

## Centre for Vocational Education Research, London School of Economics – Written evidence (SMO0081)

Response to the House of Lords Call for Evidence on “Transitions from School to work”

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### Summary

- Social mobility in Britain is low and this has been linked to poor educational outcomes for families in lower socio-economic groups. The ‘long tail of educational underachievement’ has been linked to low productivity and growth.
- About 60% of a cohort (of 16 year olds) do not achieve A-levels two years later. About 13% of 16-24 year olds are classified as NEET. Thus about half of young people fall into the category of specific interest in this enquiry. Most studies suggest that the economic returns to vocational qualifications are lower than for academic qualifications (particularly lower-level vocational qualifications).
- The post-16 achievements of young people are strongly linked to prior levels of educational achievement. Even early measures of educational achievement are stronger predictors of later outcomes. To enable young people to take advantage of opportunities later on (in education and the labour market), they need good skills and knowledge. Hence, pre-16 policies (e.g. in education) have important consequences for post-16 transitions.
- There needs to be much clearer pathways for young people post-16. In contrast to many other countries, we have lacked a stable, consistent, well-regulated technical education offer with brand recognition equal to that of A-level. While the A-level is a single qualification with different awarding bodies, vocational qualifications are ‘owned’ by different awarding bodies. The path to which different vocational options will lead is often unclear to school leavers, teachers and employers. This means that qualifications cannot perform their role, which is to act as a signal of skills and knowledge that are acquired over a course of study that is well known. Employers need to know what they are getting; learners need a qualification that will enable them to work for a variety of employers.
- The post-16 offer needs to be simple with a fixed duration - two years is the minimum in most countries. Curriculum and assessment should command the confidence of employers and work experience should be integral to the course. The course of study should be vocational and lead to a recognised occupational/technical qualification. It should be sufficiently broad so that learners are able to work on a variety of tasks within an occupation and learners need to be sufficiently skilled to acquire further learning later in life if the labour market changes (e.g. due to technological change). The progression possibilities in further/higher education should be clear to learner in advance of applying to a course of study.

### Background

1. For many years, researchers in the CEP have undertaken work about social mobility (e.g. Blanden et al. 2005; Blanden 2009) showing low and declining social mobility in Britain. Social mobility – or ‘intergenerational mobility’ as economists prefer to call it – measures the degree to which people’s social status changes between generations. It is seen by many as a measure of the equality of life opportunities. If ‘social mobility’ is to improve in Britain, a fundamental issue is the education opportunities for young people who do not do pursue A-levels. This is about 60% of a cohort (Hupkau et al. 2015). About 13% of those aged 16-24 are classified as NEET (Mirza-Davies, 2015). Thus about half of young people fall into the category of specific interest in this inquiry. This group are not as high-achieving (prior to 16) as the group that pursue A-levels. They are more likely to fall into the oft-quoted ‘long tail of underachievement’ which is such a problem for the UK in terms of education and productivity (McNally, 2012; LSE Growth Commission, 2013).
2. The (BIS-funded) Centre for Vocational Education Research (CVER) was set up in March 2015. Much of our research is directly connected with the focus of this inquiry. It is early days in our research programme and we will be able to provide much more detailed information on these issues in the coming months. However, we have provided responses to these main issues insofar as we can.
3. Some of the evidence presented in this document resulted from a research project on “Youth transitions to and within the labour market” (commissioned by BIS and led by Stefan Speckesser –collaborating with King’s College (Augustin De Coulon) and the National Institute of Economic and Social Research (Richard Dorsett). Project work ended in March 2015 and three major reports are forthcoming as BIS Research Reports: (i) A literature review, ii) Education and labour market trends affecting 16-to-24 year olds and the impact on adult employment trajectories and iii) Findings of descriptive and econometric analyses.
4. We also draw on new work we are undertaking at the Centre for Vocational Education Research using administrative data on all pupils in England. We make reference to the cohort of students who undertook GCSEs in 2010, where we trace what they went on to do at age 17, 18 and 19 (Hupkau, McNally, Ruiz-Valenzuela, 2015).

What are the most significant factors that affect the social mobility and employment outcomes of young people in the transition from school into the work place? (Q1)

5. The project by Speckesser et al. (op.cit) presents findings of a systematic literature review of the quantitative evidence on the changing activity pattern of youth transitions in the UK over the past 40 years. The main aim of this review was to understand the drivers and barriers of transitions into the labour market and their long-term effects on subsequent labour market trajectories of all young people after the end of compulsory schooling. They present the evidence in relation to six important variables affecting employment outcomes and social mobility of young people:
- Individual characteristics (as gender, ethnicity, disability) to identify particular “at risk groups” in the transition into the labour market
  - Educational achievement and experience
  - Social and family background
  - Drivers and barriers created by the external environment
  - The impact of initial transitions on later adult outcomes
  - The role of policy facilitating youth transitions (which we discuss in relation to Q3).

#### Individual characteristics (as gender, ethnicity, disability) to identify particular ‘at risk groups’ in the transition into the labour market

6. There is evidence of a gender-based division in post-16 educational and occupational preferences, although this is situated in the context of a generally improved landscape of educational and labour market opportunities for girls. Females were considerably more likely than their male counterparts to choose a non-vocational educational track post-16 (e.g. Andrews and Bradley 1997). They are also less likely than males to undertake work-based training at the end of compulsory education or to embark on government-sponsored training schemes. While males are more likely to undertake vocational routes, they are also at higher risk of being unemployed or NEET after the end of their compulsory education. (Crawford et al., 2011).
7. There are relatively few studies considering the specific role of ethnicity in shaping young people’s outcomes, both in the short and medium-term (Dorsett and Lucchino, 2013a; Bradley and Lenton, 2007; Payne, 2001). These few studies consider ethnicity as a predictor of youth transitions find that non-white 16 year-olds are more likely to engage in FE after finishing compulsory education than their white counterparts.
8. Young people with a health condition are more likely to choose a non-vocational path in post-compulsory education, and less likely to undertake government-sponsored youth training. Individuals with life-limiting health conditions or disabilities are also less likely to embark on an extended ‘educational trajectory’ (Dorsett and Lucchino, 2013a).

#### Educational achievement and experience

9. There is strong evidence that the risk of unemployment in the early career of young labour market entrants differs according to their prior level of educational attainment, which can be observed in Key Stage 4 differences in attainment, but also along the whole education trajectory from early on.
10. Attainment at early stages of school education/in mid-childhood – i.e. prior to entry into secondary school – emerges from the literature as an important factor influencing young people’s trajectories upon entry to the labour market. For example, this is shown by Crawford et al. (2011) who use data from the Longitudinal Survey of Young People in England to model the predictors of young people’s destinations at age 17-18 and age 18-19. Amongst their findings is the rather surprising one that at age 18-19, young people in non-university full-time study have lower education achievement at age 11 (i.e. Key Stage 2 tests) than young people who have left full-time education.
11. In recent work using linked administrative data, Hupkau et al. (2015), find a strong correlation between activity from ages 17-19 and KS2 qualifications (i.e. at age 11). We might define ‘achievers’ and ‘low achievers’ (respectively) as those who attain at least the expected level at age 11 (i.e. level 4 and above) and those who do not attain this level. 61% of ‘low achievers’ at age 11 are studying for low-level qualifications at age 17 (i.e. defined as only level 1 or level 2 courses of study) compared to 26.5% of ‘achievers’. At age 18, 44% of ‘low achievers’ are studying only these low-level qualifications compared to 14.4% of achievers. Furthermore both at age 17 and age 18, students who were low achievers at age 11 are twice as likely to be not observed in the formal education sector.
12. Besides educational trajectories and attainment, other experiences of young people in their teenage years are identified as having an impact on their short- and medium-term outcomes. For example, early pregnancy is identified by Dorsett and Lucchino (2013a) as a very significant predictor of negative outcomes in the trajectory from school-to-work. Early labour market experiences, such as having a part-time job whilst at school, have a potential positive effect on post-16 outcomes.

#### Social and family background

13. The extent to which young people’s opportunities and chances are influenced or determined by their socio-economic and parental background is examined widely in the literature. Some of the central findings are as follows:
- Parental education and social class are strong predictors of the likelihood of staying on in education post-16. Conversely, individuals from unskilled working-class families (i.e. those working in routine and semi routine occupations) are far more likely to be employed at age 19-20 than their counterparts, and moderately more likely to be NEET.
  - At age 18-19, young people whose parents have degrees are more likely to continue in education (which, at this stage, is likely to be higher education) rather than take a job (with or without training).

- Young people who do not progress to university are more likely to come from areas of high levels of socio-economic deprivation

#### Drivers and barriers created by the external environment

14. In the short-term, a number of papers find that high youth unemployment increases the probability of deciding to stay in education (Clark, 2011; Bradley and Lenton, 2007; and Tumino and Taylor, 2012). However, high unemployment rates increase the probability of becoming unemployed after leaving education (e.g. Kalwij, 2004; and Taylor, 2013).
15. Speckesser et al. show the effect of experiencing high youth unemployment on subsequent adult employment trajectories ('scarring' effects of youth unemployment) exploiting the differences in labour market conditions people face when initially making a transition from education to employment. Using a pooled dataset of the birth cohorts 1958- 1997 from the Labour Force Survey (LFS), bad labour market conditions at entry are shown to have significant effects on subsequent life course trajectories confirming the 'scarring' effect found with the National Child Development Study (Gregg 2001) for the 1958 birth cohort.

#### The impact of initial transitions on later adult outcomes

16. The long-term consequences of initial transitions are a recurrent theme in the literature. The general finding is that unsuccessful transitions into the labour market represent a burden for future career development (Dorsett and Lucchino, 2013b; Kalwij, 2004; Narendranathan and Elias, 1993; Gregg, 2001).
17. Speckesser et al. use UK data from European Union Labour Force Survey 'Ad hoc module' on the 'Entry of young people into the labour market' (AHM 2009) to investigate the long-term impact of initial transitions of young people after leaving education. This analysis shows a significant impact of the duration of the initial transition (i.e. the time between leaving education and first significant employment) on adult employment rates. The long-term employment rate (as percentage of the overall cohort) decreases by about 0.2 percentage points for every additional month of the initial transition.

#### Summary of the factors affecting social mobility

18. Educational attainment is the most important determinant of long-term labour market success (even if measured early in a person's life) and depends both on schooling and family background. There are also significant differences in transitions patterns by gender and ethnic origin. Furthermore, being outside education or work (after compulsory schooling) has a significant negative impact on adult employment. This suggests the importance of policies which aim to enable young people to gain access to early labour market experience.

#### Young people who do not follow the A-Level and higher education route, and are not classified as NEET. What is known about the young people in this group? (Q2)

19. Hupkau et al. (2015) have been documenting the broad routes students between age 17 and 19 (for a full cohort of students in England who undertook GCSE (or equivalent) exams in 2010). At age 17, about 60% of students are studying for AS/A-levels and/or 'level 3' vocational education. By age 18, this group is divided into 3 groups (A-level only: 23%; some combination of A-level and vocational: 16%, and vocational level 3: 21%). A relatively small proportion progress to level 4 or above at age 19 (26% of the original cohort) – most of whom go to Higher Education. Very few students access higher-level vocational education (i.e. 'level 4+') at age 19. The avenue to Higher Education is most likely through A-levels only or a mixture of A-levels and level 3 vocational qualifications (7.6% of the original cohort). Most students who do not do any A-levels at all do not enter higher education (at least at this age).
20. There are many students who only access level 1 or level 2 qualifications post-16. About 34% of 17 year olds fall into this category. At age 18 and 19, the percentages (of the original cohort) are 21% and 15% respectively. There is some transition in and out of education between the ages of 16 and 19.
21. There is a high share of individuals who are stuck on low level learning (level 1 or level 2). Of the cohort analysed in Hupkau et al. (2015), 20% were doing learning on low levels for at least 2 out of 3 years post 16. Unsurprisingly, the share is even higher among 'low achievers' [\[1\]](#): it stood at 37%.
22. Overall, achievement at age 16 is a very strong predictor of the type of educational path students follow post 16. Only about a third of 'low achieving' students follow a level 3 route at age 17 and 18, and in 75% of cases this does not include any A-levels or equivalents. Hence, these level 3 routes are very unlikely to lead to Higher Education.
23. Apprenticeships are widely regarded as a valuable alternative to more academic routes. But in reality very few young people in the cohort analysed in Hupkau et al. (2015) enter apprenticeships: only 6.4% enter at age 17, 7.7% participate at age 18 and 8.9% participate at age 19. Most apprenticeships of young people in this cohort are at level 2, even though level 3 apprenticeships become more relevant at ages 18 and 19. Apprenticeships above level 3 are almost entirely absent, which is coherent with the overall composition of apprenticeships and also holds true among adult apprentices (Hupkau, 2015).
24. Of those who enter apprenticeship at age 17, 64% had not achieved 5 GCSEs at grades A\*-C including English and Maths (versus 44.8% in the overall cohort). This is suggestive of apprenticeships at early age being a non-academic alternative for

comparatively “low achievers”. They are also unrepresentative in terms of gender and ethnicity: 58% are male, and 91% are white (versus 82.7% overall cohort).

25. Higher level (level 4 or 5) apprenticeships are extremely rare up to age 19<sup>[2]</sup> and they tend to be for ‘high-achievers’ at GCSE and/or A-levels.
26. We do not yet know much about the longer-term effects of young people’s particular transition patterns from school to FE and beyond. This will be a subject of study for CVER in the coming months.
27. However, there is some quantitative evidence on post-16 learning and employment in two recent IES studies. One analysis was based on a rich face-to-face survey of a cohort of young people in Newham (Wiseman et al. 2013) and more recently, we analysed administrative data of school-leavers linked to post-16 data on employment and education outcomes at census-level (Speckesser et al. 2015). These studies show some of the great diversity of people after KS4 if they don’t follow the Sixth Form route or direct entry in the labour market, either directly following GCSE’s or after another year or two of full-time education.
28. In the survey-based project based in Newham, Wiseman et al. (2013) analysed the education and labour market experiences of young people, who decided not to go to Sixth Form. Specifically, it investigated the different activities of 445 young Newham residents, aged between 22 and 25 in early 2013, who lived in the Borough when undertaking their GCSEs. 358 (80%) initially pursued FE, 22 entered Apprenticeship and 65 entered employment directly. Three years later (post-GCSE), 68% of those starting work directly after GCSE were found to be still working, compared to 83% of those who had done an apprenticeship and only 39% who had pursued FE. Those who go to FE at age 16 are a diverse group: there is one group who go to FE so as to orientate themselves towards occupations/professions and make successful transitions after about two years. However, another group continues to invest in education, and continue to study in the FE sector. We don’t yet know the motivations of this latter group and whether or not they have made the right decision to stay on.
29. More recently, IES and King’s College analysed the available administrative data for a recent cohort of school leavers (2010/11 Key Stage 4 census data) merged to the post-16 status information from the National Client Caseload Information System (NCCIS), providing a large monthly panel of labour market and education outcomes for 175,000+ school leavers in England. Based on transition modelling, they find that good GCSEs are important for successful post-16 education and labour market participation, while lower KS4 achievement is associated with complex post-16 activities, including NEET experiences.

#### What can be said about economic returns to non-A-level, non-HE educational pathways?

30. The economic literature generally finds higher wage returns to academic qualifications compared to vocational qualifications. However, there are positive returns to higher-level vocational qualifications. The evidence on returns to low-level qualifications generally finds a very low earnings returns, with the exception of some areas (e.g. level 2 STEM courses) – e.g. Dearden et al. (2002, 2004), McIntosh (2004). This is often based on analysis of the cohort studies (e.g. British Cohort Study) where it is possible to follow people from birth to adult life and control for detailed characteristics that differ between people who pursue low-level vocational qualifications and others. However, more recent studies using administrative data (Bibby et al. 2014) find positive returns to post-16 low-level qualifications (such as level 1 and 2). The data have many advantages including their huge size. However, estimates of returns are based on comparing ‘completers’ to ‘non-completers’ of particular qualifications. These groups may be different for reasons that are unobservable to analysts. Arguably the ‘control group’ (i.e. non-completers) is worse than used in studies based on survey data.
31. One of the tasks of CVER will be to re-assess this question using all available data sets (survey and administrative) and make use of the more detailed data that will become available to look at this question (i.e. administrative data matching pupil-level data to subsequent educational outcomes in further and higher education, to labour market earnings and employment).
32. However, there should be no presumption that completing education at levels 1 or 2 is at all desirable for young people. OECD studies show how badly the UK fares with respect to higher-level vocational education (Musset and Field, 2014).

#### Does the current transition system support young people who do not follow the A-Level and higher education route to perform better in terms of employment outcomes? (Q3)

#### The role of policy facilitating youth transitions

33. Policy interventions, such as the provision of job centres (labour market support, work experience programmes, etc.) or changes in the funding and availability of further education places can have a direct or indirect impact on the timing of and on the type of transitions made by young people when leaving school. In this respect, some studies consider the impact of participation in specific government-sponsored training initiatives and labour market programmes on the employment prospects of individual participants.
34. Main and Shelly (1990) and Dolton et al. (1994) both assess the impact of the Youth Training Scheme (YTS) on participants’ labour market outcomes. The YTS was introduced in 1983, targeted at 16-17 year-olds, and it offered access to subsidised training provided by firms, complemented by a component of off-the-job training. Dolton et al. (1994) also assess the effect of the YTS for school leavers on the time it takes to move into their first job and time taken to move into their first ‘good job’, using data from the Youth Cohort study. Overall the authors find that participation in the YTS lowered the

employment opportunities for men but not for women, compared to non-participants. Moreover, YTS participation improved the likelihood of women finding a 'good job'. However the studies have some issues in the extent to which participants are really comparable to non-participants.

#### What is known about successful routes?

35. Speckesser et al. analyse the impact of in-education experience and initial school-to-work transitions of young people on the first 'significant employment' (i.e. of more than three months) for four birth cohorts (between 1975-1994) using UK data from the European Union Labour Force Survey. This shows evidence of the comparatively higher effectiveness of FE-options in the workplace or when work experience (includes both self-initiated as well as FE-facilitated) form part of the curriculum. Thus people do better when combining education with work experience or when undertaking apprenticeships, which has been a consistent finding in the literature in recent years. This is consistent with attempts by government policy to encourage work-related learning (e.g. apprenticeships), although the system as currently developed is very unlike successful systems in Northern European countries where the emphasis is explicitly on young people rather than those who have been working for some time.

#### What is currently unknown?

36. In our view, systematic quantitative evidence is lacking on the importance of learning type, quality of education/employment and changes of status ('churning') on long-term measures of labour market success. This is mainly because of limitations of survey data that often do not include indicators of the nature of employment and training quality. We need this information early enough to be able to track longer-term outcomes in the labour market. Analysis of merged administrative data sets on education (NPD-ILR-HESA) in combination with data for employment (HMRC earnings and employment records) will provide a better opportunity to address these questions.

How can the transition from school to work be improved for all young people, particularly for those who do not go on to study A-Levels and higher education? How can employers be encouraged to employ more young people from this group? (Q4)

#### The post-16 offer

37. There needs to be much clearer pathways for young people post-16. The complexity of the system has long been identified (e.g. Steedman and West, 2003) – and yet all the same criticisms can still be applied: confusing complexity of pathways, poor progression opportunities and weak labour market linkages (note: relatively few young people enter Apprenticeships at the age of 19 or earlier).
38. In contrast to many other countries, France, Germany, Austria, Sweden, Singapore for example, we have lacked a stable, consistent, well-regulated technical education offer with brand recognition equal to that of A-level (Steedman, McIntosh and Green 2004). While the A-level is a single qualification with different awarding bodies, vocational qualifications are 'owned' by different awarding bodies. The path to which different vocational options will lead is often unclear to school leavers, teachers and employers. This means that qualifications cannot perform their role, which is to act as a signal of skills and knowledge that are acquired over a course of study that is well known. Employers need to know what they are getting; learners need a qualification that will enable them to work for a variety of employers.
39. The post-16 offer needs to be simple with a fixed duration - two years is the minimum in most countries. Curriculum and assessment should command the confidence of employers and work experience should be integral to the course. The course of study should be vocational and lead to a recognised occupational/technical qualification. It should be sufficiently broad so that learners are able to work on a variety of tasks within an occupation and learners need to be sufficiently skilled to acquire further learning later in life if the labour market changes (e.g. due to technological change). The progression possibilities in further/higher education should be clear to learners in advance of applying to a course of study.

#### Careers information and guidance

40. Careers information and guidance has also widely considered to be a big problem in the UK system.<sup>[3]</sup> This needs to be taken seriously in schools to help students navigate their way through the education system. Schools need to be incentivised to make adequate time and resources available for their role here.
41. Activities and resources involved should to apply coherent model, i.e. with clear standards nationwide and access to all relevant national and local education and labour market information.
42. Good advice should rely on indicators of quality and labour market success of FE and HE, including the use of destinations data and employer feedback. It would also need to consider the diversity of pupils and should take advantage of local employers and post-16 education providers.
43. Groups with difficulties/schools in difficult areas, etc. should be particularly supported in such activity, for example through further resources for particular activities.

## Early labour market experience

44. Early labour market experience, both before and during further education, and vocational education in the workplace significantly reduces the time between leaving the education system and first significant employment.
45. KS4 could involve work experience directly in the curriculum as is the case in many other countries, including Germany (where pupils have compulsory internships in all tracks of the secondary schooling system). A number of proposals have been formulated to enhance the KS4 (or indeed KS3) curriculum by such activities, including for example, the Gatsby standards. To further guide improvements in this dimension, independent research should be used to evaluate the effectiveness of particular interventions.

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[1] Here defined as students who did not achieve the equivalent of 5 GCSEs at A\*-C including English and Maths at the end of KS4.

[2] Analysis of ILR data for young people between the ages 16 to 24 undertaken by CVER showed that most apprenticeships at level 4 or 5 are done by 20-22 year olds. The overall share of level 4 and 5 apprenticeship in the academic year 2012/13 among all apprenticeships was less than 1% (1,811 apprenticeships out of 207,643).

[3] <http://www.suttontrust.com/newsarchive/half-university-advice-guidance-schools-inadequate/>