
Diminished Returns

How Raising the Leaving Age to 18 Will Harm Young People and the Economy

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Published by
Policy Exchange, Clutha House, 10 Storey's Gate, London SW1P 3AY
www.policyexchange.org.uk

ISBN: 978-1-906097-18-8

Printed by Heron, Dawson and Sawyer
Designed by SoapBox, www.soapboxcommunications.co.uk

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Acknowledgements

Policy Exchange would like to thank the Hadley Trust for their financial support for this project. The author would like to thank Andrew Jenkins for helping with LFS data analysis, Sam Freedman for research assistance and Rachel Wolf.

Foreword

By Sam Freedman

Head of the Education Unit, Policy Exchange

Media comment on the Education and Skills Bill has concentrated on the threatened punishments for those 16-17 year olds who refuse education and training. And rightly so. The “new rights and new responsibilities” that Gordon Brown and Ed Balls obliquely refer to cannot disguise the plain fact that this legislation will increase the power of the State over hundreds of thousands of individuals who are in most other respects considered adults.

Far less attention has been given to the Government’s justification for removing their free choice: the economic assumptions underlying the Bill have been left unchallenged. In this pamphlet, Professor Alison Wolf systematically dismantles the economic case – and, by extension, the social justice case – for the legislation. She shows that the promised £2.4 billion in economic benefits is based on some truly heroic assumptions, which are contradicted by other, more realistic, statements from the Department for Children, Schools and Families. She also argues that the costs to business have been radically underestimated. Indeed, Professor Wolf’s analyses indicate that the Bill could destroy the youth labour market, while simultaneously forcing young people to acquire qualifications that will do little or nothing to improve their future earning power.

Why has the Government come up with such a flawed piece of legislation? The first reason is the paralysis at the department following the change of Prime Minister.

Unable to carry on with Blairite reforms or, for PR reasons, to reverse them entirely, its civil servants are left scrambling to give the impression of activity. This Bill (and the piecemeal ten-year Children’s Plan) reveals a department that is legislating for 2015 because it is unable to deal with the problems facing schools and colleges here and now. The money that will be squandered on the measures in the Bill could be put to many better uses – not least the Government’s underfunded plan to give failing primary school students individual tuition.

The second reason is of greater long-term concern: the Government seems unable to distinguish between paper qualifications and real skills. Many vocational courses offer no economic benefit to the individual, probably because they do not impart any actual skills or because they are certificating ones that the individual already possesses. It is common sense that many skills are learnt on informal on-the-job training, which is often more valuable because just having a job improves a young person’s future employment prospects. Yet the Government has mobilised the entire skills sector towards the narrow goal of increasing the number of level 2 or level 3 qualifications, regardless of their value. It is a classic case of the McNamara fallacy: “To assume that what can’t be measured easily really isn’t important is blindness. To say that what can’t be easily measured really doesn’t exist is suicide.”

Executive Summary

The new Education and Skills Bill proposes a “duty” for all 16 and 17 year olds to engage in education and training. This is a badly conceived policy. It will not help our most marginalised young people. Instead, it is likely to further disadvantage them.

The government’s starry-eyed vision of young people acquiring additional qualifications which will increase their earnings, make the country compete better with China and India, reduce teenage pregnancies and crime, and deliver social justice. The policy is also designed to move England up one of the OECD’s myriad league tables, namely the one measuring 17 year old participation. A country which forces 100% of its 17 year olds to participate will clearly be at the head of that table.

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In reality, this policy will divert resources from educational activities with major and demonstrated benefits to others whose benefits are negligible or non-existent. A large body of research, both British and international, shows that the Government’s legislation is unlikely to yield any of the outcomes it predicts. Research also demonstrates conclusively that other policies would be more useful, to the education system as a whole and especially to low-achieving school-leavers. The legislative proposals simply ignore these findings.

The proposals specify that all education and training for 16 and 17 year olds must lead to accredited awards. The Department for Children Schools and Families predicts

large economic benefits as a result, on the basis of extraordinarily optimistic assumptions about which additional qualifications young people will take, and the extent to which they will raise people’s earnings. In fact a large body of existing work indicates that many, or most, of the additional qualifications will have no economic value.

Presentations of the policy dwell on young people who are “not in employment, education or training” (NEETs), and tend to depict them as remaining in this situation for long periods of time. However, although at any given moment a substantial number of young people may be NEETs, many of them remain so for only limited periods. Young people, especially the non-university bound, frequently move in and out of different courses, jobs or combinations of the two. At present, they are free to walk away from choices they find uncongenial or mistaken.

A policy of coercing them into continued participation is at odds with everything we know about the links between motivation and learning. Young people who are enrolled for courses and training they do not wish to attend will be unmotivated and, therefore, extremely unlikely to learn. Their presence will, however, affect for the worse the environment in which others are trying to learn. Legislating additional compulsory education may well reduce the amount learned by motivated, voluntary students, especially in more deprived areas.

Destroying the youth labour market

The government also greatly underestimates the likely effects of the policy on the youth labour market. A range of potentially onerous “duties” and penalties will be faced by employers of young people, and most young employees work for small

firms. As a result of the legislation, many such firms are likely to stop employing any 16 or 17 year olds. This will have a devastating effect on the youth labour market, and on the skills and future employability of many young people. The greatest losers are likely to be the most marginal and disadvantaged.

Employment breeds employment just as unemployment breeds unemployment. There is a wealth of evidence on this point, as there is on the value of “ordinary” jobs in developing skills through informal on-the-job training. Subsidised employment has an excellent record of improving the future prospects of those who receive it, whereas training programmes have a dismal record. The evidence is both British and international, and includes the evaluation results from the government’s own New Deal for Young People.

In promoting the policy, government ministers and spokesmen cite potential gains to the economy of £2.4 billion per cohort. These are gross estimates (before costs). Even using the department’s own figures, the net gain per additional student is quite modest. On alternative assumptions, which are at least as justifiable as the government’s own, any projected gain vanishes. With plausible assumptions about actual wage benefits, an acceptance of the government’s own estimates of direct costs, and some quite conservative estimates about the impact on employment and output, the policy delivers losses of £1.7 billion per cohort.

A range of better alternatives

There is no need to settle for an education policy with such poor outcomes. Well-

demonstrated and highly positive benefits could be expected from using the money in other ways. For example, intensive one-to-

“ It is a truism, by now, that more spending does not necessarily produce better results. This legislation shows that more spending may actually produce worse ones ”

one reading tuition for struggling primary school children can be extremely effective in both its short-term and long-term effects, and is currently under-funded. The same is true of ESOL (English as a Second Language) tuition.

Giving young people guaranteed access to an education entitlement, to be taken up when and as they choose, would also be much more sensible in economic terms. There is no general aversion to education among the English population. Indeed, the average length of schooling, for contemporary young people, is not low, but precisely in line with the OECD average and the norm for most major OECD countries. However, what the young and their families have shown, unlike governments, is a clear awareness of which education and training have genuine labour market value. All young people, and not only the advantaged and university-bound, should have the opportunity to take up such education and training, but at a time when they, not the Government, identify and want it.

It is a truism, by now, that more spending does not necessarily produce better results. This legislation shows that more spending may actually produce worse ones.

Introduction

A major and ill-conceived change forms the centrepiece of the Government's 2008 education programme. The Education and Skills Bill proposes that, from 2013, all England's 16 year olds, and, from 2015, all its 17 year olds as well, must engage in education or training, at least until they have achieved something recognised as a "full level 3" award. If they are in work, they will still have to receive formal training, leading to government-approved accreditation. If they are unable to find employment they will be forced to attend school or college or a government-funded training scheme.

“ The results of this policy will be overwhelmingly negative, and quite different from those that the Government expects ”

This pamphlet argues that the results of this policy will be overwhelmingly negative, and quite different from those that the Government expects. The Government's own case refers almost entirely to supposed economic benefits, for the individuals and the economy as a whole. The pamphlet is also, therefore, largely concerned with economics. It argues that the benefits of the policy are enormously over-estimated, and that the negative economic impact is largely ignored. However, the economics of the proposal are not the only issue.

First, it is important to recognise that in key respects the policy mis-conceptualises the situation it wishes to change. Driving this legislation are the existence of, and Government's perception of, "NEETs": young people who are "Not in Education, Employment or Training". For example, the regulatory impact assessment states, "A

key objective ...is to stop 16 and 17 year olds from being in the NEET group"¹

The picture conveyed is of a phalanx of young, hopeless and unemployable young people, mostly "hooded", who between the age of 16 and 18 do nothing but hang around, take and deal drugs, get pregnant, steal, and fight. These people must be forced, for their and society's good, to get themselves educated and trained. If they refuse, a whole panoply of attendance notices, enforcement notices, penalty notices, fines, parenting contracts, and parenting orders can be brought into play, involving local authorities, attendance and appeals panels and the magistrates' courts.²

There are indeed a large number of young people who are alienated, demoralised, troubled and in trouble. But the picture one gets from government statistics, and from these proposals, is misleading because it suggests that the "NEET" group is a clearly delineated one, sitting alongside, but quite distinct from, other groups of 16-18 year olds who are in full-time education, or in work-based learning, or in employment. In fact, many 16 and 17 year olds move in and out of these categories, often several times. Many who leave school at 16 return to education at 17; as many as a quarter of those who enter work-based learning leave within 4 months.³

It is not clear that the legislative proposals have taken any account of this phenomenon. Are young people who enrol on a course now to be forbidden to drop out before the end of the year? How long can they spend choosing, or waiting for a place on the course they want, before the authorities pursue them for failing to fulfil their new "duty to participate"? The failure to recognise the fluid nature of young people's activities is part of a general failure to

1. Education and Skills Bill, Regulatory Impact Assessment November 2007 (para 5.9)

2. Education and Skills Bill para.s 36-52

3. See Delorenzi, S and Robinson, P. *Choosing to Learn. Improving participation after compulsory education* IPPR 2005 has an extensive discussion of 'churning' and its implications

think through the practicalities of implementing this policy. It compounds the misconceived economic analysis on which the legislation rests.

Second, the legislative proposals also ignore, presumably as irrelevant, any consideration of individual freedom and autonomy. Sixteen and seventeen year olds do not at present have the vote, but are in most other respects treated as adults. Government considers them able to make informed and responsible decisions on many topics, including, until now, decisions about their own education. The issue of personal freedom is not discussed in detail here, because it does not, apparently, enter the Government's own thinking. But we should not forget, when examining the proposals, that they involve a major extension of state power over the lives of millions of young people.

The economic impact of the proposals
The Education and Skills Bill creates a major new "duty", namely to participate in education and training until the age of 18. It also, in all key respects, resembles any other proposed policy change or expenditure; meaning that, in deciding whether it should be adopted, both Government itself, and Parliament, need to examine

- the benefits or returns to be expected from the expenditure
- its up-front cost (which affects net as opposed to gross benefits)
- the extent to which the money might be better spent elsewhere (either by government itself, or by being left in taxpayers' own pockets)

Detailed cost-benefit analysis is carried out by government departments whenever they are proposing and justifying a policy, and this bill is duly accompanied by an impact assessment. Of course such an exer-

cise can, as in this case, leave plenty of room for critics to question both the supposed costs and the putative benefits.

The third requirement is conventionally dealt with by having a minimum real rate of return on expenditure, with the Treasury arguing that any project yielding rates below this should not even be considered for funding. In this country, the conventional figure used by the Treasury (and adjusted for inflation) is currently just 3.5 per cent (considerably lower than in the past). Presumably, however, government still accepts that projects with higher rates of return should have precedence over those with lower ones.

Examined in these terms, it is hard to find any reasons to be positive about the government's proposal. It is couched in a way which makes it hard to attack unless you know a good deal about education and the labour market – for who could be against greater opportunity, higher aspirations, greater wealth and indeed "education"? But in fact:

- the benefits which the government claims are extremely unlikely to occur; and ignore a wealth of hard evidence. The drafting of the legislation in terms of very general qualification "levels" (discussed in Box 1) helps obscure the likely outcomes of the education and training programmes that will actually be introduced.
- the costs are seriously under-estimated. This is most notably the case for 17 year olds, and for the economy as a whole. Because of its negative impact on the youth labour market, the proposal will not only reduce output but destroy vital opportunities for young people to acquire important skills.
- there are many uses for the money, even within the relatively narrow confines of education spending for under-18's, which would almost certainly generate far greater benefits for exactly

4. Notably by making the leaving age either one's 18th birthday, or full attainment of "level 3", whichever is earlier. The original proposal was entirely tied to age and would, for example, have made it impossible for young people who had completed their A levels early to take a legal gap year.

that part of the population whom this proposal is supposed to help.

The following chapters justify each of these statements in turn. In examining the government's claims, I have used the legislative proposals outlined by the Secretary of State for Children, School and Families in November 2007 and which amend some-

what the original proposals.⁴ I have also used the Regulatory Impact Assessment of the Education and Skills Bill (November 29 2007). This amends, in some key respects, the Initial Regulatory Impact Analysis, posted by the (then) Department for Education and Skills in January 2007 but nonetheless continues to ignore probable and highly damaging aspects of the legislation.

1

An exercise in wishful thinking

The terms in which the Government recommends raising the leaving age will be familiar to anyone who has followed education policy in England for the last ten or indeed twenty years. They are overwhelmingly economic: “Continuing in learning has clear economic benefits for individuals and the country”.⁵ For the nation, higher skills are critical because “globalisation continues to fuel an increasingly competitive environment”, including specifically the “rise of India and China”. These “factors demand that the British workforce is as highly skilled as possible”;⁶ it is of grave concern that the “UK is only 20th out of 30 in terms of participation at 17 years old amongst OECD countries.”⁷

For the individual, the Department claims that “the economic benefits of longer participation are potentially great” and notes that “we have extensive evidence on the wage returns for existing qualifications”. It also argues that “at least a level 2 qualification...is widely regarded as the minimum threshold for employability”. No evidence is advanced for this proposition⁸ which, like much current education legislation and policy-making, uses the little-understood language of qualification “levels” (see Box 1).

This economic rationale underlies the Secretary of State’s claim that the proposed legislation is about the economy *and* social justice, because “we cannot allow a lack of education or training to remain a barrier to better life chances..... (W)e will ensure that those who are most at risk of not participating, and therefore with most to gain,

are not left behind.”⁹ The gains which the young will have thrust upon them are largely delineated in terms of additional earnings over a lifetime but do also extend, at least by implication, beyond the economic. The same document goes on to observe that “Young people who participate between the ages of 16 and 18 are less likely to experience teenage pregnancy, behave anti-socially, be involved in crime or go to prison. They are more likely to be healthy and to develop good social skills...We want everyone to benefit from these advantages.”¹⁰

If the government’s proposals really did offer a high probability, let alone a guarantee, of achieving such ends, all but the most determined libertarians might pause. But it is virtually inconceivable that they will do so, or indeed achieve any substantive positive outcomes at all. To understand why, we need to look at those who will be most affected: the young people who are not, currently and voluntarily, in formal education and training.

At age 16, post-GCSE, the vast majority of young people stay in education and training, either full or part-time. At 17, the numbers fall quite sharply, as many enter employment. The proposals, as noted earlier, concentrate on the relatively small numbers of 16 year-olds, and somewhat larger numbers of 17 year olds who are “NEETs” – not in education, employment or training. However, the legislation will also affect those who are currently in employment but not in formal training programmes, many of

5. DCSF (2007) *Raising Expectations: staying in education and training post-16. From policy to legislation* p. 4, para 2.2

6. *ibid* : para 2.7 and DfES (2007) *Raising Expectations: Initial Regulatory Impact Assessment* , para 22

7. DfES (2007) para 14

8. DfES (2007) para.s 17 & 18

9. DCSF 2007 page 1

10. *ibid* para.s 2.3 and 2.4

Box 1: qualifications framework

The government's legislative proposals are couched in terms of qualification "levels", in line with current official usage. So, for example, a young person can leave education and training once they have achieved a "level 3 qualification", while the Economic Benefits Analysis¹¹ assigns supposed productivity benefits on the basis of assumptions about the level (level 2 or 3) of qualifications that young people will take. The assigning of qualifications to a level began with National Vocational Qualifications, the first major set of English qualifications created directly by government. Launched in the late 1980s, NVQs promised a comprehensive set of vocational qualifications, encompassing the whole occupational range, and arranged in 5 levels. In 1989 the CBI proposed National Education and Training Targets; these duly followed in 1991, formulated in terms of NVQ levels "or equivalent".¹² Targets have been central to English education policy ever since, and their growing importance, and use of levels, led inexorably to a full-blown "National Qualifications Framework" (NQF). Every qualification offered with any degree of state support must be accredited by the Qualifications and Curriculum Authority, through a process that includes assigning it to the relevant level in the NQF.

No-one outside the education sector and the relevant parts of the Treasury talks about a "level 2 (or 3, or 4) qualification". When journalists have to explain the usage (because of its appearance in government reports, targets, or bills), they generally refer to level 2 as "the equivalent of 5 good GCSEs", or to level 3 as "meaning" the same as A levels. This is deceptive. "Good" GCSEs (grades A* through C) are indeed assigned to level 2 as are, for example, the NVQ2 in Food Processing and Cooking offered by Education Development International, or the Text Processing certificate from OCR. But they are equivalent only in that circular sense. Employers and sixth form gate-keepers who are looking for good GCSEs in Maths and English do not treat a City and Guilds Progression award or an AQA level 2 certificate in Enterprise and Employability as something that will do perfectly well instead. And nor is an employer who is hiring an accounting technician content to accept an A level in Geography or French, or an NVQ in Customer Service, instead of an Association of Accounting Technicians (AAT) award. However, the use of levels in targets, to drive funding and, increasingly, to define individuals' educational entitlements has a major impact on sector activities and individual choices.

whom did stay in education at 16 but then left.

The 16 and 17 year olds who leave are not being thrown out. They all have opportunities for continued education and training, and, over the last few decades, have been offered an ever-changing array of programmes and qualifications. These, along with recent attendance patterns, are discussed in Box 2. Currently, post-compulsory students can select from a range of formal qualifications, available in full-time and part-time education or through workplace learning; have a training entitlement; and, depending on family income, can receive the Education Maintenance Allowance, paid to those attending educational courses.

So if they are not in any form of education and training, it is because they really and definitely do not want to enter any of the programmes on offer.

The government's documents indicate that, once such students are obliged to continue "learning", the vast majority are expected to enrol in (government-run) "Modern Apprenticeships", most of which will lead to a "level 2" NVQ, though some may obtain an NVQ3.¹³ FE colleges are projected to receive most of the rest, the assumption – no doubt correct – being that very few of the current 16-year old leavers are plausible candidates for A-levels or other school-based full-time courses. Overall, lower-level NVQs and the new

11. *Education and Skills Bill, Regulatory Impact Assessment* November 2007 para 5.7

12. Wolf, A. *Does Education Matter? Myths about education and economic growth* Penguin 2002

13. In particular, the need for more apprenticeship places feeds through into the recommendations for apprenticeship growth in the Leitch Review (*Leitch Review of Skills. Prosperity for all in the global economy – world class skills* HMSO 2006)

Box 2: a short history of post-16 education and training

English participation rates for 16 and 17 year olds have been remarkably stable for well over a decade. Following the introduction of the GCSE (General Certificate of Secondary Education) in 1988, the proportion of the cohort staying on after the end of compulsory education rose markedly. The GCSE itself is generally agreed to have played a major role in this. It abolished the old O-level/CSE distinction, under which pupils were divided into more or less academic streams from age 14, and encouraged many young people to continue on into the sixth form. However, after a further year of (mostly full-time) education, many leave. Most of the leavers are from non-A-level courses, and many take jobs.

In 1994, 90.8% of 16 year olds were participating in some form of education and training. At the end of 2006, the figure was 89.7%. In 1994 82.3% of 17 year olds were participating in some form of education and training. At the end of 2006, it was 81.5%. The proportion who, at any given moment, are not in education, employment or training hovers around the 7% mark for 16 year olds – lowest in 1994, highest in 2005 – and fluctuates between 7% and 11% for 17 year olds, although the particular individuals who fall into this group change frequently. Very few people remain “NEET” from age 16 through 17. The major change since 1994 has been an increase in the proportion in full-time education and a fall in the proportion enrolled on government-run work-based learning.¹⁴

As a recent in-depth review remarked, this overall stability certainly “cannot be explained by a lack of policy initiatives.”¹⁵ A-levels have remained relatively stable for decades, although “Curriculum 2000” introduced new one-year AS-levels and modular structures. The other main source of stability has been BTEC Diplomas, which provide one and two year full time courses of study in vocationally-related areas, are generally taken by those whose GCSE results make them marginal A-level candidates, and which are a well-recognised route into higher education.

Otherwise, one initiative has followed another for several decades now. BTEC Diplomas, for example, were scheduled for extinction in the 1990s, when the government introduced GNVQs (General National Vocational Qualifications), intending these to be the sole major alternative to A-levels for full-time 16-18 year old students. Instead it is GNVQs that have gone, abolished in 2007 after several comprehensive re-designs and a re-labelling exercise. Other non-A-level/non-GCSE full-time qualifications, such as CPVE and DVE, proved even shorter-lived.¹⁶ Diplomas are now being launched in some pilot areas this year, to an ambitious, complex and expensive design and uncertain future.

“Work-based learning” (i.e. government-funded vocational training schemes) has involved even more initiatives and reorganisations. The late 1970s and early 1980s saw “Youth Opportunity Programmes.” Then, in 1983, the government launched the Youth Training Scheme, which ministers insisted would become a “permanent feature of our training system”.¹⁷ In fact it lasted until the mid-1990s. In 1994 a new “Modern Apprenticeship” scheme was introduced, which was intended to be selective and high-status; lower-grade training, leading to level 2 NVQs, became National Traineeships. Then, in 2001, both of these were merged into a single “apprenticeship” programme, at level 2 or 3. Very few of these “apprenticeships” are actually run by employers, though they include work placements and experience, and pay at least £80 a week. “Pre-vocational” programmes such as Entry to Employment also exist within the work-based learning category.

A new initiative of the Labour government is the Educational Maintenance Allowance, available to all 16, 17 and 18 year olds in fulltime education. It pays £30, £20 or £10 a week depending on household income, with a ceiling of £30,810 pre-tax income per year (and so covers a large proportion of families). It goes directly to the student and there are cash bonuses for doing well. The EMA was very thoroughly trialled and evaluated, and was expected to raise participation rates by almost 4 percentage points from 2004 onwards. In fact, participation rates have risen by around 2 percentage points; but there has been a larger (4 point) increase in full-time education, at the expense of work-based learning, which may reflect the impact of the EMA.

14. National Statistics/DFES
SFR 22/2007

15. Delorenzi S and Robinson P
Choosing to Learn. Improving
participation after compulsory
education. London : Institute for
Public Policy Research 2005:12

16. Wolf, A. Growth Stocks and
Lemons: diplomas in the English
market-place 1976-1996.
Assessment in Education, 4, 1,
33-49. 1997; Aldrich, R. (ed)
A Century of Education. London
RoutledgeFalmer, 2001

17. David Young in testimony to
the House of Commons
Employment Committee, April
20 1983

vocational Diplomas are the most likely offering for the corralled successors to today's non-participants.

These qualifications are all treated as a proxy for valuable skills. Acquiring them is intended to improve the life chances of future 16 and 17 year olds. So how likely is it that this policy will succeed? Extremely unlikely indeed.

Of course, if you make thousands and thousands of young people stay in education and training, some are bound to learn something. But there are three reasons why this proposal is unlikely to lead to any substantial increase in the skills and knowledge of the 16 and 17 year old cohort. The *first* is that well-established facts about learning show how little coercion can do for anyone's skills and knowledge. The *second* is that there is strong and growing evidence that the types of courses envisaged for the "new" participants have little or no market value. The *third* is that forced participation is likely to affect the whole cohort through the destruction of the youth labour market. This last point has received the least attention (although the Department's revised impact analysis, unlike the original, does at least acknowledge the issue.) Yet it is potentially the most harmful of all.

The way in which the Government proposes to implement and enforce this legislation will destroy swathes of jobs. These jobs not only contribute directly to the economy, but also provide their holders with skills and experience of far greater value in their future careers than anything they are likely to acquire within compulsory education and training. Forcing profitably employed young people out of work will also, of course, greatly increase the direct and indirect costs of this legislation, and I deal with this issue at length in chapter 2. However, its possible negative effect on young people's skills should also be noted here.

Motivation and effective learning

We need to look at why they drop out; why they're truant; why they find the traditional education system unacceptable....the idea that deeply damaged young men and women could somehow be fixed and it would make them go into education or training; – I think it's cloud cuckoo land.

*David Blunkett on "Any Questions?"
November 2007*

A wealth of psychological evidence demonstrates that human beings do not learn unless they are motivated to do so.¹⁸ This might not be relevant if the additional, forced learners were likely to find, once in education and training, that they were enjoying the experience, or felt it to be worthwhile. With the group in question, nothing is less likely.

Indeed, the most likely effect of corraling unwilling learners is that they will reduce opportunities for others. "Peer effects" have a major impact on how people learn. This is something of which parents are rightly aware when they struggle to get their child into a "good" school, and fuels the debate over how easily schools should be able to exclude disruptive pupils. It is also empirically demonstrable, in terms both of classroom processes and the impact of a school or college's composition on students' learning and attitudes.¹⁹ Large numbers of forced participants will have a **strong negative effect on the environment** in which others are trying to study and train. So, ironically, the net effect may be to reduce the skill levels we are trying to raise – with the worst losers likely to be motivated learners in the most deprived areas (which have the largest numbers of discontented young people and, therefore, the most to fear from an influx of disruptive students).

Will the new influx be unmotivated? Yes. One of the most striking aspects of the current situation is that large numbers of young

18. The literature is huge, but for an overview see e.g. Svinicki, M *Learning and motivation in the post-secondary classroom* Jossey-Bass 2000. Elsevier publishes a regular series, *The Psychology of Learning and Motivation: Advances in Research and Theory*

19. See e.g. Steinberg, L. *Beyond the Classroom* Simon & Schuster 1996; Cassen, R and Kingdon G *Tackling low educational achievement* Joseph Rowntree Foundation 2007

people are not in employment, education or training *even though almost all of them are eligible for cash payments, which they would receive simply for turning up.* The Education Maintenance Allowance was one of the most thoroughly piloted and evaluated innovations in the history of English education, and one of the very few cases where policy was genuinely evidence-based. The allowance was introduced once it had been demonstrated that it did indeed increase staying-on rates. It provides, at present, up to £30 a week for young people who stay in formal education. (See Box 2) The benefits are means-tested, using a sliding scale, but most 16-year old “NEETs” would be eligible for the full amount.

In other words, NEETs have made a very clear and definite choice to forego the income, as well as the education and training, they are being offered.²⁰ How likely is it that, pursued by the authorities until they carry out their “duty” to attend, they will actually learn anything? Very very unlikely indeed.

Value for money: myth and reality

The Government’s policy implies deep irrationality on the part of young people – not just the 16 year old “NEETs”, who are a small part of the cohort, but also the large numbers who leave at 17, mostly for the job market. These young people are stupid, it seems, for not realising that they would gain huge benefits from staying on, gaining qualifications for future life and avoiding unemployment in a “high-skilled” world with an insatiable appetite for graduates.

At first, it sounds obvious that it is good for young people to keep “learning”. Indeed, 86 per cent of adults apparently believe that “remaining in education or work-based training until the age of 18 will increase a person’s prosperity later in life.”²¹ But are the economic benefits of staying on really so universal? If staying on at 17 made

such perfect sense for everybody, would that not also be obvious to the young people who currently quit and to their families?

The Government has not needed repeated expensive campaigns to persuade people of the benefits of a university degree. On the contrary – one of the main forces behind the enormous growth in university enrolments, in England and world-wide, is demand for higher education from the voters, to which politicians duly respond. Young people who do well enough academically for higher education entry stay on.

Their decision is entirely rational. And so is the disdain of their lower-achieving peers for most of the Government’s other offerings. Successive governments have been fixated by the worth of formal qualifications; so that when researchers find that many of them have no apparent labour market value, they are duly sent back to try and try again until they find the “right” answer. The research consensus, however, is overwhelming and bleak. **Most of the non-A-level qualifications offered to young people will not increase their future earnings.** So why should they stay on and take them?

As summarised in the Appendix, repeated studies show that the lower-level qualifications which successive governments have developed, publicised, promoted and, indeed, demanded have done nothing for the earning potential of those who hold them. The most plausible explanation is that gaining such a qualification does not increase most holders’ marketable skills. Why might that be? First, because many of these qualifications are both narrowly vocational and are being produced without any excess demand for (and quite possibly an over-supply of) the skills concerned. Second, in many cases, people may gain these certificates without actually increasing their skill levels significantly at all.²² Finally, possession of low-level certificates

20. For evidence on young drop-outs’ views of formal education see eg Nuffield Review of 14-19 Education and Training *Annual Report 2005-6*, Nuffield Foundation; David M and Alldred P *Get Real about Sex Open University Press 2007*; MacDonald, R. ed *Youth, the ‘underclass’ and social exclusion Routledge 1997*

21. PhoneBus Survey of 859 English adults carried out by TNS Consumer Omnibus in February 2007: results announced in DfES Press Notice March 6 2007. 48 per cent of respondents were strongly in favour of legislation to require participation to age 18, and 18 per cent slightly so

22. The reasons may be one or all of (1) certification of skills already held by the candidate, which is an efficient way of stacking up qualifications, which are what trigger funding (2) instructors who ensure that trainees obtain the qualifications even when they are not actually performing at the right level, and who can do so because the assessment is carried out by the instructors/trainers (3) the fact that many courses are content-light but assessment- and recording- heavy

may actually give a negative signal where the labour market is concerned, especially for the young, by implying that someone was unable either to get a job or to cope with a demanding academic or vocational alternative.²³

“ Modern Apprenticeships in England have had very high non-completion rates, as young people drop out or leave without bothering to complete and collect their formal diploma ”

The reality of apprenticeships
The Government has made considerable play of the proposed guarantee of an apprenticeship place for any young person who wants one. The term “apprenticeship” conjures up visions of someone working alongside experienced employees, being mentored in a genuine workplace, learning both a trade and good work habits and headed for a prosperous, skilled future. Indeed, it is perfectly possible that the ministers and Prime Minister who deliver speeches about apprenticeship are themselves succumbing to, as well as selling, this heart-warming vision. The reality, unfortunately, is something else.

The vast majority of current apprenticeships have little or nothing to do with employers, although the apprentices may – *may* – receive some work experience in a “real” workplace. Companies which offer traditional apprenticeships, such as BT, are flooded with applicants (and rightly so); such apprenticeships are an excellent basis for career progression and higher earnings. But only a small percentage of modern apprenticeship schemes are run by employers. The rest (see Appendix) are public training schemes (albeit run by private companies or “providers”, and offering trainee wages – “allowances” – of at least £80 a week). Inevitably, the more econom-

ically depressed the area, the fewer the opportunities for either apprenticeship schemes which are genuinely “employer-based” or even for high quality work placements.²⁴

Modern Apprenticeships in England have had very high non-completion rates, as young people drop out or leave without bothering to complete and collect their formal diplomas. In the last couple of years, massive and partially successful efforts have been made to ensure that participants do acquire their qualifications; the payment regime – under which providers forfeit a large part of the payment if the apprentice does not acquire a qualification – gives enormous incentives to promote and ensure such completion. In spite of this, if a job offer comes along, many apprentices will opt for that instead. The literature on rates-of-return (see Appendix 1) suggests that they are being entirely rational.

What of those who at first stay on in full-time education, and then quit at 17? Are they irrational? It seems unlikely. As pointed out above, young people do not need to be convinced about either the potential value of education, or the actual value of some specific qualifications. That is why they have flocked into higher education, and why higher university fees have made no difference to enrolments. Over the last thirty years, we have experienced a huge increase in post-16 year old participation and a continuing high rate of drop-out at 17. It is difficult to believe large numbers leave after one post-compulsory year, or fail to bother completing their qualifications, out of simple ignorance or stupidity.

Indeed, the Government shares their disdain for much of what they are offered. That is why it constantly replaces one apparently unsatisfactory set of post-16 qualifications with another. (See Box 2) GNVQs, for example, were supposed to become a preferred alternative to A-levels.

23. The nature of current apprenticeship policy makes it very difficult for small employers to set up their own apprenticeships, this further disadvantaging the less academic young people who have traditionally chosen this route. The few MA schemes which are genuinely employer-based are typically offered by large, internationally competitive companies (such as Rolls-Royce, BT or JCB) who ask for and get highly-qualified entrants. See House of Lords Economic Affairs Committee *Apprenticeship: a key route to skills* HL138: 2007

24. See Wolf, A., Jenkins A. and Vignoles A. ‘Certifying the workforce: economic imperative or failed social policy?’ *Journal of Education Policy* 21(5) 535-566 2006; *Assessment in Education* 14.3 2007: special issue on assessment in post-secondary education and training, especially the article by H Colley and J Jarvis

Instead they were reformed (repeatedly), renamed, and, last summer, vanished into history, following CPVEs, DVEs and the rest. In their place, Diplomas are the new hope; but they are completely untried as well as both expensive and complex to operate.

What the future holds

What we can realistically expect under the government's proposed reforms are, therefore:

- an increase in the number of 16 and 17 year olds who are Modern Apprentices, enrolled in programmes most of which have little genuine employer input, and are likely to lead to, at best, little or no improvement in their future earnings
- an increase in young people taking level 2 vocational qualifications in further education colleges, many of which also show little or no economic return
- no significant increase in numbers taking or succeeding in A-level courses, for which there is good evidence of substantial income returns
- some increase in the numbers of 17 year olds taking new, and so far completely untried, fulltime Diploma courses (assuming these still exist in 2015)
- a considerable number of young people who already have a level 2 qualification, gained by age 16, and who simply gain another one, with little or no consequent increase in their earning capacity.²⁵

It hardly sounds like a recipe for economic transformation and social justice that the Department for Children, Schools and Families has been predicting. How do they arrive at their very different vision?

The government's predictions

In promoting this legislation, the Department repeatedly offers a figure of "£2.4 billion" for the additional benefits which will accrue to the economy for each cohort of young people forced to stay in education, and doing so in numbers over and above those expected voluntarily. This sum, discounted over their lifetimes, is expressed in 2016/17 prices, to allow direct comparison with the Department's cost estimates. In current prices, this would be about £1.62 billion (using the same projected nominal earnings growth figures as the government): about £30,000 for each of the additional participants, in current prices but spread over a whole lifetime and before taking any costs into account. So it represents not the supposed net gain to the economy, but rather the gross predicted increase in the "new" participants' lifetime "productivity differentials", without allowing for costs.

This does not sound like an enormous amount. Even so, it is based on some extremely optimistic assumptions.

The £2.4 billion figure is taken from an analysis of possible economic benefits that makes a variety of predictions about the qualifications the additional 16 and 17 year old participants would enrol for, and their likely success rates.²⁶ These predictions are, in some significant respects, at odds with other parts of the Department's scenario: since, while the Department expects very few of the "new" participants to be taking A-levels, the economic benefits analysis provides for 27 per cent of the additional 16 year olds and 34 per cent of the additional 17 year olds to do so (with another 13 per cent of each doing GCSEs.) In this, the Department, rather than its researchers, is surely correct; since we know from a variety of both quantitative and qualitative sources that those who are realistically able to take A-levels almost universally do so already.²⁷

The economic benefits calculations are then made on the basis of these projected

25. Qualifications (see Appendix 1) have higher value if they increase the "highest level held" by an individual than if they do not. This is acknowledged by Hunt and McIntosh: see eg Table 20

26. Hunt, E. and McIntosh, S. *Raising the Participation Age: An Assessment of the Economic Benefits* Research Report DCSF-RW026 Department for Children, Schools and Families 2007. The authors allocate "new" participants to different courses by using current data on young people's attainments at 16, and dividing the cohort into three very broad attainment categories. They then assume that "new" students will enrol for different options in the same proportions as students who were in the same broad category at 16, but then stayed on for two years of education. They do note that the new participants may be different in key respects – and, for example, point out that those who currently leave at 17 tend to be low-achieving at that point. However, although they accordingly make some explicit downward adjustments in projected pass rates and productivity (rate of return) assumptions (as well as adjusting for the qualifications already attained by 17 year old leavers and returners) the overall analysis nonetheless depends on this original and Herculean assumption

27. *Nuffield Review of 14-19 Education and Training annual reports* Nuffield Foundation 2004, 2005, 2006, 2007

qualifications, using rates of return derived from other work by the author.²⁸ (The actual numbers are not given in the report. However, figures for the current working population, derived in the most recent comprehensive analysis, are 14 per cent for A-levels and 11 per cent for GCSE.)²⁹ Including a significant number of A-level and GCSE passes among projected attainments has a major and positive effect on likely benefits. In addition, the authors assume that, for all level 2 and 3 qualifications other than these, the rate of return or productivity gain will be “at the mid-point between the returns to existing vocational qualifications and GCSEs or A-levels.”³⁰ They do not explain this assumption, but it is both extremely optimistic and enormously important for the scale of the projected economic benefits. If, instead, they had worked with the existing rates of return for vocational qualifications – which in the case of NVQ2 are effectively zero – the projected gains would be far lower.

Of course a few “new”, coerced participants will gain a valuable qualification. Some will do so, some will benefit from their extra time in learning and progress well. But given a lack of motivation plus low returns to the qualifications involved, surely one can expect this on only the most modest of scales.

The counter-arguments

The Government’s rejoinder to pessimists is to argue that other past increases in the school leaving-age, here and elsewhere, have had positive results. However, these involved far larger proportions of the population, and therefore a very different “mix” of students. Box 3 summarises the research results which the Department and previous Secretary of State highlighted in this context and suggests that they in fact offer rather little basis for the current optimism.

Another more speculative argument relates to the future. The White Paper’s references to rising global competition, China, India, and the small numbers of unqualified workers in the future workforce all imply that there might be radical changes in qualification requirements. This, in turn, might mean that returns to qualifications will rise as the workforce changes, and that courses which are currently unattractive in financial terms will become so.

If that happens, then, on past form, people will respond accordingly, without any need for government coercion. But it is actually more likely that returns to qualifications will fall than they will rise. Already, as more and more people obtain formal qualifications, we are starting to see an impact on returns to such highly desirable certificates as degrees. While still very valuable, they are far from uniformly so, and in some cases (male arts graduates, female politics graduates) show no benefit at all (as compared to simply having A levels.)³¹ Surveys consistently show that large numbers of people feel they are overqualified for their jobs.³² Predictions that low-skilled jobs will vanish are also wide of the mark. The often-cited statement from the Leitch report that only 600,000 unqualified people will hold jobs in 2020 turns out to refer not to the **requirements** of the job market at all. It is simply the number of people who, on current trends, will be in work but not possess a formal qualification.

Overall, therefore, the government’s predicted gains seems significantly and egregiously too high. It is at the very least equally plausible to suppose, following my earlier argument, that the “new” learners will include virtually no successful A-level candidates, and that as many as two-thirds will be enrolled on level 2 awards of little or no additional future economic value (either because of the qualification itself or because they already hold level 2 qualifications, and will gain little from another.)

28. This is reasonable since, for all its imperfections, the only way we have to estimate the contribution of skills and qualifications to economic output, growth rates, or productivity is by looking at people’s earnings

29. Jenkins et al 2007: the returns are compared to having no qualifications

30. Hunt & McIntosh *op cit* :15

31. O’Leary, N and Sloane, P. *The changing wage return to an undergraduate education* IZA Discussion Paper 1549 2005

32. Felstead, A, Gallie, D and Green F *Work Skills in Britain 1986-2001* DfES/SKOPE 2002

Box 3: Evidence advanced in support of positive outcomes from the legislation

The government notes that there is evidence that raising the school leaving age has had positive outcomes in the past, in the sense that young people have gained significantly more qualifications with labour market value. However, most of the evidence relating to the raising of leaving ages comes from a good many years ago, when a very different and much larger part of the cohort was involved. It is not straightforward or obviously reasonable to extrapolate this to the current situation. The research does not deal with policies targeted solely on the “hardest-to-reach” groups, and in addition it concerns changes whereby more people stayed in full-time, mainstream, education leading to high-status, academic exams with well-attested pay-offs. (For example, raising the age from 15 to 16 meant far more young people in the middle of the attainment distribution obtained qualifications such as O-levels and GCSEs, which do have clear market value, and had to acquire additional skills in order to do so.)

The most recent evidence the government advances for England, relates to 1997, and shows that stopping people from leaving before June, in the year they turned 16, resulted in more GCSE passes being gained in total. One would expect this, and indeed that some of the passes were of direct use to the individuals concerned, especially given the importance of GCSEs in the labour market. Unfortunately, it is not clear what subjects or grades they were.

The current legislation was inspired by a visit to Canada, made by Alan Johnson, when Secretary of State for Education. He learned, there, of a recent change in Ontario law, raising the leaving age. There is as yet no evidence on the effects.

In New Brunswick, Canada the leaving age went up a few years ago, and Philip Oreopoulos, a Canadian researcher was unable to find any benefits resulting.³³ However, his work (in the same publication) is cited by the Government as providing important support for its position, because of its comparisons of different US states which have raised the high school leaving age at varying times and by varying amounts. To summarise these findings:

- They show that some gains in time spent in school, and in proportions attaining a high school diploma, are associated with raising leaving ages. However, these gains are very small. Increases in the school-leaving age above 16 appeared to result in an average decrease in the drop-out/non-graduation rate of just over 1 percentage point. NB For the period and states examined, the average graduation rate was a little under 75%.
- The nature of the US policies involved young people (in some states) being required to stay in high school longer and work towards the high school diploma: i.e. to work towards one of the only nationally recognised diplomas in the US, and one with high and well-attested market value. In the English case, the projections are not for major increases in school sixth form numbers, but rather for the additional numbers to be channelled largely to vocational courses.
- Only limited controls could be built into the analysis. Basically, the researcher looked at the effects on staying on of state-of-residence and age cohort (date of birth), and at whether a change in the leaving age changed the “state effect”. This is appropriate – but, especially given that “high leaving-age” states also differ systematically from “low-leaving-age” states, on a number of dimensions, there are real possibilities that the key cause of change is actually something different.

Overall, therefore, this study is interesting but offers only very limited support for the government’s claims. It is noteworthy that the magnitude of the effects is small.

The calculations carried out for the Department of Children Schools and Families do not include this particular sce-

nario. And, not surprisingly, the department does not entertain the possibility that the qualifications of which it is so enam-

33. Philip Oreopoulos *Stay in School: New Lessons on the Benefits of Raising the Legal School-leaving Age* C.D.Howe Institute Commentary 223, December 2005

oured may be valueless. It does, however, provide a number of possible alternative scenarios to its most favoured one, with costings.

These demonstrate that the magnitude of projected benefits is enormously sensitive to the underlying assumptions, and that a number of plausible changes reduce them greatly. For example, assuming that all the “new” learners will be on level 2 provision (and none will collect A-levels), with no other changes in the model, reduces total projected benefits to £1.54 billion. Reducing by 15 percentage points the projected rate at which the “new” learners complete their courses successfully, while continuing to assume that a good number will take A-levels, brings it down to £1.46 billion. And combining these

two (not unreasonable) assumptions with an additional reduction in the likely returns to qualifications – reflecting the fact that these are “different” learners from the ones who have qualified in the past – leaves one with only £285 million in benefits.

The Department calculates that the annual cost of this policy will be £774 million, so most of these scenarios still leave one with some apparent net gain to the economy; a £1.6 billion gain under the government’s preferred assumptions, falling to £776 million, £686 million, and to a *loss* of £489 million under the others mentioned above. But are the cost estimates likely to be close to reality? Or, as I suggest in the next section, are they serious under-estimates?

2

The cost to the nation: a giant leap forward for labour market inflexibility?

As noted earlier, the justification for the proposed legislation is couched entirely in economic terms, and in the case of low-achieving teenagers, this seems reasonable enough. Ministers are perfectly correct in pointing out that the prospects for academically failing young people are far worse, in almost all respects, than for their higher-achieving peers.

It is this well-established story which makes the proposal superficially appealing. It also makes it doubly ironic that its probable outcome will be to worsen, significantly, the employment opportunities and future job prospects of many of our least advantaged and most vulnerable young people.

The reason is simple. **The policy will almost certainly have a serious, negative impact on the job market for young people**, reducing the number of jobs available. While large companies may be able to absorb training requirements, and seem likely to have their pre-existing training recognised as adequate to requirements, this will not be true for small companies. Yet the large majority of young people are employed in the private sector, by small and medium size companies who cannot afford to have employees disappearing on day release, or not available for sections of the day. (See Table 1)

The possibility of job losses was not even addressed by the Government in the

Table 1 Where young people aged 16-17 are employed

Size of workplace (No. of employees)	% young employees in workplaces this size	% young employees in workplaces this size: private sector only
Under 25	55	56
25-49	15	15
50-249	18	18
250-499 (plus "<499 and >50")	8	8
500+	4	3

(Source: Labour Force Survey)

Note: 94% of young employees work in the private sector

Green Paper that preceded the current Education and Skills Bill. The more recent Impact Assessment of November 2007 does note the possibility, presumably in response to commentators and critics (including this author.) However, it remains remarkably sanguine about the size and importance of any employment effects.

Civil servants have convinced themselves that employers will adapt easily to the demand that all young people in employment must follow courses leading to qualifications and involving at least “280 guided learning hours” a year (or roughly a day a week); and that in the few cases where they do not, they will simply find and employ 18 year olds instead. Overall, however, they are sure that “employers will have time to adapt....The case need never arise where a business is forced to stop employing a young person for five days a week and needs to arrange cover.”³⁴

True – but it is more likely that the case will never arise *because the young person has not been employed in the first place*. Imagine yourself to be an employer faced with the following legal requirements:

- Not to employ a person without taking “reasonable steps to check that the person has made appropriate arrangements to participate in relevant education and training.” (Explanatory notes to clause 21)
- To permit an employee to participate in education and training, in line with the arrangements made by the employee. This means that if an employee changes the course they are taking, after they have been employed, the employer can fulfil their legal duty by “offering to vary the terms and conditions of the employment contract, or by permitting the employee to take time off to participate” (Explanatory notes to clauses 24 – 30)

- To continue with these arrangements if someone reaches age 18 and has not yet finished their course. This duty continues until the course finishes, a level 3 qualification is obtained, or the employee turns 19

Although the requirement to alter working arrangements or give time off, if an employee changes their course schedule, is to be “as far as is reasonable”, it is also the case that:

- The local education authority can serve an enforcement notice if the “employer has not fulfilled the duty to enable participation”
- The local education authority can serve a penalty notice if this does not secure compliance
- Dismissal associated with seeking to take time off, or to rearrange working hours, to participate in education and training is to be treated as automatically unfair, and is added to the list of activities for which an employed person “has a right not to suffer detriment”

All of this can no doubt be coped with if you are an employer of the Tesco variety. You will have large in-house training programmes already, which the government is falling over backwards to help you get accredited by its own bureaucracies, so they lead to an official qualification, meet the legislative requirements, and can, therefore, be paid for by the taxpayer. But imagine that you are, far more typically, a small or medium sized employer. Faced with these demands, and the prospect of yet another set of inspections and inspectors, armed with possible penalty notices, the simplest and most common response will be to stop hiring the young. **In the current job and labour market, 16 and 17 year olds will consequently be displaced by older employees, and often by the bet-**

34. *Education and Skills Bill, Regulatory Impact Assessment* November 2007 para. 5.47

Table 2: training received by young people in employment

	% who have received job-related education or training in the last 13 weeks
16 year olds in employment	42.3
17 year olds in employment	41.3

(Source: Labour Force Survey)

ter qualified migrant workers who have taken such a high proportion of new jobs in recent years.

The government's predictions

As with its calculation of economic benefits, the Government offers detailed justifications of its own upbeat projections. And, as with the benefit calculations, it is worth looking in detail at the accumulated and optimistic assumptions these involve.

First of all, they assume that, by the time the requirements come in, 90 per cent of 16 and 17 year olds will be in some form of training anyway. This rests, in turn, on the further assumption that government policies will attract more young people into formal education and training between now and 2015, and on the fact that many of the 16 and 17 year olds in employment are currently listed in government statistics as receiving "employer funded training". This situation is also projected forward.

However, numbers receiving employer-funded training are derived from the Labour Force Survey (LFS), which asks whether respondents have received any form of work-related training in the last week, four weeks or thirteen weeks. Many have (see Table 2); but to move from this to an assumption that these are substantial amounts of training, and of the sort that could be developed into formally accredited workplace training, is a leap too far. The training mentioned might well be very

short in length, highly specific, or simply recurrent and statutory health and safety-related activity. The LFS question simply asks if there has been *any* job related education and training.

The government then assumes that only a very small number of employers will be unable to cope with the legislative requirements or face any degree of financial loss. The relevant group is taken to be those which are very small (fewer than 50 employees), *and* where no job-related training is reported (using the LFS definitions) *and* where the employed teenager is currently paid less than the minimum wage for an 18 year old.³⁵ (Young entrepreneurs are effectively ignored, although it is explicitly noted that the "duty" to participate extends to the 16 or 17 year olds who are self-employed).

As one might expect, given this very restrictive definition, LFS data suggest rather few employers will be affected. Of these, it is expected that half will simply give the employee a day off, and accept the direct loss of output, while the other half will decide to employ an 18 year old instead. The result is a combination of some direct loss of output (where the employee gets a day off but continues to work the other four) plus some extra wage costs where an 18 year old is hired instead, supposedly totalling just £7 million a year – negligible both in absolute terms and as a proportion of the estimated £774 million costs.³⁶

But suppose we take a quite different scenario. Suppose that, instead of a gradual

35. *Education and Skills Bill, Regulatory Impact Assessment* November 2007 para.s 5.20 –5.27. At present the minimum wage for 16 & 17 year olds is £3.40 and for 18-21 year olds £4.60

36. The Government does not even allow for the possibility that the 18 year olds who are employed might otherwise have obtained jobs elsewhere, with a resulting output loss. It appears instead to assume a ready supply of unemployed 18 year olds waiting to step in. So the only economic cost ascribed, in situations where the employer decides not to employ a 16 or 17 year old, is the difference in the wage bill between paying £3.40 and £4.60 an hour

rise, to 90 per cent of 17 year olds participating in education or training by 2015, things stay much the same. We then have approximately 80 per cent participation – the level that has existed ever since 1994, and includes about 10 per cent who are employed but not “training” in LFS terms. Suppose, too, that among the 5 per cent who are in training, but of an employer-funded sort, a good many are receiving training that cannot possibly be said to provide 280 formal and accreditable hours a year. Those plausible assumptions leave us with an additional 15 per cent of the cohort who are directly affected by the legislation. It seems plausible that at least two thirds of that group (or 10 per cent of the cohort) will have to be provided with government-funded education and training.

That means that we are talking about provision for 20 per cent, not 10 per cent of the cohort. And given that 70 per cent of employed 16 and 17 year olds are working for small employers (see Table 1), it is highly plausible that at between a third and a half of these jobs will be eliminated. That would mean that

- Direct costs to the government (using their own figures)³⁷ would rise to approximately £1.5 billion rather than £774 million (2016-7 prices)
- Production losses would be somewhere between £159 million and £321 million in 2007 prices, or between £236 million and £477 million in 2016-7 prices³⁸
- Using the government’s own predicted benefits of £2.4 billion, this would reduce the net productivity gain to between £423 million and £664 million
- On more plausible assumptions about wage benefits, the gain vanishes altogether. The government’s own calculations, as discussed in Chapter One, show that, with minimal adjustments to the underlying model, gross bene-

fits fall to £1.54 billion and £1.46 billion; and that with more substantial but still plausible ones, to only £285 million. Using the amended costs suggested here, that yields net *losses that range from £196 million, at a minimum, to a possible level of £1.7 billion per cohort.*

The benefits of employment

The high costs and potential net losses of the Education and Skills legislation underline its weak research base, and probable failure to meet the Treasury’s rate of return requirements. But in the context of our country’s vast public expenditures, and inevitable waste, do these sums matter much? Even admitting that many of these displaced young people will end up as dissatisfied learners on courses of little or no economic value, surely that is no worse than being caught in a dead-end job with no formal or accredited training?

Wrong. It is much worse. The current obsession with formal training reflects successive governments’ endless pursuit of qualifications, and the way this has, over time, shaped the whole debate. It also reflects a profound misunderstanding of the labour market,

Employment has a major, positive effect on future employment prospects. Indeed, it is a far more effective way of breaking the cycle of unemployment and deprivation than any form of formal training. Most of the 16 and 17 year olds displaced if this legislation is passed will be non-university-bound; many will be employed, by small employers, in areas which are themselves economically unsuccessful. These are surely exactly the sort of young people whose employment we should be protecting, not destroying.

The government’s own major New Deal for Young People (for unemployed 18 to 24 year olds) confirms this point. NDYP involves an intensive period of assisted job search, followed by several options: sub-

37. For the sake of simplicity I have just assumed that a doubling of numbers will double costs, without making further assumptions about, for example, possible increases in the proportion of full-time extra attendees

38. As with all these estimates, mine require some large and simplifying assumptions. The lower range assumes a third of the jobs are lost, and that all are paid only a minimum 16/17 year old wage; the upper range assumes half are lost and a wage equivalent to the 18 year old minimum. No additional losses are calculated for employers who retain the jobs but allow a day’s release. I do not assume a pool of unemployed 18 year olds ready to take the jobs

sidised work, fulltime education and training, a place on an environmental taskforce, and volunteering. Of these four options, only subsidised employment has offered effective help in moving young people into permanent employment. The fulltime education and training option has had no positive impact on the employment prospects of young people.³⁹ (Evaluations of recent training and basic skills programmes for adults show the same lack of impact.)⁴⁰

These findings are not the result of factors specific to the English labour market, or to the particular economic circumstances of the last decade. Evaluations of successive American programmes of education and training for out-of-school youth show a repeated pattern of failure and lack of impact.⁴¹ The results from youth training programmes in France, East Germany, Switzerland and Sweden “are almost universally disappointing”.⁴²

Subsidised employment, on the other hand, has an encouraging record well beyond the shores of the UK, with evaluations also confirming the greater benefits of employment in the private/market economy compared to not-for-profit work programmes.⁴³ There is also a broad evidence base showing that the most important predictor of future employment is current employment, and vice versa. Recent evidence to this effect includes findings from the Employment Zones, a recent UK initiative designed to reduce unemployment in pockets of high, long duration unemployment. In-depth analysis of the characteristics and experiences of claimants in these zones and in comparison areas shows that people who had been unemployed for two or more years were more than 50 per cent less likely to leave unemployment during a twelve month period than were those whose period of unemployment had been shorter.⁴⁴

By destroying the youth labour market, this legislation is thus likely to reduce output in the short term, and young people’s

future employability in the long term. Creating high levels of youth unemployment is not, in fact, very difficult, as the French can testify. There, successive legislation to “protect” those in employment has created an inflexible labour market, a dearth of permanent jobs, and the terrifying levels of youth unemployment which fuel the riots of the *banlieues*. Nor does a “level 3” diploma guarantee a job. A recent French study of “chronically unemployed” young people found that one third had reached at least *baccalauréat* level.⁴⁵

French experience is especially relevant in light of the fact that current policy is, to a large degree, driven by politicians’ obsession with OECD league tables. As the Regulatory Impact Assessment emphasises, it is of grave concern that the “UK is only 20th out of 30 in terms of participation at 17 years old amongst OECD countries.”⁴⁶ **In fact, the average time our young people spend in full-time education is perfectly in line with the OECD average, and with participation levels in almost every other EU state, because our children start full-time education earlier.** As shown in Table 3, the only EU state which is a clear outlier, with higher average length of time in education, is France. Average time in education is longer there, and it is commonly recognised, in France and elsewhere, that this is a response to the destruction of the youth labour market. Indeed, these ever-longer periods of time spent in education are commonly characterised as “le parking”. Table 3 also indicates that the UK is not unusual in its incidence of “NEETs”, and that low levels of non-participation among 15-19 year olds are no predictors of rates among those in their 20s.

To summarise: far from being a positive measure, the proposal will have a serious negative effect on the future income and employment histories of some of the most vulnerable and marginal young people. It will also increase the number of young people in full-time education and training

39. Dorsett, R. *The New Deal for Young People: Effect of the options on the labour market status of young men* Policy Studies Institute 2004; National Audit Office *The New Deal for Young People* HMSO 2002; White, M. and Riley, R. *Findings from the Macro Evaluation of the New Deal for Young People* Research Report 166 Department for Work and Pensions 2002

40. Anderson, T., Dorsett, R., Hales, J., Lissenburgh, S., Pires, C. and Smeaton D *Work-based learning for adults: an evaluation of labour market effects* Research Report 187 Department for Work and Pensions 2004; Speckesser, S. and Bewley, H. *The longer-term outcomes of Work-Based Learning for Adults* Research Report 390 Department for Work and Pensions 2006

41. Lerman, R. *Employment and Training Programs for Out-of-School Youth* Urban Institute 1997. The sole and highly singular exception is Job Corps, discussed in the concluding section below

42. Alakeson, V. *Too Much, Too Late: Life chances and spending on education and training* Social Market Foundation 2005

43. See e.g. Carling, K and Richardson, K. *The relative efficiency of labor market programs: Swedish experience from the 1990s* IFAU Discussion papers 2001; Gerfin, M., Lechner, M. and Steiger, H *Does Subsidized Temporary Employment Get the Unemployed Back to Work?* DP 3669 Centre for Economic Policy Research 2002

44. Hasluck, C., Elias, P. and Green, A. *The Wider Labour Market Impact of Employment Zones* Warwick Institute for Employment Research 2003 Controls included age, gender, partnership status, an occupational earnings indicator and local labour market conditions

45. Mora, V. *When the Transition to Work Process Grinds to a Halt* Training and Employment 62 (May-June) CERQ 2005

46. DfES (2007) para 14

Table 3: Time in school and percentage of ‘NEETs’: some OECD comparators

Country	Number of years at which over 90% of the population is enrolled: current conditions	% of NEETs in population aged 15-19: 1984	% of NEETs in population aged 15-19: 2002	% of NEETs in population aged 20-24: 2002	Age at which compulsory participation in education ends
UK	12	15.3	8.6	15.3	16
Denmark	12	5.8	5.8	7.3	16
Finland	12	na	14.8	18.8	16
France	15	17.4	3.4	14.4	16
Germany	12	4.0	4.7	15.9	18
OECD average	12	na	8.0	16.7	16

Source: OECD Education at a Glance

by more than the current number of NEETs since there will be displacement of young people who would previously have found employment.

These pernicious consequences will upset the Government’s sanguine projections about costs, benefits, and net benefits. First, they mean the direct educational costs have almost certainly been underestimated, since many 17 year olds will be forced into full-time education because

the job market has dried up. Second, there will a substantial loss of output, as the labour force shrinks. Third, and perhaps most serious of all, many young people who would have gained valuable experience in the workplace, developing skills of direct benefit to their future careers and incomes, will instead be involved in courses they do not want to take, acquiring qualifications of negligible or zero value.

3

Where the money ought to go

The meagre number of positive outcomes (and significant negative outcomes) to be expected from the policy are important: but equally important is the opportunity cost of the policy – the activities which cannot be funded instead. There are many ways in which the money could be better spent, including those outside education, for which the economic returns are far, far higher – for example, transport infrastructure, or help for full-time carers who might then be able to return to work.

However, even within the education sector, there are myriad ways in which these sums could be better spent, not simply in terms of overall educational outcomes, but in helping the lowest achieving.

The single most effective use for this money would be to target it at children falling behind in primary school. One of the best-established findings in educational research is that children who are behind when they leave primary school find it almost impossible to catch up: performance at age 11 is a strong and accurate predictor of later performance – and later perseverance. With very few exceptions, **children who are performing well at age 11 do not, at age 17 or 18, figure as NEETs.** Conversely, the vast majority of those who fail to reach the target attainment level for 11 year olds also fail to obtain good GCSEs. As one recent analysis concluded, “Failure to invest adequate amounts early in the life-cycle means the education system will continue to fail nearly half of all young people, particularly those from disadvantaged homes...it is

often too late by sixteen to significantly alter life chances.”⁴⁷

Currently, improvements in attainment at 11 (year 6, end of Key Stage 2) have flattened off and large numbers of children are performing below the levels needed for satisfactory progress in secondary school.⁴⁸ The government has recognised this to a degree but the money earmarked in the Comprehensive Spending Review (CSR) is inadequate to the task. Moreover, much of the individual help offered will be for periods too short to make a difference, and so risks being wasted.

The CSR provides funding for reading assistance (Every Child a Reader, involving 30,000 children a year, age 5 and 6) and for “ten hours of one-to-one” tuition for 300,000 pupils in English and Maths. The numbers served are inadequate;⁴⁹ moreover the 10 hours entitlement risks being an expensive waste of money, because it will not provide enough support for children to catch up with their classmates, let alone maintain that position.

Reading Recovery, an extremely well evaluated and established scheme, lifts 79 per cent of the children who receive it out of literacy failure. The Reading Recovery programme’s research and evaluations also show 37 hours per primary-age child to be the average required for permanent improvement, and the average cost per child to be £2389 (current prices.) If one added the direct costs of the proposals for 16 and 17 year olds’ compulsory participation, as estimated by the Government, to the money already set aside for extra

47. Alekeson *Too Much Too Late*: 5, 42. The author also argues for large increases in pre-school spending

48. Provisional figures for 2007 show that numbers of year 6 pupils performing at below level 4 in Key Stage 2 SATs included 120,000 boys and 72,000 girls below that standard for writing, 65,000 boys and 68,000 below in maths, and 56,000 boys and 36,000 girls below in reading. Some of these were ‘assessed by teacher assessment only’ and so did not register a level. There will be comparable numbers who are well behind in years 4 and 5. A large number – between 6 and 7 per cent or about 40,000 children a year – also leave primary school with extremely poor skills, below level 3, which is the average for a 7 or 8 year old. This figure has remained largely unchanged for the last decade

49. See KPMG Foundation *The Long-term Costs of Literacy* 2007. The report estimates that the returns on Reading Recovery expenditures would average between 14.8 per cent and 17.6 per cent. It also argues that, at present, every child with acute literacy difficulties will on average, by the age of 37, have cost the public purse between £44,797 and £53,098

tuition, the costs of full Reading Recovery participation for the poorest readers could be covered.

“ Three key characteristics of Job Corps are that it is voluntary, selective, and most successful with older students, typically in their twenties ”

English for non-native speakers (ESOL) is another area where additional funding is badly needed, and would have substantial and immediate positive outcomes. Large numbers of people who are resident in the UK do not speak, read or write English at levels which make it possible for them to use their skills and abilities fully in the labour market, or help their children to fulfil their potential.⁵⁰ However, funding for these classes, for which there is enormous demand, has been badly hit by the government’s current priorities. Increasing proportions of post-compulsory funding are channelled towards meeting “Level 2” qualification targets, and to Train to Gain, which provides funds for certificating adults in the workplace, largely for skills they have already acquired.⁵¹

Abandoning the current ill-conceived legislation would free funds for primary schools, ESOL provision and other demonstrably productive activities. **In addition, we should move to a life-time educational entitlement for all citizens, to be used as and when they wish. As a first and immediate stage, there should be an entitlement, for all young people, to two years’ full-time education or training, to**

be taken at any point they wish after the age of 16.

It is imperative that individuals should choose their own courses. If that means that some decide, for example, to pursue several “level 2” courses at different points in their lives, so be it: they will, on average, be better judges of their own interests than the DCSF or the Learning and Skills Council can be. We need an immediate end to the current bizarre situation, whereby people are denied entry to a course because of the particular subjects and qualifications they took in the past, rather than how many years of supported education they have received. (If the current policies are retained, a 17 year old who is forced to participate, collects an NVQ2 and then, at age 20, wants to take English and Maths GCSEs, could well find that he or she had already used up their level 2 “entitlement”.)

A right to the equivalent of two years’ full-time education and training, *chosen by the individual*, when they want it, is now administratively feasible, whereas in the past it was not. This is because today’s teenagers are part of the first generation in which each pupil has a unique identifying number, associated with their education, and educational progress. If applied only to the cohorts now in school this would require extremely little up-front expenditure. The new policy would also, incidentally, allow England, if it wished, to develop an equivalent to the USA’s Job Corps, the one significant success in the whole international battery of programmes designed for low-achieving “drop-outs”. Three key characteristics of Job Corps are that it is voluntary, selective, and most successful with older students, typically in their twenties.⁵²

50. Carr-Hill, A., Passingham, S. and Wolf A. *Lost Opportunities The Language Skills of Linguistic Minorities in England and Wales*. Basic Skills Agency, 1996.

51. The evaluation of the Employer Training Pilots, the precursor of Train to Gain, estimated that 90 per cent or more of the training funded through the programme was “dead weight”: i.e. would have occurred anyway in the absence of government funding. Abramovsky, L. et al *The Impact of the Employer Training Pilots on the Take-up of Training among Employers and Employees*. Research Report 694 Institute for Fiscal Studies 2005

52. Burghardt, J. and Schochet, P.Z. *Does Job Corps Work? Summary of the National Job Corps Study Mathematica Policy Research Inc 2001* Job Corps is an intensive and over-subscribed residential programme, and typically leads to a high school certificate (or GED equivalent) – i.e. a very well-recognised academic qualification – as well as providing vocational training.

Conclusion

The Government's determination to create a new 'duty' for 16 and 17 year olds to continue formal education and training is deeply misconceived. The projected benefits to the economy from this legislation turn out, on examination, to result from enormously optimistic assumptions about likely returns from qualifications, and from ignoring serious risks to the youth labour market. The Government's case also ignores extensive research evidence on the rational nature of young people's education, training and employment behaviour, and long-established findings on the role of motivation in effective learning. It misreads both the nature of labour market trends and of our own position vis-à-vis competitor countries.

Introducing compulsion for 16 and 17 year olds would also mean that this and future governments lose any direct incentive to improve the quality of the courses on offer. This is a Government which, in theory, believes in the importance of offering choice and the possibility of "exit", as a way of improving performance and quality. At present, 16 and 17 year olds can demonstrate what they find valuable by their behav-

iour, not only in choosing between different courses but also in refusing to take any. As this freedom disappears, so does any direct pressure on governments to improve the quality of what is on offer. The courses on offer to non-university bound students are, by common agreement, the weakest part of English upper secondary education. To remove any pressure for improvement is a retrograde, not a progressive, step.

“ The Government should abandon this legislation. The money saved could then be directed to genuine improvements in the country's education system, and in the prospects of its young people ”

Instead of coercing young people into courses they do not want to follow, dragging them into court, destroying their jobs, and even their businesses, the Government should abandon this legislation. The money saved could then be directed to genuine improvements in the country's education system, and in the prospects of its young people.

Appendix: Evidence on returns to UK qualifications

Over the last fifteen years, a body of work has built up which looks at the economic returns to qualifications in the UK: that is, how much more, on average, is earned by people with a given qualification compared to those without. They paint a consistent picture. *Low-level vocational qualifications, notably NVQs, have, on average, absolutely no significant economic value to their holders. This is especially true if they were gained on a government-financed scheme.* These are also the qualifications which will be offered to most of the 16 and 17 year olds forcibly obliged, under current proposals, to continue education and training.

It is important to understand the strengths and limitations of these studies. They use large data sets and econometric techniques which allow the researchers to control for the effects of other variables. Suppose, for example, that the higher average lifetime earnings which graduates enjoy are actually, in whole or in part, because they had better writing and maths skills at age 7, 11 or 14. These skills helped them get into university and then also, later, made them more valuable employees. An econometric analysis can control for this if the analyst has the data on individuals' attainment at these ages. Researchers are very aware that effects which appear to be the result of one variable (such as a qualification) may actually be the result of some other "unobserved" variable. Hence, the depth and power of these analyses depend on the data available.

The results of an econometric analysis are also sensitive to the way it is specified. An alternative specification of a model using the same data - that is, a specification that is different, but not obviously better or worse - may result in very different

coefficients for a given variable, such as the impact of A-levels on earnings. That, in turn, creates considerably higher or lower estimates of lifetime effects; and may result in variables shifting from statistically significant to insignificant (or vice versa.)

Finally, researchers are very aware that, by definition, their data sets deal with historical experiences. The impact of qualifications in the years 1977-2007 will not necessarily carry over to the very different world of 2007-37; but it is the past we know about. So when governments calculate and announce the productivity gains to be expected from, for example, more graduates, or more qualified 18 year olds, based on historical data, they are in fact assuming that the world will not change.

The research results for low-level vocational qualifications are highly consistent over a whole range of studies and data sets, and for that reason deserve to be taken very seriously. The best data sets are longitudinal; i.e. they cover the same individuals over a prolonged period of time, so that you can look at the effects of education on the individuals who actually received it. Data sets from longitudinal studies also have fewer problems with the quality of data because they do not rely on people remembering things (such as their exam results) from decades ago. The relevant studies in the UK are the Youth Cohort Study, which follows repeated groups of young people, but only for a few years post-16; and the National Child Development Study (NCDS) and the 1970 British Cohort Study (BCS70) which follow individuals born in 1958 and 1970 respectively, throughout their lives.

Early analyses of the Youth Cohort Study all found that spending time on a

government training scheme (typically YTS: see Box 2) actually reduced young people's earnings relative to those who were otherwise like them, for example with respect to prior educational attainment.⁵³ These effects were found for the early post-training years. A later YCS cohort was followed to the age of 23. Here, Dolton and colleagues were able to look at wage effects using a battery of controls, and found that YTS appeared to have no significant effects of any sort on earnings. They remark that "the present evidence is reassuring to the extent that there is no earnings penalty following a spell on YTS"; but found no positive benefits either.⁵⁴ What were clearly and highly valuable were degrees; apprenticeships served entirely in the private sector (i.e. without any government involvement or funding) and O-level (GCSE C or above) in English and Maths, especially for women.

The large cohort studies (NCDS and BCS70) have been used to look at the value of qualifications acquired both when young and in adult life. Dearden et al used the NCDS and also data from the (non-longitudinal) Labour Force Survey and the one-off International Adult Literacy Survey in a detailed analysis for the Skills Task Force. The NCDS analysis found low level vocational qualifications (level 1 and 2 in the NQF: see Box 1) to have no significant effects on wages in either direction. However, there were positive returns to higher level vocational awards (e.g. nursing, professional qualifications) and to academic awards from O-level upwards. The large but more limited LFS data set found statistically significant *negative* returns to low-level NVQs and low-level City and Guilds qualifications; holding these seemed to be associated with having low-paid employment, even as compared to holding no qualifications at all. Higher level RSA, BTEC and City and Guilds awards, and academic qualifications showed positive returns.⁵⁵ Jenkins et al also

used NCDS data to look at the returns to qualifications attained in adult life. Lower-level vocational awards either had no significant effects on earnings or, in the case of both men and women acquiring NVQ2, had a significant negative effect on earnings compared to not acquiring any additional qualifications at all.⁵⁶

In 2004, Dearden et al used the BCS70 data (for people born in 1970) to carry out an in-depth analysis of returns to NVQ2. (The Department for Education and Science was, understandably, concerned at the repeated failure to find positive returns to its flagship qualifications and has commissioned repeated analyses using alternative specifications and approaches to the data.) The researchers again found that obtaining an NVQ2 was associated with significantly lower earnings (and academic qualifications with significantly higher ones.) They were able to control for multiple other variables, including establishing that this effect is not because of a failure to control for ability. They also looked in further detail at LFS data, and concluded that "returns are positive for those who procure their NVQ2 at their place of employment. This is in sharp contrast to NVQ2 holders who received government training who experience large negative returns."⁵⁷

Some recent studies have used LFS data alone to re-visit the issue. McIntosh (2004) used the LFS to create a quasi-longitudinal analysis by taking first, a group of school-leaving-age interviewees from the 1996 sample; a different group in 1999 who were the same age as the original group would have been in that year; and a final group in 2002, who were, again, the age the 1996 group would have been in 2002. Comparing these groups, he concludes that acquiring level 2 or level 3 vocational qualifications post-16 can have significant earnings benefits for those who, at age 16, had some, but poor, GCSEs, but not for any other group; and, more encouragingly, that acquiring such qualifi-

53. Whitfield, K. and Bourlakis, C. An Empirical Analysis of YTS, *Employment and Earning Journal of Economic Studies* 18.1 42-56 1991; Dolton, P.J., Makepeace, G.H. and Treble The Wage Effect of YTS *Scottish Journal of Political Economy* 41 444-454 1994; Green, F., Hoskins, M and Montgomery S The Effects of Company Training, Further Education & the Youth Training Scheme on the Earnings of Young Employees *Oxford Bulletin of Economics and Statistics* 58 469-488 1996

54. Dolton, P.J., Makepeace, G.H. and Gannon, B.M. The Earnings & Employment Effects of Young People's Vocational Training in Britain *The Manchester School* 69.4 387-417, 2001: 403

55. Dearden, L., McIntosh, S., Myck, M. & Vignoles, A. The Returns to Academic, Vocational and Basic Skills in Britain *Institute for Fiscal Studies/Centre for Economic Performance: Skills Task Force Research Paper* 2002. The LFS is a panel study, rather than a one-off survey. Participants are interviewed several times, over a period of fifteen months

56. Jenkins, A., Vignoles, A., Wolf, A. and Galindo-Rueda, F. The determinants and labour market effects of lifelong learning, *Applied Economics*, 35, 1711-1721 2004

57. Dearden, L., McGranahan, L and Sianesi, B An In-Depth Analysis of the Returns to National Vocational Qualifications Obtained at Level 2 *Centre for the Economics of Education Discussion Paper* 46 2004

cations significantly increases the likelihood that individuals with few or poor qualifications at age 16 will be in employment in their mid-20s.⁵⁸

The methodology and data set mean that the individuals concerned are not the same at age 16 and 23, and that only limited controls are available; but the more serious limitation is that everything except A-levels is grouped together as “vocational”. As noted above (and see also Box 2) some post-GCSE, non-A-level options have consistently shown highly positive outcomes: for example, company-sponsored apprenticeships or BTEC Diplomas. Indeed, more than a quarter of first-year, full-time English undergraduates under 21 currently enter their degrees by a non-A-level route. McIntosh’s analyses do not indicate how far the favourable employment outcomes noted are associated with sub-sets of his “vocational” category and how far they are generalised across all options.

Finally, Jenkins et al created a large pooled data set from the LFS for 1997 through to 2006. In line with much of the previous research “we confirm the non-

existent average returns to NVQ2”.⁵⁹ Specifically, they find negative average wage returns to NVQ2 qualifications, while for those who have no previous qualification at this level the marginal wage return is nil for men and small but positive for women. Some other level 2 vocational qualifications yield zero returns, but a good number, notably BTEC awards do generate a substantial wage premium. For those who leave school with level 2 or less, returns to NVQ3 are again small (3 to 5%) though positive; returns to level 3 BTEC and RSA are far higher.

In summary: the returns to NVQ2 awards are effectively non-existent. Spending a year or two taking one on a government training scheme is likely to reduce someone’s lifetime earnings, not raise them. The “vocational” qualifications which have clear labour market benefits are BTEC and RSA awards, which are typically taken full-time in colleges, are a well-established and well-understood option for those not taking A-levels, and can serve as a direct route into higher education. Employer-sponsored apprenticeships are also valued and valuable. So are “good” GCSEs.

58. McIntosh, S. *The Impact of Vocational Qualifications on the Labour Market Outcomes of Low-Achieving School-Leavers* Centre for Economic Performance Discussion Paper no. 641 2004: 14

59. Jenkins, A., Greenwood, C and Vignoles, A *The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications* Centre for the Economics of Education 2007: 47