The Bell Foundation

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The Case for Increased Investment in ESOL

For further information, please contact:

Alastair Feeney
Policy and Public Affairs Officer
01223 275518
Alastair.feeney@bell-foundation.org.uk

www.bell-foundation.org.uk

Purpose of this paper

This paper provides an analysis of data from the 2021 Census and a literature review in order to ascertain whether investing in English language (English for Speakers of Other Languages) provision for adult learners makes economic sense.[1] It looks at the Census data, relevant academic literature, and evidence from recent reports with regard to the economic case for investing in English for Speakers of Other Languages (ESOL). There is a clear consensus within the literature that increased spending on ESOL is a worthwhile investment which stands to benefit the public purse and broader social cohesion.

1. Summary findings and recommendations: English language proficiency and economic activity

Analysis of the 2021 Census data highlights that:

- **A significant number of working-age people are new to English or are at the early stages of English language acquisition**: 2% of the working-age population of England (16-65, 759,000 people) were self-reported as being unable to speak English well or at all.
- **42% of this group have been resident in the UK for over ten years or were born in the UK**. The data shows that 295,000 people who self-reported as being new to English or at the early stages of acquisition had been in the UK for ten years or more, and 23,000 (3%) whose main language is not English and self-reported as being new to English or at the early stages of acquisition were born in the UK.
- **35% of people who are new to English or at the early stages of English language acquisition are UK nationals.**
- **Greater proficiency in English clearly correlates with holding employment and higher educational qualification levels**.
- Over 280,000 individuals who self-reported as being new to English or at the early stage of English language acquisition were aged over 35.
- Females self-reported as being new to English or at the early stage of English language acquisition faced lower employment rates compared to males in a similar situation.
- There is a strong correlation between higher employment levels and better English proficiency.

National and international academic evidence in the economic literature indicates that an individual's ability to use the host country's national or official language fluently and competently increases their probability of being employed, whilst also enhancing their earnings potential. Conversely, being new to English or at the early stages of its acquisition is associated with under-employment or skills mismatches.

Evidence from reports commissioned in the UK over the last decade shows that increased investment in ESOL will pay dividends for both learners and communities across the country.

Investment in ESOL, however, must not be considered in isolation. In order to target investment, policy makers must ensure that qualifications and standards accurately reflect the development of English language skills; that language assessment and lesson planning lead to meaningful programmes of learning; and that learners are able to progress to further study and employment.

[1] It must be remembered that Census data is self-reported and therefore likely to be an underestimate in terms of both actual numbers and self-reported levels of English language proficiency.

Apart from the Department for Education (DfE) published data on 19+ discrete ESOL provision, no other data are collected on ESOL learners in further education, which leaves government departments, funding bodies, education providers, and Ofsted without the necessary information to assess and allocate resources. The Bell Foundation has called for the DfE to add an additional yes/no field marker to the individualised learning record (ILR) to identify learners whose first language is not English across the learning journey. More information is available in the briefing linked here.

As part of its ESOL Qualifications and Curriculum Review, The Bell Foundation consulted widely with ESOL practitioners and leaders in the further education and skills sector. This showed overwhelming support for steps to improve the quality and types of ESOL provision. The Bell Foundation recommends that the Government and its partners in the sector adopt these approaches to ensure that learners can access effective and targeted provision.

Summary recommendations

- Ensure that the funding for ESOL and the conditions for funding are clear and sufficient for learners to achieve independence and employment. Of primary importance is the need for the policy and implementation to be informed by up-to-date research evidence and data on adult second language acquisition.
- Commission a cost-benefit analysis of investing in ESOL to determine the most effective investment strategies for targeting ESOL provision for learners to find employment and pay into the public purse.
- Consider funding models which incentivise employers to upskill the workforce, including through ESOL programmes.
- Develop/enable different funding models in further education to ensure colleges are not disincentivised from offering ESOL provision over Functional Skills English.[2]
- Establish criteria to assess and monitor the impact of ESOL provision on learning, achievement, and progression to mainstream provision and employment. Review the effectiveness of delivery at regular intervals and make improvements where necessary.
- Produce and implement ESOL policy which sets out strategic plans and targets for the delivery of ESOL in England. Cross-government coordination is key, considering the very many departments and organisations involved with aspects such as policy, standards, qualifications, delivery, funding, examinations, teacher training, audit, inspection and, lately, the mayoral combined authorities with the remit of Skills England regarding ESOL still to be established.
- Add an additional yes/no field marker to the ILR to identify learners whose first language is not English.

[2] Recognised and funded ESOL qualifications, rather than provision based on Functional Skills English (FSE) should be the option of choice for these learners, because it addresses the distinctive language learning needs of ESOL learners. Research by The Education and Training Foundation on the suitability of FSE for ESOL learners (2021) highlights concerns that FSE courses (created for learners for whom English is their first language) do not meet the needs of learners whose first language is not English, and that FSE teachers do not have the skills to teach English as an Additional Language (EAL)/ESOL. As a result, these learners are disproportionately disadvantaged, as they do not make the progress of which they are capable, and government spending is not being used effectively or efficiently.

2. The demographics of second-language English speakers

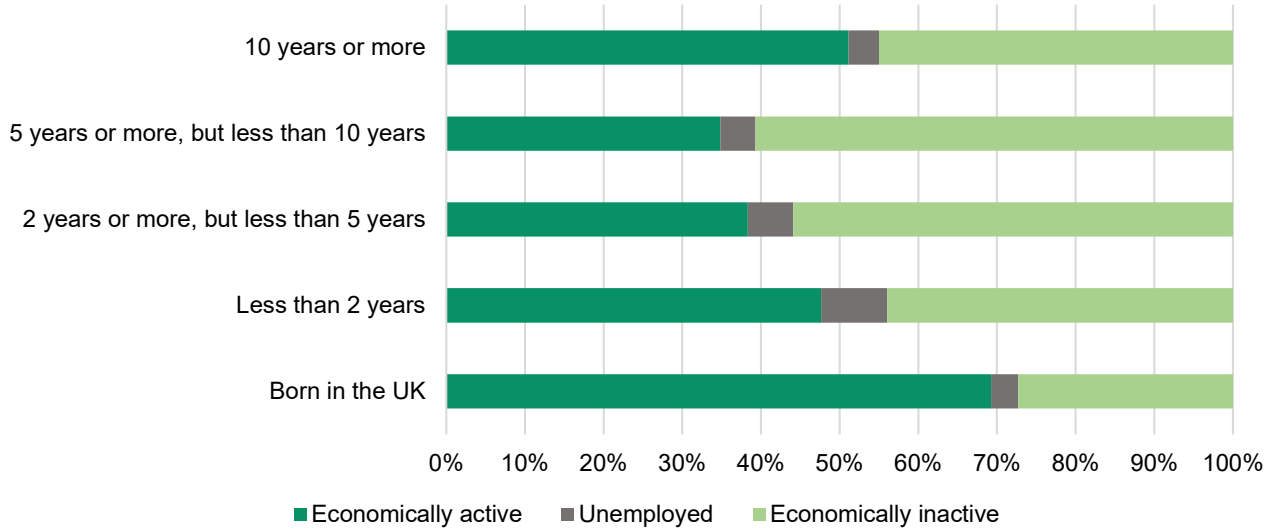
2.1 Census 2021

Figure 1: English proficiency by time in the UK (000s, working-age people in England)

English proficiency	<2 years	2-5 years	5-10 years	10+ years	Born in the UK
Main language is English (or Welsh)	307	341	504	2,745	27,546
Main language is not English: Can speak English very well or well	451	558	789	1,491	114
Main language is not English: Cannot speak English well	113	134	138	270	16
Main language is not English: Cannot speak English	22	18	15	25	8
All	893	1,051	1,446	4,531	27,684

Source: Office for National Statistics (2021) Census.

Figure 2: Individuals aged 16-64 by time in the UK and economic activity status (2021)

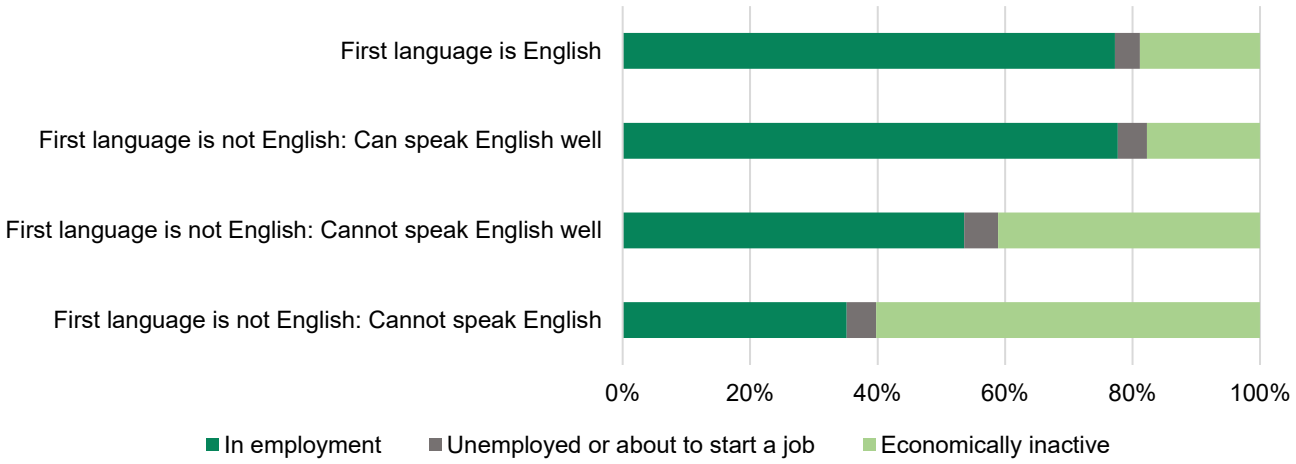


Source: Office for National Statistics (2021) Census.

Economic activity is lower for those living in the UK longest: individuals who are new to English or at the early stage of English language acquisition, who have been resident for between 5 and 10 years, have an employment rate of 35%, compared with 48% for those living in the UK for fewer than 2 years.

There were 295,000 people in 2021 who were new to English or were at the early stages of acquisition who had been in the UK for 10 years or more, and 23,000 (3%) who were born in the UK whose main language is not English and are new to English or at the early stages of acquisition. See Figures 1 and 2 for full data.

Figure 3: Individuals aged 16-64 by language proficiency and economic activity status (2021)



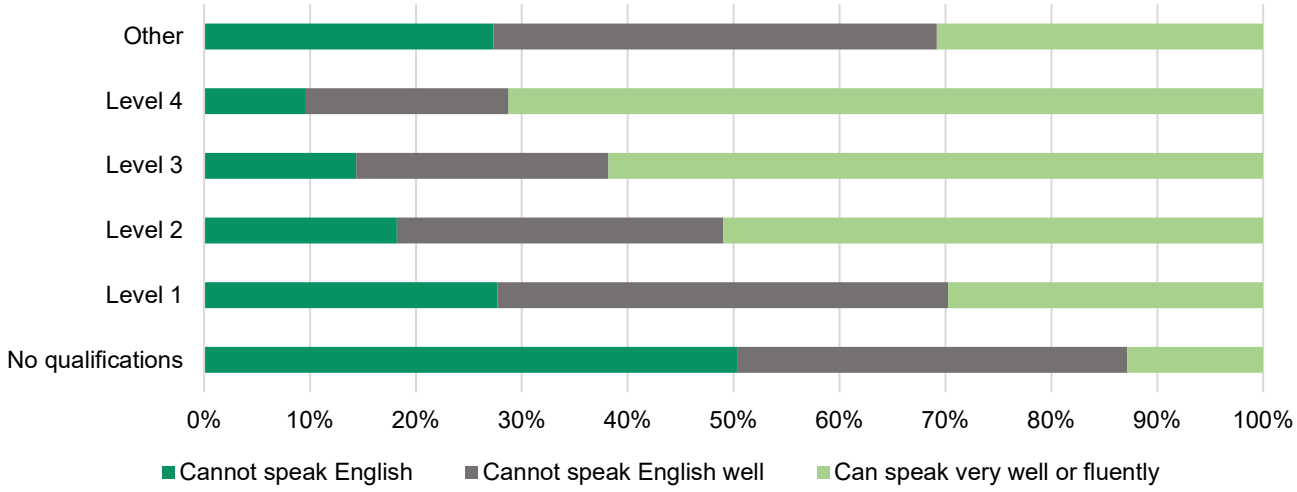
Source: Office for National Statistics (2021) Census.

Proficiency in English is strongly associated with being in employment; economic activity among those without English as a first language, new to English or at the early stage of English language acquisition is significantly lower among females compared with males: using the Census data on sex, economic activity, and English proficiency – 69% of males who are new to English or at the early stage of English language acquisition are in employment, compared with 39% of females.

The Census showed that 41% of people who are new to English (352,000) are economically inactive or unemployed.[3] The employment rate for those whose first language is not English, and have high self-reported proficiency, is similar to that of first language English speakers (78% c.f. 77%). Those who self-report as having emerging proficiency in English have an employment rate of 52% (24 percentage points lower), and those who are new to English have an employment rate of 35% (see Figure 3).

[3] Please note, Census data does not allow us to examine the degree to which individuals are "under-employed". See literature review for how this has been quantified elsewhere.

Figure 4: Highest qualification by English proficiency

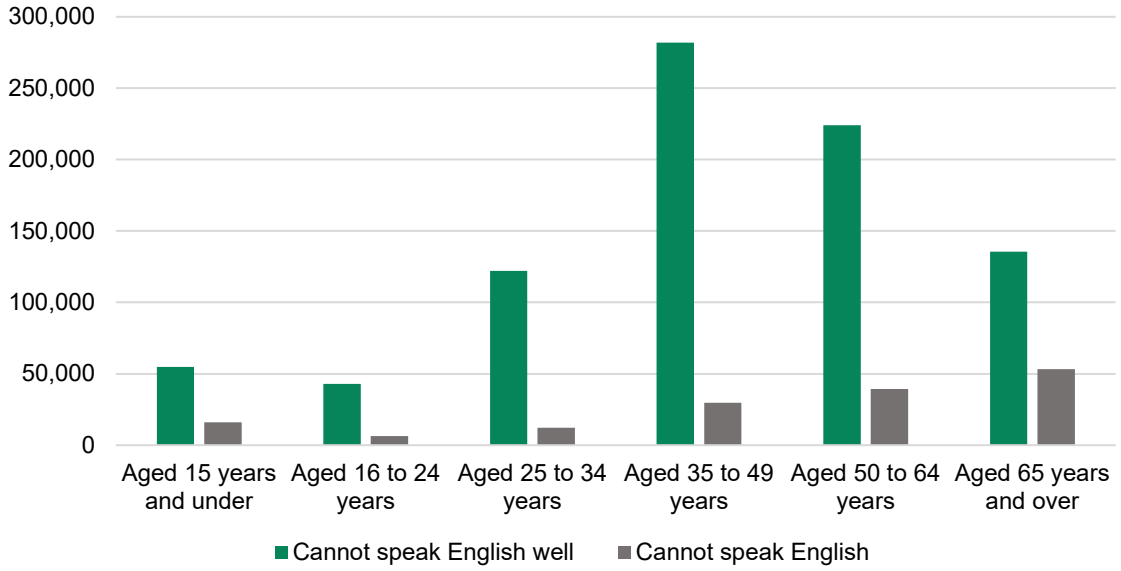


Source: Office for National Statistics (2021) Census.

Greater proficiency in English is associated with holding higher level qualifications: nearly three quarters (71%) of people new to English have no qualifications, compared to only 6% holding the highest level of qualification (Level 4 and above).

Across the Organisation for Economic Co-operation and Development (OECD) countries, around half of all migrants and refugees already possess tertiary (degree level) qualifications, and those who work are also more likely to be overqualified for their jobs than nationals of the host country (OECD, 2023). Several studies in the literature below explore the extent to which structural inequities exist in labour markets due to differences in language proficiency.

Figure 5: Individuals by age and language proficiency (2021)



Source: Office for National Statistics (2021) Census.

A significant number of working-age people were new to English or were at the early stage of English language acquisition: 759,000 people of working age (16-65) were new to English or were at the early stage of English language acquisition. This equates to 2% of the working age population of England with the total number of any age who were new to English or were at the early stage of English language acquisition totalling over one million (Census, 2021).

Age is a factor: 75% of those new to English or at the early stage of English language acquisition are aged over 35, with older working-age people accounting for 56% of the total (see Figure 5 above).

2.2 Other analyses

University of Oxford analysis of Annual Population Survey data from 2018 (Reino, 2019) shows:

- Higher gross annual earnings of foreign-born individuals speaking English at home (£32,700) compared with those with another main language (£24,800).
- Individuals with a first language other than English were less likely to have a degree, more likely to have lower vocational or no qualifications, and more likely to be looking after the family/home – compared with people with English as a first language.

University of Oxford analysis (Kone et al., 2020) demonstrates:

- Over a quarter of highly educated foreign-born workers were in low and medium skilled jobs in the UK (27%), compared to 22% of UK born.
- Foreign-born workers were more likely to be in part time jobs (8%) because they could not find full time jobs, compared with UK born (3%).

Evidence from France (Lochmann et al, 2018) highlights an increased effect of language classes on employment participation, due to a policy that offered a language programme based on an initial language proficiency standardised test. Again, this is evidence among refugees rather than all migrants but highlights the potential efficacy of language training on labour market outcomes. In one specification of the study, 100 hours of training raises the probability of participating in the labour force between 15 and 27 percentage points.

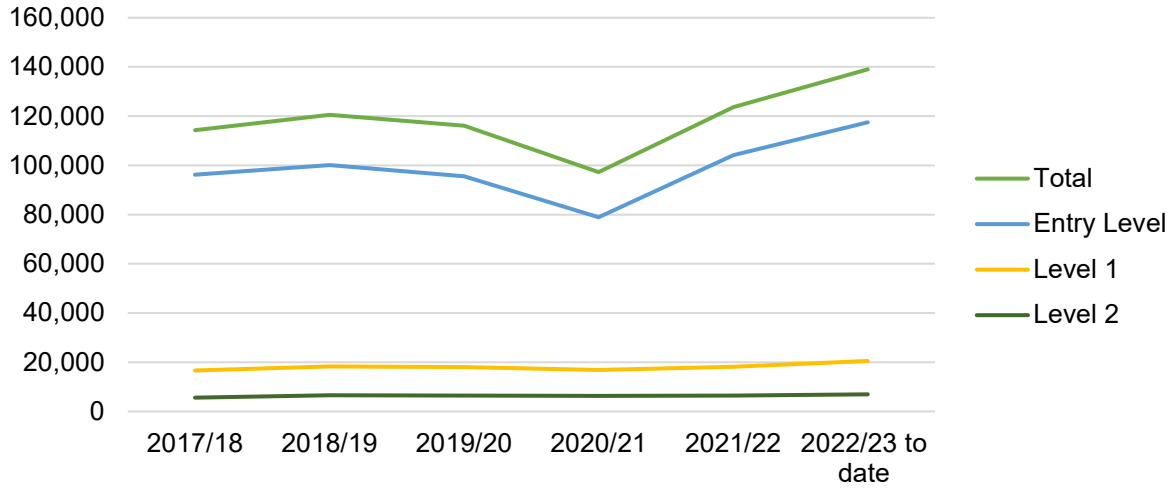
There is good evidence of a causal relationship between proficiency in English and the increased probability of both employment and earnings.

One study (Dustmann and Fabri, 2003) estimates that English proficiency among individuals born outside of the UK is associated with a 15-17% higher probability of employment and an accompanying wage increase of 21-23%.

These studies, and others, are considered in the literature review below.

3. ESOL provision funded through the Adult Education Budget (now Adult Skills Fund)

Figure 6: ESOL learners by level by financial year



Source: "Basic Skills - Detailed Series" for Adult, ESOL, Entry Level, Full Year, further education and skills and 2 other filters in England.

The clearest metric to demonstrate the declining level of funding for ESOL in England, despite the rising level of need for tuition, is the allocation for ESOL as part of the Adult Skills Fund (ASF).

In 2022/23, there were 151,000 adult ESOL learners in England (representing around 4% of all individuals for whom English is not a first language), the vast majority of whom are learning at Entry Level 1,2 or 3 (85%). The number of learners has increased since 2020/21, when the number had dipped below 100,000. Over time, there is a lower overall number of Adult ESOL learners; in 2009-10, there were 179,000. This decrease in the number of adult learners attending ESOL courses is the result of a 50% fall in spending on classroom-based adult education since 2009/2010 (Institute for Fiscal Studies).

There was a peak in ESOL class participants in 2009/10 with 179,000 learners, which decreased almost by half (46%) over time, hitting the lowest level during the pandemic: 97,000 in 2020/21 (DfE, 2023). Participation has since recovered to 151,000 in 2022/23, representing around 4% of all individuals for whom English is not a first language (see Figure 7 below).

There are no recent official data showing the amount of funding for adult ESOL. In the areas of the country that have agreed devolution deals to become mayoral combined authorities, and in Greater London, the Adult Skills Fund, formerly the Adult Education Budget, is devolved. Funding for adult education has fallen in real terms over time; the House of Commons Library report adult further education (FE) spending has reduced by two thirds in real terms since 2003/04 (Foster & Bolton, 2018). Furthermore, there are no published data on spending on and participation in ESOL by other provision types beyond ASF-funded ESOL, obscuring the number of learners in informal community-led or vocation ESOL provision.

New combined authorities in York and North Yorkshire, the East Midlands, and the North East were established in 2024, while mayoral deals are expected in 2025 for Hull and East Yorkshire, Greater Lincolnshire, and non-mayoral deals for Lancashire, Cornwall, and Devon and Torbay. With over 60% of the population of England set to be living in an area covered

by devolution, the allocation of ESOL funding through the devolved ASF will continue to be the paramount source of ESOL funding nationwide.

Latest figures show the ASF is £1.4bn in England, but there is no published data on the amount spent on ESOL provision. This figure includes funding for initiatives such as the National Skills Fund, and advanced learner loans, which are not part of ESOL funding (House of Commons Library, 2022).

The Lifelong Education Commission estimates that ESOL expenditure in adult education in England was around 4% (in 2020/21).[4] Taking the ASF of £1.4bn mentioned above, the Commission's report inferred that the amount spent on ESOL via FE providers is in the region of £56m (The Lifelong Education Commission, 2022). With 134,000 learners, the funding equates to around £418 per learner.

Figure 7: ESOL participants and achievements in 2022/23

	Participation (courses taken)	% Participants	Achievements (qualifications achieved)	% Achievements
Entry Level	123,020	81.2%	107,730	81.6%
Level 1	21,230	14.0%	18,180	13.8%
Level 2	7,260	4.8%	6,110	4.6%
Total participants	151,510	100%	132,020	100%
Total achievements	144,560		126,780	

Source: Further education and skills, Academic year 2023/24 – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk).

Statistics from the DfE shown in Figure 7 above outline the number of participants and achievements by level. ESOL Level 2 is equivalent to a GCSE grade 4 to 9 comprising under 5% of all ESOL courses taken. The number of ESOL Entry Level participants and achievements is significantly higher than ESOL Level 1 and ESOL Level 2, with four out of every five learners at ESOL Entry Level.

[4] The Lifelong Education Commission (2022) ESOL for Skills. *Respublica*.

4. Evidence from recent reports

Reports published during the last decade make the case for investment in adult ESOL. A consensus exists on the importance of increasing investment from both inside and outwith government, and across the political spectrum.

Demos' 2014 report *On Speaking Terms* recommended that policy makers *"commit to the collection of cost-benefit data on ESOL across a range of (cross-departmental) outcomes"* to quantify the benefits that ESOL provides for the public purse and make the case of increased investment. It likewise argued that *"the funding system creates perverse incentives, which disadvantage learners at both the lowest and highest levels, while migrants in employment find it hard to attend classes*".

The *Casey Report* into opportunity and integration, led by Baroness Casey in 2016, highlighted the central role of English in integrating communities, especially in areas with the greatest challenges. The review idenfitied the need to reduce economic exclusion, inequality and segregation in the most deprived communities, recommending: *"Improving English language provision through funding for community-based classes and appropriate prioritisation of adult skills budgets*".

The Lifelong Education Commission and Respublica's 2022 report *ESOL for Skills* highlighted the role for ESOL in unlocking the potential of speakers of other languages and addressing the shortage of skilled labour in the UK. Barriers to accessing suitable provision cited include the *"arbitrary and unfair"* funding regime which means that learners are dependent on where they live to dictate the quality of ESOL provision they receive. The degree of inefficiently allocated provision was also highlighted with courses offered accorded to what is funded, rather than what is suitable to the learner. The report recommended:

- *"ESOL provision up to Level 2 should be fully funded across England for all refugees and asylum seekers, by making courses eligible for full fee remission".*
- *"Funding for ESOL courses up to and including Level 2 should be raised to enable at least 30 hours of tuition per year to be delivered".*

What does the academic evidence say?

Below is an analysis of some of the relevant national and international academic evidence in relation to supporting adult language skills.

Language skills are considered by economists to form part of an individual's human capital (Isphording, 2015; Gazola et al 2019). [5] The ability to communicate in the host country's national or official language increases productivity in reducing the costs of communication with others, complement other forms of human capital (e.g., networks, or skills), and can lead to wider integration outcomes (i.e., democratic participation, access to services, or education).

There are three notions of the value of host-country language proficiency attested in the economic literature: that proficiency increases the probability of an individual being employed, that proficiency enhances an individual's earnings potential (including via improved occupational choice), and that low-level language proficiency is associated with under-employment or skills mismatches. Evidence of these three effects is presented in the remainder of the section, alongside considering the evidence of the effectiveness of language learning in raising proficiency.

Employment probabilities

[5] Human Capital is defined by the OECD as "the stock of knowledge, skills and other personal characteristics embodied in people that helps them to be productive".

Self-assessed English proficiency is associated with a greater likelihood of being employed. Dustmann & Fabbri (2003) analysed fluency and literacy in English language and relation to labour market performance using two independent UK data sources. They argue that greater proficiency helps individuals acquire information about optimal job search strategies, and that they find it easier to convince prospective employers of their qualifications and can access jobs requiring communication skills. The study found that language proficiency has a positive effect on employment probabilities, and lack of English fluency leads to earning losses.

Evidence from Denmark (Arendt et al., 2021) evaluates a policy reform for those granted refugee status, which made language training mandatory for refugees and reunited family members and increased the duration of training (from 1,370 to 1,800 hours). The study exploits this change of policy as a quasi-experimental methodology in comparing outcomes for those receiving additional training and those who did not. The study found significant and persistently positive effects on employment rates. These accrued gradually over time starting around the time subjects had completed their language training. These persisted in the long run, where refugees receiving mandatory language training were four percentage points more likely to be employed than those who did not.

Higher earnings

In the US, a randomised control trial of adult English language training (Heller and Mumma, 2023) demonstrates that annual earnings of learners assigned to a public education programme in Massachusetts increased annual earnings by $2,400 or 56%. Increased tax revenue from earnings gains cover programme costs over time, generating a 6% return for taxpayers. This is powerful evidence as subjects were randomised into intervention and non-intervention groups.

The studies looking at employment outcomes cited above also include estimates of earnings increases. Dustmann and Fabbri (op. cit.) show that proficiency is associated with wage returns of 21% to 23% in the UK context. Arendt et al. (op. cit.) estimate that in Denmark, over 18 years in this case, language learning was associated with $2,500 (USD) per year higher income (a 34% rise relative to the baseline).

There is some debate about the channels of higher wage growth, with authors considering whether occupational choice explains earnings differentials rather than there being an implicit universal productivity benefit to language proficiency. Aldashev et al. (2008) consider alternative selection mechanisms and include occupational and sectoral dynamics in their estimation strategy for Germany. Without accounting for selection, foreign-born workers speaking German at home earn 5% more than those speaking their first language. When considering occupation, the authors find there is a wage premium for “white collar” workers (e.g., professional occupations), although there is an indirect effect for blue collar workers (e.g., clerical and trade occupations).

Skills mismatches

A study by Altorjai (2013) found that male immigrants are more likely to be over-qualified than UK-born employees and this is linked to language proficiency. The authors estimate the over-qualification of male immigrants in the UK, using the first wave of Understanding Society, and the UK Household Longitudinal Study (UKHLS). This study suggests there is a 24% greater chance of under-employment compared to UK-born individuals.

Spreckelsen et al (2019) identified similarities between the UK and Germany in terms of labour market integration of young people. Despite high integration in terms of employment rates, the study found differences in terms of income, fixed-term employment, self-employment, precarity of employment, and skills mismatch.

Evidence from the US, (Pivovarova & Powers, 2022) shows that on average immigrant workers in the US labour market were more likely to be employed in jobs needing less

education. This, however, declines with the length of stay and development of English proficiency. Disadvantages can also persist beyond the first-generation.

Conclusions

International and British-based studies show the impacts of investment in language learning through increasing an individual's potential to gain employment; their earning potential if they are already in employment; and in allowing under-employed migrants to unlock their potential.

All these factors offer significant benefits to the learners themselves, but also highlight the potential benefits of increased investment to the public purse. Higher employment rates and earnings are tied to increased levels of taxes and reduced reliance on social security, enabling learners to pay back the investment in their education. We recommend that a full cost-benefit analysis of ESOL investment be commissioned to identify the potential return to be gained from upskilling the 2% of the working age population with low proficiency in English.

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About The Bell Foundation

This briefing has been developed by The Bell Foundation, a charitable, evidence-led foundation that aims to improve educational, employment and justice outcomes for people who speak English as an Additional Language (EAL). The Foundation collaborates with leading universities and think tanks to develop an evidence base and works with a network of schools to develop and deliver practical solutions to help improve the attainment of pupils who are at risk of underachieving.

A series of policy briefings about our three programmes, EAL education in schools, ESOL and post-16 English education, and overcoming language barriers in the criminal justice system, is available on our website here: Policy - The Bell Foundation (bell-foundation.org.uk)

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