

Staying on

Will the government's target for participation in higher education by 2010 be met? Damon Clark analyses the reasons why young people drop out of education and concludes that more emphasis on good work-based learning will be required.

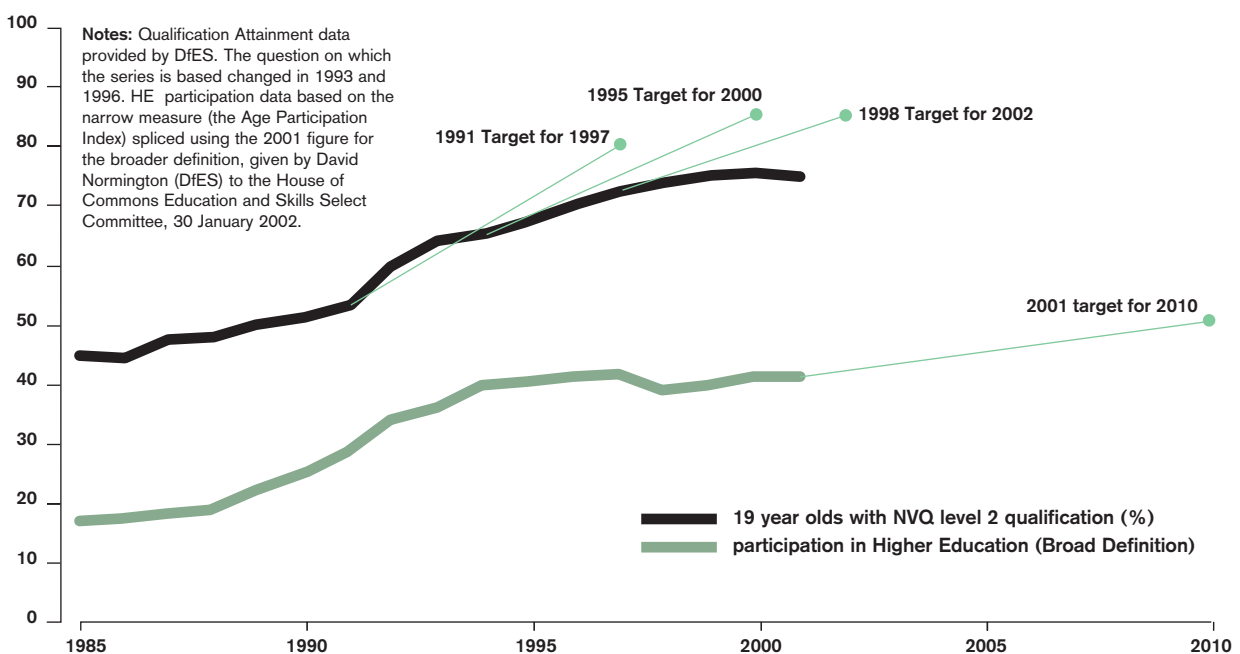
In 1998, New Labour's first full year of office, David Blunkett as Education Secretary identified four targets for his Department to hit before December 2002. These related to Standard Assessment Test (SAT) scores at age 11, GCSE results at age 16 and qualification attainment among young people and adults. To underline the importance of these targets, Mr Blunkett promised to resign if the SAT target was not hit in time.

A Cabinet reshuffle last year ensured that Mr Blunkett's

bluff would not be called. This appeared fortunate because, when his successor took over, all four targets were still standing and, looming up behind them, was the Prime Minister's own declared objective of seeing 50% of young people in higher education by 2010.

With the December 2002 deadline now upon us, the GCSE target has been hit and the SAT target narrowly missed. Although the results for qualification attainment among young people and adults are not yet in, attainment among adults has improved markedly. However, the same

Figure 1: Outcomes and Targets for Young People (%)



The staying on rate is pivotal to attainment and entry into higher education

cannot be said of attainment among young people. Here, little progress has been made.

The difference between outcomes and the targets for young people is illustrated in Figure 1. Although the target comprises both the proportion of 19-year-olds with attainment at NVQ Level 2 (notably five or more higher-grade GCSE passes or one A Level) and the proportion of 21-year-olds with attainment at NVQ Level 3 (two or more A levels), the graph displays information only for the 19-year-olds. (The picture for 21-year-olds is similar.)

The bad news for the government is that, since 1998, the proportion of 19-year-olds with attainment at Level 2 has increased only slightly. As a result, the 2001 outcome lags behind the 2002 target by almost ten percentage points. The bad news for the Conservatives is that, as shown in Figure 1, Tory governments missed targets almost as spectacularly. The consistency with which attainment among young people has undershot the targets set over the

years emphasises how big a challenge the government has set itself. If these targets are to be met, and if higher education is to expand as Mr Blair envisages (see Figure 1), decade-long trends will need to be bucked.

Why have the targets for young people not been hit? The immediate reason can be traced to Figure 2. This charts recent trends in the staying on rate, the proportion of school leavers that continue into full-time further education. Since the staying on rate is the engine powering attainment and entry into higher education, it is not surprising that the spluttering performance seen after 1993 has had such an adverse impact on these later outcomes. Following the huge increase in staying on that occurred in the late 1980s and early 1990s, this staying on standstill seems especially strange.

Why, though, is the staying on rate so pivotal to attainment among young people and entry into higher education. Figure 3 classifies school leavers into three groups: those that continue into further education, those engaged in work-based training (e.g. Modern Apprenticeship) and the remainder. School leavers in this last group may be working, unemployed or out of the labour force.

The connection between staying on and qualifications attainment is straightforward. For those young people who do not acquire Level 2 qualifications in school, these must be attained either in work or in further education. The connection between staying on and entry into higher education is even more mechanical, since it is unusual for young people to enter higher education without first staying on into further education. Although some increases in higher education entry can be bought by luring mature students into higher education, the 2010 target is unlikely to be met by this strategy alone.

Note first that, since school leavers who want to stay on are entitled to do so by law, the supply of further education

Figure 2: The Staying On Rate (%)

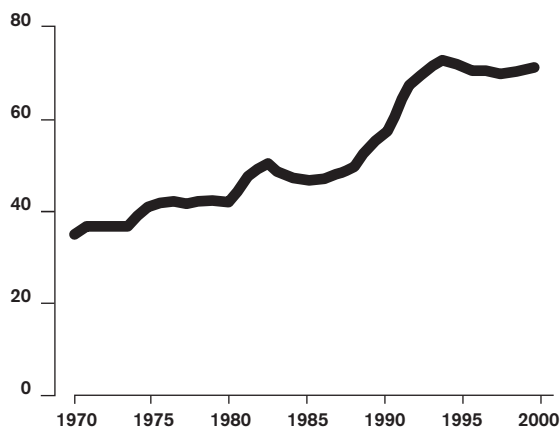
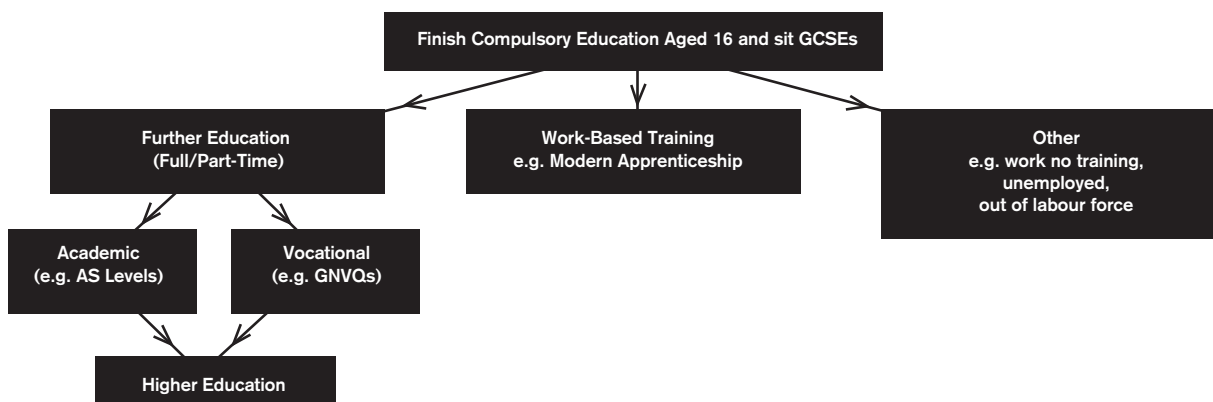


Figure 3: The Importance of the Staying On Rate



One force may be the collapse of youth unemployment



places does not come into it. Although there may be a small number denied their legal entitlement, stories of further education institutions struggling to fill places abound.

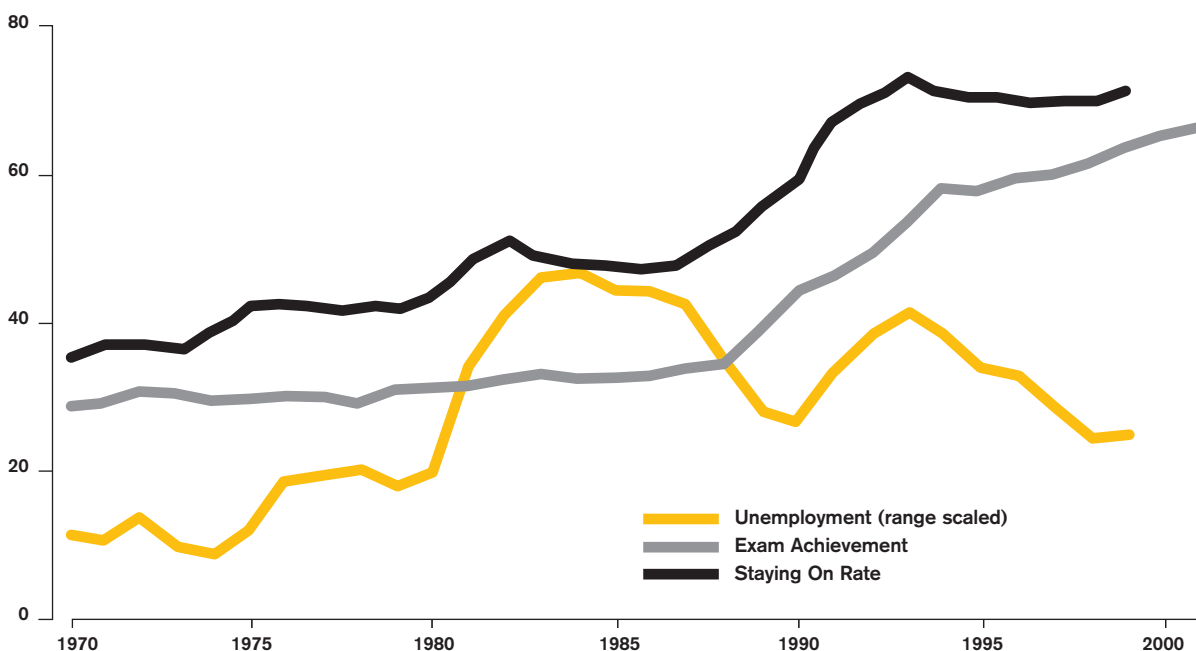
So we need to focus instead on the demand side, viewing the “staying on” choice as an investment decision. This implies that school leavers will stay on when the returns reaped tomorrow (higher wages, a reduced risk of unemployment) exceed the costs incurred today (the small direct costs of books and materials, the large indirect costs of foregone earnings). Economists have taken this approach since the 1960s, when the Nobel Prize-winning economist Gary Becker drew an analogy between this type of “human capital” investment and the investments in physical capital (such as factories and computers) made by firms.

The perceived returns to staying on will depend on the value that school leavers expect their future employers to place on education. They will also depend crucially on success in school, as measured by GCSE achievement. School leavers who do well in school will have more to gain from staying on.

The costs of staying on will be non-monetary as well as monetary. Some school leavers may enjoy education irrespective of the potential financial gains to doing so and this is, probably, the main channel through which parental social class influences the staying on decision.

Family background may also affect the monetary costs of staying on, since wealthy parents may subsidise their children's further education. But the most important

Figure 4: Why has the staying on rate not increased?



monetary cost will be foregone earnings, which depend crucially on the state of the local labour market, as measured by the rate of youth unemployment. Put simply, when school leavers cannot find jobs, they have little to lose by staying on in education. If, on the other hand, they have the option of earning £8,000 a year (say) at work, then the effective cost of two years of further education is £16,000. With this in mind, we can now consider whether trends in exam achievement and youth unemployment can explain the staying on standstill and, by extension, the difficulties governments have encountered in meeting their targets for young people.

A number of studies have investigated the impact of GCSE attainment on the staying on rate. The basic approach is to take a cross section of school leavers and examine whether those with good GCSEs are more likely to stay on, controlling where possible for other factors such as family background. Not surprisingly, a strong positive correlation is always found between exam achievement and staying on. For example, in the most recent study of this kind, the predicted probability of staying on for boys was found to rise from 0.084 for those with no exam achievements to 0.869 for those with greater than five higher-grade GCSE passes. The equivalent rise for girls was from 0.172 to 0.884.

Figure 4 illustrates the correlation between exam achievement and staying on over the past 30 years. While the positive nature of this correlation is evident, the remarkable feature of the graph is that the staying on standstill occurred despite steady increases in exam achievement. This suggests that, over this period, there were other forces dragging the staying on rate down.

One such force may be the collapse in youth unemployment that occurred over the mid- to late 1990s. As Figure 4 shows, there appears to exist a tight correspondence between unemployment and staying on over time. Certainly, the increased unemployment induced by the recessions of

the mid-1970s and early 1980s were accompanied by sharp increases in staying on. This suggests that the staying on standstill may be due to a fall in youth unemployment offsetting increases in exam achievement. This would contrast with the 1988 to 1993 period, when improved exam achievement and increased unemployment combined to dramatically increase the staying on rate.

This seems like a neat explanation. It fits the basic facts; it is intuitively plausible; and it is consistent with anecdotal and survey evidence garnered from school leavers and those working in further education. Yet it may not be the correct explanation. It may be that the correlation between unemployment and staying on is a spurious one, or that the correlation is real, but not strong enough to support such a simple story.

I have analysed some regional-level data to test whether this story could be supported. Suppose that over the period 1993 to 1996, youth unemployment in the North fell faster than youth unemployment in the South. If the national-level correlation between youth unemployment and staying on was merely a coincidence, we would not expect to see the difference in staying on rates between North and South follow any particular pattern. If we believe the youth unemployment story, however, then we would expect to see participation fall faster (or increase less sharply) in the North than in the South.

Based on a well-established extension of this idea, my analysis strongly supports the simple story told in Figure 4, with the caveat that the picture is clearer for boys than for girls. Taking these results, we can break down changes in participation over time into those attributable to changing exam achievement, those attributable to changing youth unemployment and those attributable to other factors, such as the difference in earnings between those who stay on and those who leave.

The results are presented in Table 1, which focuses on changes in boys' staying on rates over three periods of interest. Between 1981 and 1988, the staying on rate increased by 3.4 percentage points. My results suggests that, had nothing else changed, the reduction in youth unemployment that occurred during this period would have decreased participation by 2.6 percentage points. However, other things did change: most notably the level of exam achievement, which increased as Figure 4 shows. I estimate this to have contributed 2.3 percentage points to the overall rise, with the remainder explained by other factors.

My analysis suggests that the huge increase in staying on seen during the period 1988 to 1993 was driven by improved exam achievement, increased unemployment and other factors. In contrast, when we consider the period since 1993, during which the staying on rate has stood still, we see that reductions in youth unemployment cancel out

Table 1: Breakdown of staying on changes for boys (percentage points)

	1981-1988	1988-1993	1993-2001
Actual changes	3.41	22.86	-0.92
Changes predicted by model	3.96	22.21	-4.04
<i>of which due to:</i>			
GCSE achievements	2.32	11.59	8.14
Youth unemployment	-2.65	6.32	-9.25
Other	4.29	4.30	-2.93
Unexplained changes	-0.54	0.66	3.12

The picture is clearer for boys than for girls

the effects of increased exam achievement, which is in line with the story set out above.

Let us now consider the policy implications of these findings. A diagnosis centred on falling unemployment does not point to any specific policy remedies. It does imply that a recession would increase the staying on rate, but the cure would then be worse than the disease.

Instead, the discussion points in two more general directions. The first is obvious. The analysis confirms that staying on is heavily dependent on GCSE achievement. Policies that directly or indirectly improve GCSE attainment will increase the staying on rate. Almost one child in three leaves education at age 16, mostly with very few qualifications or none at all. Although the proportion leaving without Level 2 qualifications has come down of late, it is still high by international standards.

The second direction in which the analysis points is work-based training. That some school leavers only stay on when they cannot find jobs suggests that, for some, work may be the more rewarding as well as the more lucrative option. In principle, work-based routes to skills may be the optimal solution for these types of school leaver, since they enable them to earn a wage and provide them with a more appealing context in which to continue their education.

In practice, the Modern Apprenticeship scheme compares unfavourably with both traditional British apprenticeship and with the type of apprenticeship training undertaken by two thirds of German school leavers. School leavers who would otherwise incline towards work-based training may, therefore, choose instead to take a job that does not offer any training. As Hilary Steedman argued in a previous article (*"Are we being serious about apprenticeship?" CentrePiece*, Spring 2002), despite some early progress in this field, the government has neither struck the right balance between the interests of modern apprentices and

of firms that employ them, nor has it encouraged a transition from work-based training to higher education. Such a transition would make training more attractive and help to meet the higher education target.

A third direction, to which our research does not speak directly but along which the government is already progressing, is to provide school leavers with financial incentives to stay on. Under the Educational Maintenance Allowance (EMA) scheme announced by the Chancellor in July, the government will pay money to school leavers who come from low-income households and who choose to continue into further education.

Whether money matters to the staying on decision is an issue that researchers have been chipping away at for years. Although the question posed is usually whether school leavers with richer parents are more likely to stay on, even this has yet to be answered satisfactorily. This gap in our knowledge, mainly due to a lack of reliable income data, makes the first analyses of the EMA pilots so interesting. These suggest that, on average, staying on rates increased by 5% in the pilot areas.

This is large effect. Were it achieved at the national level, it would be a welcome development that might have a significant impact on qualifications attainment and on entry into higher education. Yet to rely on this policy alone is to assume that all school leavers have a price at which they can be induced to stay on. While this may be true, for school leavers already disillusioned with an education centred on the classroom that price could be high.

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This article is based on his paper, *"Participation in Post-Compulsory Education in England"*, published as CEE Discussion Paper No24 available from the CEP.

Staying on rates increased by 5% in pilot areas

