiry, published in July 2019.
- 1.2. AAT is submitting this response on behalf of its membership, primarily its 90,000 students, including 16,000 apprentices, as well as its prospective students.
- 1.3. Approximately two thirds of AAT's 90,000 students are aged over 25 indicating that many of these students are retraining/reskilling or upskilling. This is more profoundly highlighted by the fact more than 3,000 AAT students are aged over 50.
- 1.4. Those from higher socio-economic backgrounds are almost 80% more likely to end up in a professional job than those from a working-class background¹ and even when those from a lower socio-economic background secure a professional job, they typically earn 17% less than their more privileged colleagues². This emphasises an unacceptable balance which, irrespective of an individual's talent or potential, is driven by a lack of opportunity.
- 1.5. Educational institutions and businesses large and small can do more to help deliver greater social mobility and like many others, AAT is playing a part in seeking to change things for the better.
- 1.6. That said, the most significant change in this area could and should be delivered by Government, with the education system being the key to positive change.
- 1.7. Funding Further Education on similar per learner levels as Higher Education would be a good starting point. Likewise, increased promotion and awareness of the life changing opportunities that technical/vocational education can provide is essential given this is currently significantly under promoted in comparison to Higher Education.
- 1.8. Similarly, whilst a focus on future generations is important, reskilling and upskilling the existing workforce is absolutely essential to address longstanding social mobility issues, the UK productivity puzzle and ensuring global competitiveness, especially in a post-Brexit era.

2. Executive summary

- 2.1. **Adult skills and lifelong learning benefit the whole population, from every conceivable background, income level and region.**
Inevitably those from lower socio-economic groups will benefit more.
- 2.2. **The range, balance and quality of lifelong learning in the accountancy sector is more than adequate.**
However, this is unlikely to be replicated across every sector. Indeed, AAT is particularly concerned about the lack of high quality, widely available digital skills offerings for adult learners.
- 2.3. **Upskilling and reskilling has a range of positive benefits for the individual, their employer and the wider economy.** These benefits include increased earnings and well-being for the individual; increased productivity and thus increased competitiveness, lower costs and higher output for employers; and increased tax revenues and reduced state benefit payments for the benefit of the wider economy.
- 2.4. **Internationally many other countries face similar problems to the UK, especially in the EU.**
However, others, notably Singapore and South Korea, appear to be taking a more proactive, Government led approach to upskilling and reskilling their nations workforces.

¹ Social Mobility Commission, State of the Nation report 2018-19:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798404/SMC_State_of_the_Nation_Report_2018-19.pdf

² Social Mobility Commission, State of the Nation report 2018-19:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798404/SMC_State_of_the_Nation_Report_2018-19.pdf

3. AAT response to the inquiry

Who currently participates in and benefits from lifelong learning?

- 3.1. The Committee will doubtless receive a wealth of evidence from a wide range of organisations about who participates and benefits from gaining adult skills and lifelong learning.
- 3.2. The experience at AAT would suggest that participants come from every conceivable background, of those that are working they come from every industry, in every region and likewise those not currently in employment come from every background and region too.
- 3.3. All benefit but those from lower socio-economic backgrounds will inevitably benefit more.
- 3.4. Of course, in addition to the benefits to the individual there are much wider benefits to the UK economy, in terms of increased productivity and increased tax revenue from the often higher incomes that those with additional skills and training will earn or in the case of those who were previously unemployed, likely state benefit payment savings.
- 3.5. To give a flavour of the type of individuals studying AAT, a number of AAT students past and present have given detail below as to why and how they upskilled/reskilled;

THE AAT BACK-UP PLAN

- 3.6. Sam, a footballer at Aberdeen, currently studying the AAT Advanced Diploma in Accounting (Level 3) recently stated;

"I started my studies mainly as a back-up plan, in case my aspirations of being a footballer should ever fail.

An AAT qualification is a great stepping stone, it opens up a lot of avenues whether in accountancy itself or elsewhere; because accounting is such a highly regarded skill to have. Whatever happens in the future, it was a good decision that will put me in good stead.

The most rewarding part of my studies is knowing that I am using my spare time productively, in order to gain new and important skills within accountancy."

AAT CAREER CHANGER

- 3.7. Sarah, 37 from North Yorkshire decided to reskill following a "lightbulb moment". Sarah explained;

"Following disappointing A-Level results, I abandoned the idea of going to university for a career in retail management. But there came a time when I realised I was really unhappy career wise.

My light bulb moment occurred when I was flicking through the local paper and saw that the local colleges and schools were advertising for students. I began studying AAT. "

Sarah went on to become a Finance Officer at University Academy Keighley and then an accountant for Pentagon Group.

AAT OLDER WORKER

- 3.8. Lesley was in her late fifties when she changed career. Today, she runs her own successful accountancy business with more than 65 clients in Ludlow, Shropshire. Lesley, 63, had a long career in the sports sector, working as an aerobics instructor, a badminton coach and running a gymnastics club. In 2008, she decided to change career, and went back to college to study AAT qualifications.
- 3.9. Lesley said; *"If you want something, do it – otherwise you'll just regret missing the opportunity. My qualifications allow me to be my own boss, which I love. Being self-employed gives you the kind of freedom you can never get for working for a boss. I would say to anyone thinking about studying later in life that they should go for it: life is too short to sit around wondering what might have been".*

AAT GRADUATE SWITCHER

- 3.10. Zahra studied Pharmaceutical and Cosmetic Sciences at University, but in 2017 decided pursuing a career in the field was not for her. She said;

“...it was only when I started working as an Accounts Assistant that I realised I had a real passion for numbers. I wanted to take it further, so I decided to look into my options to find the right course to help me to progress in my career

I knew I needed something that was nationally recognised, had great career prospects and also flexibility, so that I could still work full-time and study in my own time. I did some research online and asked for a brochure to gain more information about the AAT course. That helped me decide that it was the best option for me.

I’m now working at a private investment bank while studying higher level AAT qualifications.”

AAT SINGLE MOTHER

- 3.11. 32-year-old Diana, a single mother who started her studies with AAT just 10 days after the birth of her second child is another inspirational adult learning story.

- 3.12. Within a couple of years of studying AAT, she had changed jobs and was working as an accounts assistant and a couple of years later set up her own accounting practice. She is now a Chartered Accountant.

- 3.13. Diana said; *“I came to the UK in 2002 and immediately started to work in mental health care. A year later my son was born, and I became a single mum. Without family or friends around, learning English, working full time and taking care of my son, it left me with no spare time for starting a new course.*

In 2010 however, my daughter was born, and as a single parent I realised that I could only rely on myself when it came to supporting my children in the future. I decided not to wait any more for the “perfect” time to begin studying and started with AAT ten days after my daughter was born. I was very excited, but afraid at the same time about combining studying with all my other commitments. However, as soon as I started, I found it very interesting and challenging.

The more I studied, the more I loved it, and as the exam dates were very flexible, I took advantage of this by sitting some of them earlier than my classmates.”

What are the benefits of adult skills and lifelong learning (ASALL) for productivity and upskilling the workforce?

- 3.14. ASALL has a range of positive benefits for the individual, their employer and the wider economy.

- 3.15. These benefits include, but are not limited to, increased earnings and well-being for the individual; increased productivity and thus increased competitiveness, lower costs and higher output for employers; and increased tax revenues and reduced state benefit payments for the benefit of the wider economy.

- 3.16. Much is made of the often-repeated statement that it now takes a UK employee five days to produce what his or her counterpart in Germany can deliver in four days but comparisons to other countries are not always helpful.

- 3.17. UK employees work more hours over the year than those in France and Germany, and there is a high rate of employment, so it is important to put these numbers into context.

- 3.18. That said, there can be little doubt that the UK could do more to increase productivity and improving skills is a key part of this.

- 3.19. With 40% of the UK workforce being either underqualified or overqualified for their job, it is clear that addressing such a skills mismatch would very positively impact UK productivity.

- 3.20. Indeed, only last year, the European Economic and Social Committee reported that the European economy loses over 2% of productivity per year due to a skills mismatch; that consequences of these skills problems include additional spending on employee training, loss of competitiveness and slower recruitment processes; and that the key factor in creating these skills mismatches were *“insufficient traditions in lifelong learning and (re)qualification”*.³
- 3.21. It is also important to note that the quality of management skills, including financial management skills, is a real barrier to the productivity of small and medium sized businesses.
- 3.22. The UK has a tremendous track record in starting up new businesses – one every 75 seconds - a poor record at maintaining these businesses and an even worse record at scaling up those that remain.
- 3.23. It therefore comes as little surprise that the quality of management skills (including financial management skills) is consistently identified as a feature in these problems. With around half of all new businesses failing within three years, the Chartered Management Institute found that bad management was to blame for 56% of these failures (2011-2014).
- 3.24. If SMEs cannot survive the first three years then clearly they cannot scale up, but what about those that do survive, why are they not capable of scaling up? Management skills, including financial management, appear to be a key problem.
- 3.25. In addition to offering accountancy and bookkeeping qualifications, AAT offers a range of relevant learning opportunities relating to finance for non-finance managers. There are numerous other providers offering similar, so the availability of such training does not appear to be the problem, instead, awareness and take-up are likely to be much bigger problems.
- 3.26. There are substantial resources for those that want them, the challenge is to increase businesses’ awareness of the availability and worth of these resources to combat this significant problem, whilst simultaneously increasing awareness and accessibility amongst individual members of the public.
- 3.27. In 2017 the OECD made a number of recommendations to improve adult skills and in-turn productivity in the UK⁴. These included:
- Careers guidance services should be extended to cover employed workers as schools, colleges and the unemployed.
 - Advanced Learner Loans should be made more attractive for low-skilled workers by tying repayment waivers to employment in some shortage occupations
 - Personal learning accounts or paid training leave for in-demand skills
 - More effort needs to be made to convince UK employers of the return on investment of training
 - Group schemes should be encouraged to ensure more SMEs offer training
- 3.28. AAT agrees with each of these OECD recommendations and commends them to the Committee for consideration.

To what extent is the range, balance and quality of formal and informal ASALL education adequate?

- 3.29. With regard to the accountancy sector, AAT would certainly suggest that there is high quality formal education as indicated by the fact 80% of the FTSE 100 has an AAT apprentice operating within their finance function, that the likes of Grant Thornton and KPMG (the top two employers in the Social Mobility employer Index) use AAT qualifications for their apprenticeship programmes and that central Government departments, local authorities, the third sector and thousands of SMEs also utilise such formal education. This is not simply for school leavers either – two thirds of AAT students are aged over 25.

³ Skills Mismatches, European Economic and Social Committee, July 2018:

<https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/skills-mismatches-impediment-competitiveness-eu-businesses>

⁴ Getting Skills Right: United Kingdom, November 2017:

https://read.oecd-ilibrary.org/employment/getting-skills-right-united-kingdom_9789264280489-en#page1

- 3.30. On a more informal basis, AAT provides one day “essentials” training courses in “making sense of financial documents”, “managing cash flow” and several other areas. It also offers a range of short courses, for instance on bookkeeping and using accountancy software.
- 3.31. It is difficult and probably not appropriate to comment on areas outside the accountancy sector save for to make the general observation that given the advent of the fourth industrial revolution there does not appear to be sufficient high-quality adult education or lifelong learning relating to digital skills.
- 3.32. This observation is supported by recent evidence which suggests more than two thirds of UK companies have digital vacancies unfilled.⁵
- 3.33. Policymakers need to understand that digital skills extend well beyond coding. Whilst coding is important as it helps develop problem solving skills and logic as well as providing the necessary building blocks to transform ideas into working systems, such skills will not secure a lifetime of job security and it is wholly unrealistic to promote these skills as such. Indeed, in the future code may well be written by robots.
- 3.34. Data analysis and software testing don’t necessarily require an understanding of coding and likewise advertising and marketing roles in the digital world rely on an understanding of search engine optimisation (SEO) and social media rather than coding. There are numerous “digital” roles that have little or nothing to do with coding.
- 3.35. Whilst digital literacy and proficiency are essential, being able to write the software is not. It is the ability to apply and use software in a productive manner that matters, after all we might all use a smart phone to make calls, take photographs and surf the internet but few of us understand the complex programming allowing it to do so.
- 3.36. More important than specific coding skills are what have often been termed “soft skills” but should perhaps more aptly be called “core skills”. These have always been important but in the digital age will likely be even more so.
- 3.37. For example, interpersonal skills that mean students can work successfully with others – including robots; communication skills (especially oral communication skills given the emphasis on written communication that technology so frequently forces) the ability to question and to solve problems, and finally, resilience. As the average UK worker will have 11 jobs during their lifetime and reskilling and upskilling will increasingly be an important requirement for success, resilience is essential and should be instilled in young people, partly through the curriculum and partly through the expectations placed upon them by schools and colleges but also for existing employees through their workplaces.
- 3.38. Outside of these “core skills” it would be remiss of AAT not to mention the importance of numeracy skills. Numeracy continues to be essential for a wide variety of everyday actions and jobs, even more so given digital skills place numerical skills at a premium, whether examining big data, undertaking coding, understanding how algorithms work or something as simple as being able to determine the costs of everyday online shopping.

What are the benefits of ASALL for social justice, health and well-being?

- 3.39. AAT has hundreds of examples of students successfully reskilling by taking an AAT qualification, sometimes in adversity, and going on to bigger and better achievements, as some of the above examples clearly indicate.
- 3.40. It is also worth considering that helping more women, disabled people and older workers to reskill and upskill could radically improve social justice, well-being, productivity and of course the economic returns for UK plc.
- 3.41. There are numerous reasons why closing the Gender Pay Gap is a worthwhile objective. Not just because it’s the right thing to do, leads to a more diverse and inclusive workforce, broadens the skills base and can improve staff satisfaction and retention but because it will substantially add to UK GDP. In fact, McKinsey estimate it could add £150 billion to UK GDP by 2025 and add 840,000 women to the workforce⁶.

⁵ CBI/Tata Consulting, 4 June 2019:
<https://www.cbi.org.uk/media-centre/articles/two-thirds-of-firms-cannot-fill-digital-roles/>

⁶ McKinsey, September 2016:

- 3.42. Similarly, disability charity Scope suggests that a 10% rise in the employment rate among disabled adults would contribute an extra £12bn to the Exchequer by 2030. Ensuring more disabled people have the skills and training necessary to compete will inevitably help achieve this.
- 3.43. Those over 65 who are employed in the UK are already contributing £57bn to the economy⁷ If the UK were to match the level of older workers in other countries such as New Zealand, PwC estimates this could add up to £182bn to UK GDP.⁸
- 3.44. In 2017, AAT and City & Guilds jointly commissioned a report into “*Lifelong learning for ageing workers*”⁹, which made several detailed recommendations as to how older workers could be encouraged back into the workplace.
- 3.45. The Committee may wish to consider the report’s recommendations which include;
- improving the capacity of JobCentre Plus to provide tailored advice to older workers
 - encouraging employers to implement workplace mentoring schemes
 - for employers to incorporate mid-life career reviews into their HR programmes
 - urging learning providers to rethink the content, marketing and delivery of courses to improve their appeal to older workers.
- 3.46. AAT also recommended that it would be sensible to pilot new funding streams and ways of signposting funding to assess the impact on loan uptake among the over-50s.
- 3.47. AAT does not have any particular insight into the health implications of improved adult skills and lifelong learning given it has not undertaken any analysis in this area and is unlikely to.
- 3.48. However, common sense dictates that those who have higher skills are likely to be in better jobs which in turn is likely to lead to increased well-being.
- 3.49. AAT also strongly recommends the Committee consider the comprehensive study of 175 countries over a 40-year period (1970-2010) by the International Institute for Applied Systems Analysis on this issue.¹⁰ This was succinctly described by Rüdiger Krech at the World Health Organization thus; “*It confirms education as a major social determinant of health.*”

What lessons can the UK learn from abroad?

- 3.50. In the UK, 40% of workers are either over or under qualified for their job and the same number are working in an area different to the one they studied for.
- 3.51. Many countries are facing similar problems to the UK. Indeed, only last year the European Economic and Social Committee (EESC) looked at lifelong learning in Austria, Bulgaria, Finland, Germany and Spain and reported that, “*Slow or inadequate educational reforms, over-reaching labour market regulations, excessive labour taxation and arbitrary wage-setting mechanisms are policy-related causes of skills mismatches*” and that, “*policy measures at both EU and national level are needed to close the skills gap and foster the competitiveness of EU businesses.*”¹¹
- 3.52. However, some international approaches are being taken to reskill workforces that appear to be considerably more far sighted than the UK.

<https://www.mckinsey.com/global-themes/gender-equality/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom>

⁷ Age UK, 2017:

https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/the_economic_contribution_of_older_people_update_to_2017.pdf

⁸ PwC Golden Age Index 2018:

<https://www.pwc.co.uk/services/economics-policy/insights/golden-age-index.html>

⁹ Lifelong learning for ageing workers, March 2017:

http://www.policyconnect.org.uk/sc/sites/site_sc/files/report/461/fieldreportdownload/spotlightonolderworksskillscommissionreport.pdf

¹⁰ International Institute for Applied Systems Analysis, April 2018:

<http://www.iiasa.ac.at/web/home/about/news/180416-Lutz-Kebede-life.html>

¹¹ Skills Mismatches, European Economic and Social Committee, July 2018:

<https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/skills-mismatches-impediment-competitiveness-eu-businesses>

- 3.53. For example, in Singapore the Future Skills Credit, a \$500 credit - paid directly to the training provider – is available to any Singapore Citizen over the age of 25 for retraining purposes.¹² This has led to sizeable increases in reskilling and retraining participation rates and feedback from both employees and employers has been very positive¹³.
- 3.54. Similarly, in South Korea, the unemployed are entitled to almost \$2,000 for technical/vocational education and training, indicating serious Government intent to upskill and reskill its workers, especially important in a country that ranks as first in the world for robot density in the workplace¹⁴.
- 3.55. In the UK by contrast, last year HM Treasury quietly dropped plans to join the two thirds of OECD nations who allow self-funded work-related training to be deducted from taxable income. AAT responded to the 2018 consultation on the subject and suggested such reform was long overdue and that Government proposals did not go far enough¹⁵ but the documents accompanying the Chancellor's 2018 Budget speech regrettably confirmed that they would not proceed with a measure that would have increased reskilling and upskilling opportunities for many. The Education Committee may wish to recommend that Government revisit these plans.
- 3.56. The Committee may also be interested to note that AAT is playing a role in upskilling and reskilling in several other countries too.
- 3.57. For example, AAT has just secured funding from the Malaysian government to fund 500 Malaysians who do not have qualifications above SPM level (GCSE level) to gain accountancy skills and find employment in 2019-2020. This follows the successful pilot funding of 50 students.
- 3.58. In Botswana, over 2,000 students a year are studying AAT, gaining practical skills that will help progress their careers in accountancy and finance, as well as supporting the local economy.
- 3.59. AAT has recently established a presence in Myanmar too.
- 3.60. Khin, a Myanmar student, began studying AAT as a 17-year-old because, “...my teacher told me that AAT could help give me a professional qualification in accounting, which would help me progress to a career as an accountant.

I became more and more interested in accounting, so I decided to go further and get my AAT advanced diploma at Level-3. After I passed that, I got a job as an assistant accountant in a firm called BizFix Consultancy, which advises on accounting, HR and tax.

This is my first job so it's a whole new experience for me. Every day is a challenge but the subjects I have learned, such as basic accounting knowledge, spreadsheets and ethics, have really helped me.

I didn't have any difficulties getting this job because my employer recognised that having an AAT qualification gave me good accountancy knowledge.”

¹² Singapore, Future Skills Credit:

<http://www.skillsfuture.sg>

¹³ Straits Times, 26 March 2018:

<https://www.straitstimes.com/forum/letters-in-print/skillsfuture-a-holistic-movement-with-multiple-indicators-to-measure-it>

¹⁴ International Federation of Robotics:

<https://ifr.org/ifr-press-releases/news/robot-density-rises-globally>

¹⁵ Taxation of self-funded work-related training:

<https://www.aat.org.uk/prod/s3fs-public/assets/Taxation-of-self-funded-work-related-training.pdf>

4. About AAT

- 4.1. AAT is a professional accountancy body with approximately 140,000 members.
- 4.2. AAT boasts 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.
- 4.3. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

5. Further information

- 5.1. If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy:
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