

Supporting young people to achieve: towards a new deal for skills

March 2004



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FOREWORD FROM THE PAYMASTER GENERAL

As a result of the Government's economic policies and reforms to improve the functioning of the labour market, employment in the UK is currently at record levels and the employment rate is higher than in any other G7 country. Even with this success, skill gaps in the UK remain stubbornly persistent, especially at the intermediate level. From improving outcomes for young children through Sure Start, through to raising skill levels amongst adults already in the workforce, the Government is taking action to tackle this problem. This report sets out the contribution that improved financial support for young people can make to the skills agenda.

Skills are essential to delivering on flexibility and fairness together. Skilled workers adapt faster and more effectively to change, promoting employment opportunity, productivity and social inclusion. Skills also protect against a wide range of negative outcomes including unemployment and inactivity, poverty and poor health. The Government is committed to ensuring that young people reach the age of 19 with the skills they need to succeed in a modern, global economy. Our ambition is that UK staying-on rates after 16 should be among the highest in the OECD.

I believe the Government can achieve this ambition by setting clear expectations for young people about continuing in learning after the end of compulsory schooling. That expectation should be backed by an improved learning offer to young people, together with the support and incentives to take it up. Financial support for 16-19 year olds is an investment in the future and aspirations of young people. The success of the Education Maintenance Allowance (EMA) pilots demonstrates how important financial incentives are to young people's participation in education. Our decision to roll EMAs out nationally from September 2004 demonstrates this Government's commitment to supporting young people's choices.

The Working Group on 14-19 Reform led by Mike Tomlinson has made ambitious recommendations to reform radically the qualification and assessment framework for young people. This review, which has involved all the main departments concerned, recommends both short and long-term reforms to improve choice, ensure decent minimum income levels and improve access to the financial support system for 16-19 year olds.

I would like to thank the voluntary and community sector for their support and positive engagement on this review. I would also like to thank the parents and young people who shared their personal experiences, views and opinions so openly.

Rt Hon Dawn Primarolo MP
Paymaster General

INTRODUCTION

The Government is committed to ensuring that all young people reach the age of 19 ready for higher education or skilled employment. Skills are the key to increasing individual opportunity, labour market flexibility and productivity in the economy. Raising the participation of young people in education and training is central to meeting the demand for skills in a dynamic, modern economy. The Government's ambition for improving the skills of young people is that the proportion of young people remaining in education and training post-16 will move from being one of the lowest in the OECD to one of the highest. Building on the success of Education Maintenance Allowances in raising participation in full-time education, the aim of this review is to ensure all young people aged 16-19 have the support and incentives they need to participate in education and training. This report describes short and long-term steps the Government is taking to ensure opportunities for all young people, by:

- setting out the Government's long-term vision for a radically simplified financial support system for 16-19 year olds;
- accepting the Low Pay Commission's recommendation of a National Minimum Wage for 16 and 17 year olds at £3 per hour from October 2004 with apprentices exempted;
- working to achieve minimum pay levels for apprentices in England at £70-80 a week;
- removing the distinction between education and unwaged training in Child Benefit, Child Tax Credit and Income Support;
- looking at further ways to encourage employers to support time off for training for young people;
- extending financial support for 19 year olds to finish their courses;
- delivering improved information to young people and their parents about financial support for 16-19s;
- reviewing guidance on Jobseeker's Allowance (JSA) severe hardship and estrangement which will be rolled out with training from spring 2005;
- launching fieldwork to investigate innovative and effective practice in delivering benefits advice to young people, including looking at co-location of Jobcentre Plus advisers and Connexions Personal Advisers; and
- examining the role of discretionary funds to identify how they can be used to overcome barriers to participation, especially for those young people not in employment, education or training.

Introduction

1.1 The Chancellor announced in Budget 2003 that the Government would review financial support and incentives for 16-19 year olds. This report examines the role of financial support in achieving the Government's skills objectives, alongside supporting families, independent young people and those in very low paid employment. It also examines the case for rationalisation of the system of financial support for 16-19s.

1.2 The 1999 Social Exclusion Unit (SEU) report *Bridging the Gap* recognised financial support for 16-19s as an issue. *Bridging the Gap* set out to unpick the underlying causes of non-participation for the 181,000 young people aged 16-19 who are not in education, employment or training (NEET) and identified the complexity of the system of financial support for 16-19 year olds as a major barrier to learning.

1.3 In March 2003 the Government accepted the Low Pay Commission's (LPC) recommendation that it should "consider in detail the introduction of a minimum wage rate for 16-17 year olds". The Government asked that the LPC's work be embedded in a wider review of financial support for 16-19 year olds, led by HM Treasury. The review has also involved the Department for Education and Skills (DfES), the Department for Work and Pensions (DWP), the Social Exclusion Unit and the devolved administrations.

1.4 This review presents the issues around financial support and education from the English perspective. As education is a devolved issue there will be slight variations in the interaction between education policy and financial support. HM Treasury has the policy lead on Child Benefit and Child Tax Credit; the DWP leads on benefit issues and Jobcentre Plus service delivery; the DfES and the devolved administrations lead on education policy, information, advice and guidance, Education Maintenance Allowance policy and training wage policy.

Summary

1.5 This chapter places the review in the context of the Government's ambitions on skills. It describes the role of increasing post-16 participation in delivering on the economy's skills needs and the poor performance of the UK in post-compulsory education by international standards. The chapter sets out the Government's objectives and targets for raising young people's participation and attainment.

1.6 Chapter 2 sets out the remit and scope of the review. It examines the incentives and support for young people in employment and training. The chapter sets out the Government's measures to improve choice and deliver decent minimum levels of income to young people through the National Minimum Wage for 16 and 17 year olds, proposals to extend family support to unwaged trainees and a commitment to work with employers to achieve decent minimum pay levels for apprentices. It also addresses the role of employers in supporting training opportunities for young people.

1.7 Chapter 3 tackles the evidence on the complexity, anomalies and perverse incentives created by the current financial support system for 16-19 year olds. It also sets out the Government's commitments to deliver a more individualised, professional service to young people.

1.8 Chapter 4 sets out the Government's long-term vision for radical simplification of financial support, to deliver minimum standards of income, support post-16 choices and transitions and improve accessibility. The vision builds on the success of the Education Maintenance Allowance model of a responsive financial incentive paid to the young person and stable financial support paid to the family. The chapter sets out the Government's consultation questions arising from its vision.

1.9 Annex A sets out patterns and factors that affect post-16 participation. It describes the Government's strategy to raise post-16 participation, including Mike Tomlinson's proposals on curriculum reform; Education Maintenance Allowances; information, advice and guidance; and the vocational route such as Entry to Employment and Modern Apprenticeships.

1.10 Annex B looks at successful transitions to adulthood and the labour market. It takes an international comparative viewpoint and sets out the views of young people and their parents on post-16 decision making and on transitions to independence.

1.11 Annex C looks at Australia's Youth Allowance as an example of an existing unitary financial support system aimed at increasing participation in education and training.

The issue

Economic case for skills investment

1.12 Skills are key to delivering the Government's ambitions for productivity, flexibility and fairness in the UK economy. The size and quality of the workforce are important drivers of economic performance and productivity growth. Although the UK has a large number of highly skilled workers, it falls behind its key competitors in terms of intermediate skills, with a higher proportion of UK workers having low skills. 39 per cent of the UK workforce has low skills compared to 13 per cent in Germany and 9 per cent in the US.¹

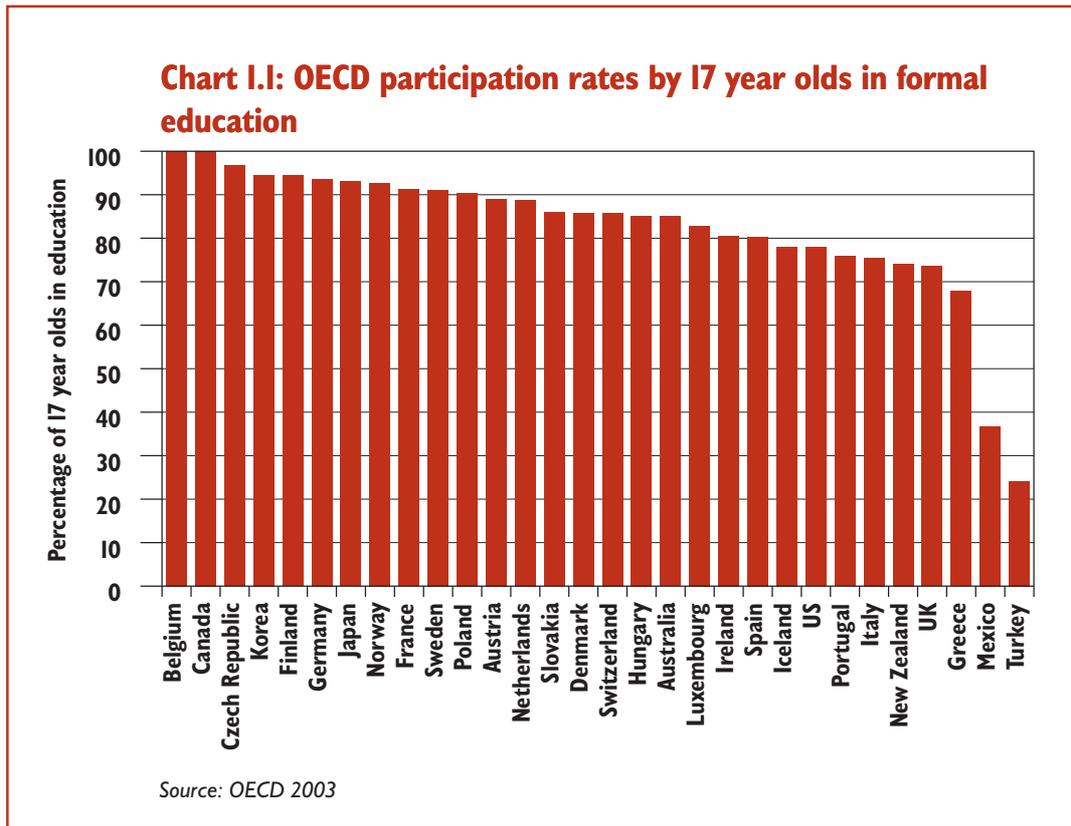
1.13 The UK's significant skills shortages at intermediate levels are partly a result of historical failure in the education system, with too many adults failing to reach their educational potential when young. The Government is committed to increasing the flow of skills into the labour market by ensuring that all young people reach the age of 19 ready for skilled employment or higher education. Despite step change increases in the numbers of young people participating in education after the age of 16, the UK still compares badly internationally.

OECD participation rates

1.14 The Government's ambition is to move from having one of the lowest rates of participation in post-compulsory education and training in the OECD to one of the highest. The UK currently lies 27th out of 30 OECD countries for participation in education at age 17. In 13 OECD countries, more than 90 per cent of pupils continue to be enrolled beyond the age of compulsory education.² If the UK had a participation rate at age 17 of over 90 per cent, this would imply around 200,000 additional students in education.

¹ OECD, Education at a Glance, 2002

² OECD, 2003



Skills deliver opportunity

1.15 Raising the proportion of young people in post-compulsory education and training in the UK is not an end in itself. Post-16 participation drives the supply of young people entering skilled employment in the economy. Based on the evidence, the minimum attainment in learning for fulfilling participation in a flexible, modern economy like the UK is level 2, which is equivalent to 5 GCSEs grade A*-C or an NVQ2. The Government has found that people who have a level 2 are far more likely than those without to receive training from their employer in the workplace.

1.16 Basic skills and level 2 qualifications in particular are also key to preventing social exclusion. For example, 34 per cent of young people with no qualifications and 17 per cent of those with qualifications below level 2 are not in full-time education, training or employment, compared with only 7 per cent of those with qualifications at level 2. As such, level 2 qualifications act as a spring-board to a future of employment with training opportunities.

The Government's aim for increasing participation

1.17 The Government's aim is that after age 16, all young people should continue in learning, whether in school, college or the workplace. The best option for young people is to spend the years between childhood and adulthood continuing to acquire skills to equip them for a lifetime in the labour market. Young people should be given the support they need to follow their preferred route into further learning up to level 3, to age 19. The Government recognises that for some young people, particularly those who had a poor experience of compulsory education, the world of work can provide a suitable pathway. The Government believes that young people in full-time work without training should have the same statutory protection from exploitatively low wages as older workers, but crucially they should not be denied the opportunity to acquire the skills they need to achieve in a modern economy.

1.18 Spending time NEET offers young people the fewest long-term opportunities. Despite changes in policy and labour market conditions, a persistent nine per cent of the 16-19 cohort in England have been NEET each year since 1994. By the age of 21, non-participating young people are more likely to be unqualified, untrained, unemployed, earning less if employed, a parent and suffering from depression. The figure of nine per cent is a snapshot and disguises the flow of young people into and out of the group. About 20 per cent of young people report a period of non-participation between the ages of 16 and 18. Half of these spells of NEET are for a duration of less than three months, not including summer holidays, showing a churn pattern similar to that seen in adult unemployment.³

A radical vision for financial support

1.19 Underpinning the Government's expectation of participation is a long-term vision of a single, coherent system of financial support for 16-19 year olds. The Government believes a system of financial support for 16-19s designed to deliver on its objectives should fulfil the following criteria:

- support young people's post-16 choices and transitions;
- deliver decent minimum income levels to young people and their families; and
- provide an accessible system of support.

1.20 The Government believes that the current model of support for the two-thirds of young people aged 16-18 who are in full-time education and living at home is the right one. That is:

- financial support paid direct to the parents or carers, or independent young person; and
- a financial incentive paid direct to the young person.

1.21 The Government's intention is to replicate this model of support and incentive for more marginalised groups. Early soundings with representatives from the voluntary and community sector have shown a consensus in favour of this approach.

The Government's education and skills objectives

Improving standards

1.22 The Government is committed to improving standards within compulsory education. In 2003 75 per cent of 11 year olds in Key Stage 2 examinations achieved the standards expected for their age in English and 73 per cent did so in Maths. The proportion of 16 year olds achieving five A*- C grades at GCSE also increased from 45 per cent in 1997 to 53 per cent in 2003. Progress has also been made towards increasing participation in higher education and the proportion of the work-force with advanced skills.

Post-16 participation

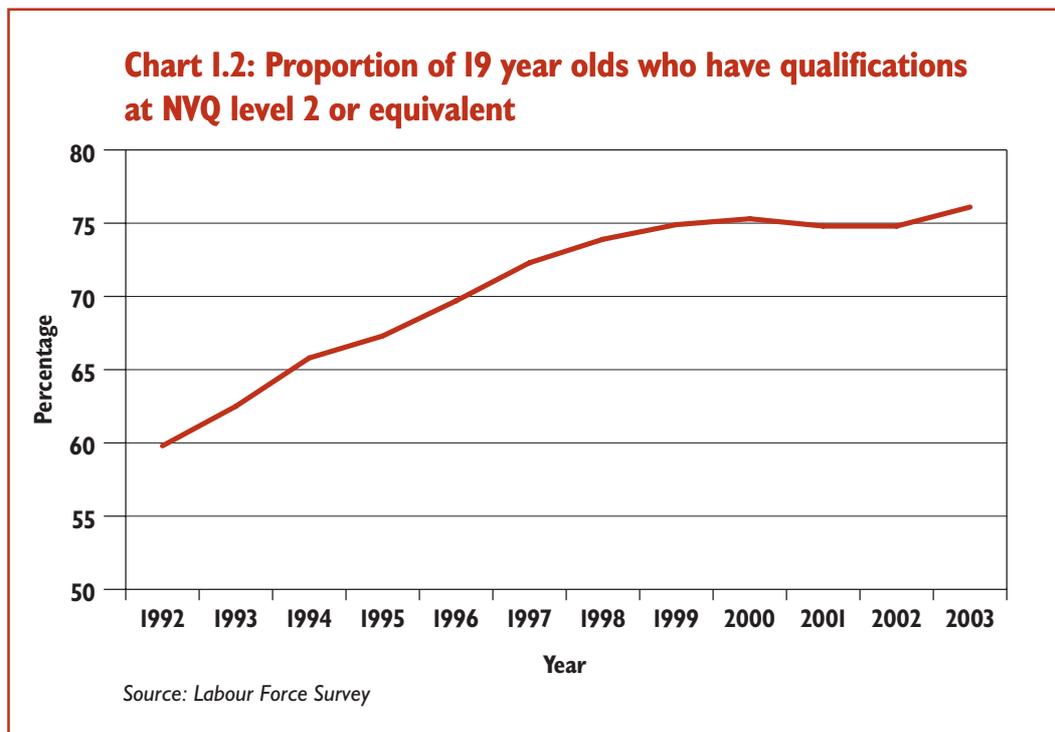
1.23 The Government's overarching objectives for 16-19 year olds are to increase the proportion of those who have achieved level 2 and the numbers progressing to level 3 by raising participation in appropriate education or training. This includes involving vulnerable young people by ensuring they receive the financial support and the services they need to improve their opportunities through education or training.

³ Social Exclusion Unit (1999) 'Bridging the Gap: new opportunities for 16-18 year olds not in education, employment or training'

Public Service Agreements 1.24 The objectives of increasing participation in education and training for young people in England are expressed in several key DfES Public Service Agreement (PSA) targets for 2004-05 and in longer-term targets, as set out below:

- raise standards in schools and colleges so that the proportion of 19 year olds who achieve qualifications equivalent to 5 GCSEs at grades A* to C rises by 3 percentage points between 2002 and 2004, with a further increase of 3 percentage points by 2006;
- by 2004, at least 28 per cent of young people to start a Modern Apprenticeship by age 22;
- by 2010, 90 per cent of young people by age 22 will have participated in a full-time programme fitting them for entry into higher education or skilled employment; and
- by 2010, increase participation in Higher Education towards 50 per cent of those aged 18 to 30. Also, make significant progress year on year towards fair access, and bear down on rates of non-completion.

Progress against PSAs 1.25 The 2002 baseline figure for the Modern Apprenticeship target is 22.8 per cent of young people having started a Modern Apprenticeship by age 22. By November 2003 starts had increased to 23.9 per cent of young people. The Learning and Skills Council (LSC) estimates that the target of 28 per cent will be met by July 2005. The methodology underpinning the 90 per cent participation target is still to be finalised. Progress towards achieving the higher education participation target is measured by the Initial Entry Rate (IER). The latest estimate of the IER for 2001-02 is 43 per cent. Attainment of 19 year olds at level 2 increased steadily up to 1999. As Chart 1.2 shows, the series levelled off in the period 1999 to 2002 at 74.8 per cent of the cohort, but increased to 76.1 per cent in 2003.



Devolved administrations

1.26 The Scottish Executive has similar aspirations with targets to:

- Increase support for 16-19 year olds from low-income families to stay on in school and/or college, thereby raising the participation and retention rates of the group by at least 5 per cent by 2007-08
- Reduce the proportion of 16-19 year olds not in education, training and employment by 2006;
- Significantly improve the skill base of Scotland to be better prepared to meet the demands of the knowledge economy. Increase the apprenticeship programme to 30,000 places.

1.27 The Northern Irish Department for Education and Learning has the following targets:

- By September 2004, increase the percentage of further education students gaining full or unit passes at NVQ levels 2 to 4 (or equivalents) to 71 per cent compared with 66 per cent at 2001;
- To ensure that, by March 2004, 60 per cent of trainees who commenced a Jobskills Traineeship in 2000 - 01 achieve an NVQ at level 2; and
- To ensure that, by September 2004, 65 per cent of those who commenced a Jobskills Modern Apprenticeship in 1999 - 2000 achieve an NVQ at level 3.

1.28 The Welsh Assembly Government recognises the need to transform provision for all young people to help them make a success of their lives and to help meet its wider objectives for Wales. Much has been achieved to raise standards across the board, but a significant proportion of young people remain seriously disadvantaged. Through its far reaching programme of support, development and change for training and education it seeks to:

- increase the participation rates for 16-18 year olds in education, training or employment from the present 88 per cent to at least 95 per cent ensure that every student leaves school with qualifications;
- increase the percentage of 16 year olds who achieve 5 A*- Cs (or other Level 2 qualifications) and in the core subjects;
- ensure that very many more learners see their schools as beneficial, and that absenteeism is progressively reduced to the very minimum; and
- ensure that all school leavers have all the skills necessary for employment.

2

SUPPORTING CHOICES

The Government's vision is that all young people reach the age of 19 ready for higher education or skilled employment. The aim of this review is to ensure that all 16-19 year olds have the incentives and support they need to participate in education and training. Analysis has revealed that the incentives and support are currently weak for particular groups: those in employment, low waged training and those living independently of their parents. The Government will:

- implement the Low Pay Commission's recommendation for a National Minimum Wage for 16 and 17 year olds at £3 per hour from October 2004, with all apprentices exempted;
- look at further ways to encourage employers to support time off for training for young people;
- work to achieve minimum pay levels for apprentices in England at £70-80 a week; and
- remove the distinction between education and unwaged training in Child Benefit, Child Tax Credit and Income Support.

Introduction

2.1 The Social Exclusion Unit's 1999 report *Bridging the Gap* examined the various barriers to education, employment and training for young people. Alongside recommendations on curriculum reform, youth support and on Education Maintenance Allowances (EMAs), it contained an analysis of the financial support system for post-16 education and training. The report noted that:

"A young person's entitlement to financial support varies according to their personal status and what they are doing in education, training, or work, whether they are unemployed, and whether or not they are living at home. Money is paid through at least eight different routes by eight different agencies (with a ninth heavily involved) on behalf of two Government departments." (p.45, *Bridging the Gap*).

2.2 *Bridging the Gap* described the current system of financial support as:

- difficult and complex;
- generating anomalies and perverse incentives; and
- confusing choices.

2.3 It recommended that the Government should examine the case for and against wider rationalisation of the financial support system including consideration of the Australian Youth Allowance.

2.4 Building on the success of the EMA pilot, work initiated by a cross-government review led by the Department for Education and Skills (DfES) and Department for Work and Pensions (DWP), and in response to the Low Pay Commission's recommendation for an investigation into a National Minimum Wage for 16-17s, the Chancellor set out in Budget 2003 the remit for a wider review of financial support for 16-19 to examine:

- the financial incentives for young people to participate in education and training and the interaction between this support and any new minimum wage for 16 and 17 year olds;
- the financial support for young people and their parents or carers, including those who are living independently and those in very low paid employment; and
- how the system of financial incentives and support could be rationalised, given the variety of channels through which it is currently delivered.

Scope of the review

2.5 This is a very wide-ranging remit, with its scope covering young people aiming for qualifications up to and including level 3. The scope of this review included financial support and incentives payable to young people and their parents, including family benefits and tax credits, EMAs, training allowances and wages. It does not include specialist streams of support including Housing and Council Tax Benefit, disability benefits and the provisions under the Children Leaving Care Act (2000). The interaction between the mainstream financial support system and financial support for young people with particular needs in the long-term is considered in paragraph 4.29.

2.6 The review has prioritised reforming the mainstream system of support for young people. Specific issues raised by representatives of young people in particular circumstances, for example the disabled or carers have been recognised and Government will turn to them in the next phase of reform. The proposals outlined in this review will improve the circumstances of some young people with specific needs because the anomaly is generated by the mainstream system. For other young people further reform may be needed to improve their incentives to participate in education and training. The Government welcomes the continuing input from stakeholders on the particular barriers to learning created by rules and interactions between financial support systems for small groups of young people.

Housing Benefit

2.7 Despite being beyond its scope, concerns about Housing Benefit, in particular Single Room Rent and non-dependent deductions were raised by many stakeholders and young people in the context of this review. Housing Benefit is the subject of an ongoing review led by the DWP. The evidence gathered by this review has fed into and will be considered by DWP in their review of Housing Benefit.

The review process

2.8 The review has gathered evidence across government including the devolved administrations and has worked closely with the voluntary and community sector and the Local Government Association (LGA). The views of young people and parents were sought through a series of focus groups arranged by voluntary and community stakeholders, including the National Family and Parenting Institute, and through a questionnaire for young people administered by the National Children's Bureau.

Evidence and analysis

2.9 Consistent with the evidence and analysis presented in *Bridging the Gap*, this review has found that the complexity and anomalies in the current system of financial support cut across the Government's skills objectives for 16-19 year olds, particularly for the most vulnerable. This is particularly true when comparing the financial support available to those in full-time education with those in unwaged training. Some of the most vulnerable, those living independently of their parents, are worse off in training than if they remained on Jobseeker's Allowance (JSA) or Income Support. For other young people with few or no qualifications the lack of family financial support for skills programmes, such as Entry to Employment can be a barrier.

2.10 Currently, the level of financial support available to an individual depends on their personal circumstances. Figure 2.1, supplied to the review by Centrepont, shows how these levels vary according to activity and whether the young person is living at home. The range of levels of support varies from the £15 a week Young Person's Bridging Allowance for trainees between training places, to about £75 a week for a young person in full-time education from a low-income household with entitlement to Child Benefit, maximum Child Tax Credit and EMA. Some young people who are NEET may not qualify for any financial support, despite being engaged in an activity.

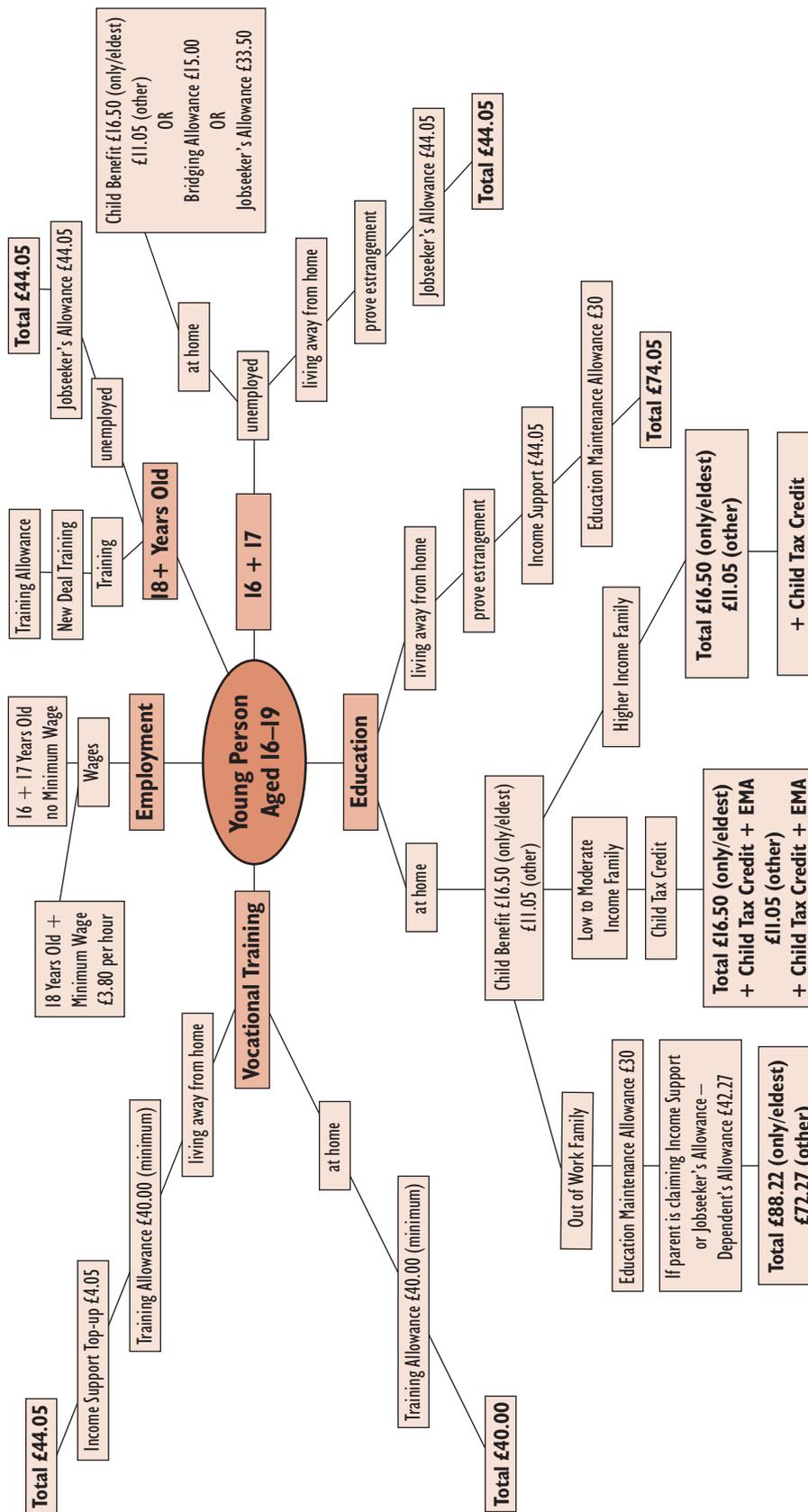
2.11 The current system of financial support articulates a preference for a young person to participate in full-time education and live at home with their parents. Two-thirds of young people aged 16-18¹ are on this pathway. Evidence suggests that young people in these circumstances are likely to make the most successful transitions to adult life and to university or the labour market. The full-time education route has the highest success and completion rates, alongside the highest returns to qualifications.

The vocational route **2.12** The debate about improving the esteem of the vocational route is a long-standing one. While the wider debate continues, particularly in the context of Tomlinson's review of the curriculum, the fact remains that the qualification and provider landscape have changed. Young people now have the option of choosing between studying vocational subjects in a college, unwaged or waged training. The same subject and the same qualification can attract radically different state financial support depending on the post-16 pathway a young person chooses.

2.13 The wages of those training with an employer vary greatly according to the young person's age, the level of qualification they are taking, the sector and the region. Employed trainees receive wages in the range of £40-£200 a week. Evidence shows that young people forego their market wage in return for developing skills that will deliver longer-term returns. Other young people make the transition from compulsory education straight to full-time work.

¹ Youth Cohort Study, England and Wales 2001-2, DfES

Figure 2.1: Financial Support for Young People aged 16–19 and their Families¹



Source: Centrepoint
¹ Rates from April 2004

National Minimum Wage for 16-17 year olds

2.14 The Government believes that young people in full-time work without training should have the same statutory protection from exploitatively low wages as older workers, but crucially workers should not be denied the opportunity to acquire the skills they need to succeed in a modern economy. Around 44 per cent of 16-17 year olds across the UK are in employment; just under two-thirds of these work part-time to supplement their income while in full-time education; and the remaining one-third report their job as their main activity. At present 16-17 year olds workers are not covered by the National Minimum Wage (NMW).

Preventing exploitation

2.15 Following the Low Pay Commission's recent report, the Government has accepted the Commission's recommendation that a minimum wage should be introduced for 16-17 year olds from October this year, at a rate of £3.00 per hour. It agrees with the Commission that 16-17 year olds in employment, the youngest workers, should not be left vulnerable to exploitation through low wages. Full-time employment without any training content is the second best option to an appropriate course of education or training, however employment is better for a young person's prospects than being NEET. The labour market performance of 16-17 year olds is generally weaker than that of older age groups, including 18-21 year olds. For example, the unemployment rate for 16-17 year olds who are not in full-time education has been 20 per cent or higher for the past ten years; by contrast the unemployment rate of 18-21 year olds has fallen to around 13 per cent. This clearly indicates the need to set a minimum wage rate cautiously and below the current youth rate which applies to 18-21 year old workers.

Maintaining education and training incentives

2.16 It is vital that the minimum wage rate for 16-17 year olds is structured in such a way and set at a level which does not harm young people's opportunities and incentives to remain in education or take up a training course. The Government is confident that the minimum wage for 16-17 year olds introduced at £3.00 per hour, coupled with the exemption of apprentices, will not have a significant impact on young people's decisions to participate in education or training². The vast majority of 16-17 year olds already have market wages of above £3.00 per hour. The nationwide roll-out of EMAs from September this year will significantly improve incentives for young people from low and moderate income families to stay on in school post-16 and provides them with increased resources to do so. The new minimum wage rate for 16-17 year olds therefore strikes the right balance between preventing exploitation of younger workers while maintaining the incentives for 16-17 year olds to stay on in full-time education or training.

2.17 The exemption for apprentices may also have a beneficial impact on the supply of formal training at the margin. Currently there is no incentive for employers to formalise their training options as they can pay their employees the same wages as apprentices. The introduction of the NMW with an exemption for apprentices may encourage employers to formalise and increase the quality of the training they offer their employees in order to qualify for the NMW exemption. There will be a role for the Learning and Skills Council and Inland Revenue in monitoring the quality of the training provided for those exempted from the NMW.

² Andy Dickerson and Paul Jones, "Estimating the impact of the minimum wage on the labour market behaviour of 16 and 17 year olds", Warwick Institute for Employment Research, Report for the Low Pay Commission, January 2004

Role of employers and the right to time off to train

2.18 Low-skilled young people aged 16-17 not in full-time education and not qualified to level 2 have the right to paid time off to study for approved qualifications and 18 year olds already studying have the right to complete their qualification. The young person takes up this right by agreeing a package of paid time off and training with their employer.

2.19 In February 2002, DfES completed a survey of 833 employers to evaluate the impact of the right to time off on employers. The survey found that following the legislation, only 56 per cent of employers offered any training towards formally recognised qualifications for 16-17 year olds not on Modern Apprenticeships. The survey also found that while promotion of the right to time off was raising awareness of the legislation among employers, very few of the employers surveyed made a direct connection between the introduction of the right to time off and any change in their approach to recruiting or training young people.

The New Deal for Skills

2.20 The New Deal for Skills will focus particularly on tackling the long-standing barriers between welfare and workforce development and on the low skilled. It will implement key recommendations of the report by the National Employment Panel. As part of this, the Government is strengthening the offer to all individuals and employers to improve their skills base. For employers, this offer will include better advice and more flexible support to meet skills needs, free and flexibly delivered training for low skilled workers based on the principle of the Employer Training Pilots and a stronger voice through the Sector Skills Councils. The New Deal for Skills sets out that in return, the Government expects that employers should support its efforts to encourage investment in training. The Government recognises that employer engagement is particularly critical if increasing numbers of young people are to receive and succeed in high quality education or training.

2.21 Building on the work already underway to promote vocational routes post-14 and in developing the New Deal for Skills framework, the Government will be looking at further ways to encourage employers to support training for young people.

Minimum Training Allowance

The role of the MTA

2.22 Treated as independent adults, young trainees are guaranteed a weekly Minimum Training Allowance (MTA) of £40 a week paid directly to them. This compares to the maximum EMA of £30 a week which a counterpart in full-time education may receive, dependent on household income. However the EMA is payable on top of the family's benefits and tax credits, so from 2004 the package for young people in full-time education from low-income households will be far more generous than for those in training on the MTA. Local Learning and Skills Council areas have the power to raise the minimum and a currently third of them do, to a top rate of £60 a week.

The MTA has two functions:

- it is the payment from the state in cases where the young person is in unwaged training; and
- it acts as a floor for the wages of employed trainees.

The level of the MTA **2.23** Parents will often ask their children to pay board. This is particularly the case in families who are no longer eligible for Child Benefit for their child. Consultation responses showed that a typical amount for a trainee on the MTA to contribute in board was £20 a week. This leaves the young person with £20 for all other personal expenses. Even having received a £20 contribution, the parents of young trainees will be subsidising their child's living costs. The poorest families may be unable to do so as their own benefits take no account of the young person, who is treated as independent. The voluntary and community sector organisations involved in the review were concerned about the level of the MTA. The level was even described as 'below benefit levels' or 'poverty wages'.

Removing distortions

2.24 The Government intends to reform Child Benefit and Child Tax Credit rules for 16-19 year olds to support better young people's choices between education and unwaged training. This reform marks an important step towards the long-term vision, by ceasing to distinguish between education and unwaged training when delivering financial support.

Supporting post-16 choices **2.25** For Child Benefit and Child Tax Credit purposes, anyone under the age of 16 is treated as a child. A young person aged 16 or over and under 19 is treated as a child if they are in full-time non-advanced education. The current definition of a child in Child Benefit and Child Tax Credit for 16-19 year olds distorts choices, particularly for the most vulnerable, who may be forced into a course at college rather than with a training provider because of the additional financial support available. The Government believes young people should choose the route most appropriate to them, rather than making their decision based on the amount of financial support available.

2.26 For financial support, a young person in full-time non-advanced education and living at home is treated as a child while a young person in training and living at home is treated as an adult. Treatment as an adult means a loss of Child Benefit to the family of £16.50 per week for the first child or £11.05 per week for subsequent children³. Child Tax Credit follows the same definition as Child Benefit and is worth a maximum of £31.22 per week for each child in the household to low-income households plus £10.45 per family. Together they constitute an important stream of income for a young person's family. The loss of this income may mean some low-income parents are unable to continue to support their child. It also sends an implicit message that the young person is no longer the responsibility of the parents or carers.

Recognition of responsibility for a child **2.27** Beyond the loss of state financial recognition of parental responsibility, many other streams of income follow this definition of a child. These go beyond the normal passported benefits like free prescriptions, to include high value income transfers such as child support payments, dependents' pension entitlements and home responsibility protection for basic state pension.

³ Rates applicable from April 2004.

Extending family support 2.28 In order to improve young people's choices, the Government intends to extend Child Benefit and Child Tax Credit to the parents and carers of unwaged trainees. Consequential amendments would be made to Income Support and other benefits to ensure independent unwaged trainees would also benefit from the new arrangements. An unwaged trainee following a course with a training provider but not employed, so not receiving a wage from an employer, is paid an allowance by the training provider at least at the level of the MTA.

2.29 The Government believes that unwaged trainees should have the same package of support as those in full-time education. Therefore it proposes replacing the MTA for the unwaged with EMA. For dependent young people, EMAs are related to household income whereas MTA is a flat minimum rate which treats the young person as independent. However MTA is included as income in assessing entitlement to income-related benefits, whereas EMA is treated as an education incentive. Hence independent young people eligible for Income Support would have improved incentives to train because the EMA would not be taken into account as income. Unwaged trainees from households with income above the EMA threshold of £30,000 per annum would not receive any financial support directly, only via their family.

Identifying unwaged trainees 2.30 A quarter of trainees aged 16-19 have unwaged status. The data shows that the lower the qualification level and the younger the trainee, the more likely they are to be unwaged. In order to extend Child Benefit and Child Tax Credit to the parents or carers of unwaged trainees the Government needs to be able to identify them in legislation. There are two ways of doing this, either by a programme of learning or by unwaged status.

Table 2.1: Unwaged trainees by programme of learning

Trainees age 16 -19	All Trainees	Unwaged Trainees	Unwaged Trainees as percentage of total
Entry to Employment	18,891	17,102	90
FMA⁴	80,788	16,158	20
NVQ 2	13,190	6,572	50
AMA⁵	46,877	1,682	4
NVQ 3	2,122	564	27
Total	161,868	42,078	26

Source: LSC management information: figures show numbers in learning as at 1 June 2003. 11,310 more trainees age 16-19 are on unknown programmes

⁴ Foundation Modern Apprenticeship.

⁵ Advanced Modern Apprenticeship.

Programme of learning **2.31** Identifying only those on specific programmes, for example Entry to Employment (E2E) and the devolved equivalents, would introduce the fewest distortions into the progression between unwaged and waged training. It would also be easier to enforce than a wider entitlement for unwaged trainees. While it would cover many of the unwaged, it would leave some young people behind, for example those on newly developed or local learning options. Updating legislation to include new programmes of learning would be a less flexible approach, placing an administrative burden on the provider and on the Inland Revenue and would lead to anomalies pending the legislative changes.

Non-employed trainees **2.32** Alternatively the legislation could target all those 16-19s in training who are not employed. This comprehensive approach would include all unwaged trainees irrespective of the programme. This approach will only work if there is a clear distinction between employed and non-employed trainees and incentives are put in place for employers and providers to reinforce the waged route over the non-waged.

Question 1: The Government would be interested in views on whether to identify unwaged trainees by programme of learning or non-employed status.

Waged trainees

Reviewing trainees pay **2.33** The wages of young people in employed training are currently underpinned by the level of the MTA under guidance from the DfES. While incentives to train will not be significantly altered by the introduction of the NMW for 16-17 year olds, the Government believes that apprentices should be paid appropriately.

2.34 The proposed extension of Child Benefit, Child Tax Credit and EMAs to the families of unwaged trainees will increase the maximum level of support available to around £75 a week. In order to ensure that trainees have the incentives to progress from unwaged to waged training, the levels of support available should be consistent. Over time, the Government expects employers to pay wages in line with the new financial support arrangements, with wage levels growing with skills and experience to reflect the trainee's improved productivity.

Incentives to train **2.35** Young people under 19 and on benefits who want to take up a training place instead of full-time education currently have no incentive to enter training. As the MTA at £40 is below the severe hardship rate of Income Support, currently at £43.25, an eligible young person can claim an Income Support top-up of £3.25. They are in the same financial position in training as on benefits. There is an unemployment trap.

2.36 Receiving Income Support provides entitlement to a range of passported benefits, including full Housing Benefit, Council Tax Benefit, free prescriptions and access to the Social Fund, some of which are substantial. Young people who are eligible for an Income Support top up face a cliff edge when their training income rises above £43.25 as they lose entitlement to this range of benefits.

Increasing apprentices pay **2.37** In order to overcome the unemployment trap, trainees living independently need to have wages sufficient to compensate for the loss of these passported benefits. Looking at the value of lost benefits and in consultation with young people and stakeholders, minimum trainee pay would need to be in the region of £70 to £80 a week. Many employers already pay trainees more than this, but this would underpin trainee pay at a reasonable level for young people choosing the work-based learning route.

2.38 HM Treasury, the DfES and the Learning and Skills Council will be working with employers in England to achieve minimum level for trainee pay in the range of £70-80 a week.

3

SUPPORTING YOUNG PEOPLE

Based on the evidence put forward to the review about the complexity, anomalies and perverse incentives in the financial support system for 16-19s, the Government will be introducing a package of short-term measures to improve choice, provide decent minimum levels of income and to deliver a more individualised, professional service to young people. It will:

- deliver improved information to young people and their parents about financial support for 16-19s;
- review guidance on Jobseeker's Allowance (JSA) in cases of severe hardship and estrangement which will be rolled-out in Jobcentre Plus with training from spring 2005;
- extend financial support for 19 year olds to finish their course;
- launch fieldwork to investigate innovative and effective practices in delivering benefits advice to young people including looking at co-location of Jobcentre Plus advisers and Connexions Personal Advisers; and
- examine the role of discretionary funds to identify how they can be used to overcome barriers to participation, especially for those young people not in employment, education or training.

Complexity

3.1 The system of financial support for 16-19s has evolved over time reflecting the wide range of different circumstances of young people at this age. A small proportion of 16-19s are completely independent but the majority are still dependent on their parents or carers. Some are parents themselves. Many study full-time and work part-time, some are working full-time and studying part-time, more are working and training at the same time. Each strand of financial support has its own rationale but the interactions in the system and the myriad rules make it incomprehensible to all but the most expert. As *Bridging the Gap* notes '*the system is so complex that someone has written a book of around 130 pages about it for young people and their advisers.*' (p.45, *Bridging the Gap*). Figure 2.1 demonstrates the complexity of the system and the way that entitlement depends on a range of personal circumstances. Perversely, the system is the most complicated for the most vulnerable group: those who live independently of their parents or carers.

The role of information

3.2 The complexity in the financial support system makes it more difficult to access. Young people do not know generally about their entitlements and do not know where to get the information. Consultation among a group of young homeless people revealed that none of them knew about their entitlement to Income Support or Jobseeker's Allowance (JSA) for some time after they left home. To compound matters, their advisers often do not have a sufficient knowledge of the system to offer comprehensive advice. Several young people who contributed to the review had received poor and inconsistent advice from Jobcentre Plus. This experience was echoed by support staff, social workers and youth workers. Their view was that young people had to know what they were entitled to before they went to claim otherwise the system was too obscure to navigate.

Improving information **3.3** The Department for Education and Skills (DfES) and the Department for Work and Pensions (DWP) will work together in consultation with the voluntary and community sector, young people and their parents to improve the information available on financial support. Evidence gathered in this review points to young people and parents wanting to access more support through school when making decisions about post-16 destinations. Information about the financial implications of post-16 choices should be given at the same time as other information about post-16 choices. Steps to improve information on the financial help available for 16-19s, aimed at young people, their parents and those working with them, are already being taken. DfES recently launched a website¹ and an accompanying booklet is being sent out to all young people in Year 11 (aged 16), and to relevant organisations including Connexions Partnerships, to ensure that students in Year 11 who will be eligible from September have the information they need to apply for EMAs. Later the Government will target students in Year 9 (14 year olds) who are considering their options with information about EMAs.

3.4 The DfES and DWP will jointly develop guidance on financial support for 16-19 year olds by 2006.

Claiming **3.5** Young people also found the benefits claiming process complex and alienating. They found the forms were very complicated and felt unsupported in filling them out. In order to claim JSA young people must also register with the Connexions Service. Having to work with two agencies presents further barriers to vulnerable young people. The process was often described as being ‘passed around’.

Co-location and innovative service delivery **3.6** Accessibility was raised as a top priority for the review at the seminar with stakeholders in September 2003. Many young people find the financial support system alienating because they are making an independent benefits claim for the first time, they may have chaotic lives, are passed around and are dealt with by an agency that does not specialise in young people’s issues. Initial investigations have revealed a range of different working arrangements between Jobcentre Plus and Connexions at the local level, some good but also some poor. This review seeks to build on existing best practice in delivering innovative, customer-focused services to young people. In that context the Jobcentre Plus and DfES will be exploring the benefits of co-location and other innovative working practices in the field.

3.7 The Children’s Green Paper sets out co-location as the leading model for customer-focused service delivery.

“Embedding targeted services within universal settings can ensure more rapid support without the delay of formal referral, and enable frontline professionals to seek help and advice. Developing networks across universal and specialist professionals can strengthen inter-professional relationships and trust. Co-location requires considerable local flexibility as the opportunities and barriers differ depending on local geography”

Children’s Green Paper (2002), p.63.

¹ www.dfes.gov.uk/financialhelp

The benefits of co-location 3.8 In responding to the issues raised by young people about claiming benefits, often the problem was one of culture. Vulnerable young people are not a key client group of Jobcentre Plus. They often felt they did not belong in a Jobcentre Plus office and the requirement also to register with Connexions exacerbated that feeling, as well as making claiming more complex. Stakeholders have suggested that Government adopt a ‘one-stop-shop’ approach for young people. Co-location of Connexions Service Personal Advisers and Under 18s benefits advisers has the following advantages:

- improve attendance and prevent young people getting lost between the agencies, as a result of familiarity with one location for advice and benefits;
- make the service more responsive to the individual rather than making the young person feel ‘passed around’ because of organisational boundaries;
- engender trust and closer working relationships between the agencies, including the flow of information when in the young person’s interest; and
- increase the focus on education and training opportunities rather than work for 16-19s.

Promoting joint working 3.9 Jobcentre Plus and the Connexions Service already work in close partnership. Both organisations have the common aim of reducing the numbers of young people who are not in employment, education or training (NEET). The Connexions Service has issued detailed instructions² setting out its required role in relation to certain benefits for young people (for example JSA), including the procedures which must be followed. Jobcentre Plus National Tier has produced equivalent procedural guidance and other publications such as the Connexions Workbook for its advisers. Both organisations were involved in developing and quality assuring these products, to ensure a jointly agreed approach. Jobcentre Plus and the Connexions Service have partnership working agreements in place at local level covering benefits liaison but also the wider agenda of shared interests such as work with employers.

Investigating innovative practice 3.10 In order to inform next steps Jobcentre Plus and the DfES propose jointly to undertake a series of study visits to areas across England that have implemented, or have expressed interest in implementing, co-location of Connexions and Jobcentre Plus advisers. When looking at examples of good practice they will be mindful of the need for flexibility in the model and that co-location could take place at a Jobcentre, an extended school, a voluntary sector organisation or a Connexions high street one-stop-shop. The outcome of the visits will be released in the autumn along with next steps.

Proving estrangement 3.11 The most difficult aspect of the system, according to the voluntary and community sector and independent young people, is proving estrangement. In order to access benefits, young people need to satisfy Jobcentre Plus that it is not possible for them to return home, or that returning home will damage their physical or mental well-being. This reflects the preference for 16-17 year olds to live with their parents wherever possible, as indeed the vast majority do. The complaints in the main are about the administration of the estrangement rule rather than about the principle. There are two key issues for the specialist adviser making the decision: the requirement for a ‘certain standard of proof’ that a genuine need exists; and the problem of ascertaining quickly and easily the reasons for estrangement, together with endorsement from a third party.

² The Benefits Liaison Instructions and Good Practice Guidelines for Connexions Services

Disclosure 3.12 Voluntary and community sector organisations are concerned about the way some benefits staff pursue and handle conversations about personal issues. In order to establish estrangement, young people often have to disclose intimate details about the circumstances of their leaving home. This can include disclosing abuse within the family, or the circumstances in which a care leaver was taken into the care of the Local Authority. Young people who do not disclose such information may have their claim refused. Jobcentre staff are not counsellors, often not specialist, and are not trained to deal with this type of disclosure. Voluntary sector organisations are not treated as trusted sources for validating a vulnerable young person's claim and nor are Connexions Personal Advisers. Instead the young person may find they have to disclose this very personal information to a series of advisers.

Level of proof 3.13 Young people reported that benefits staff placed other requirements on them that they could not fulfil, for example asking questions about their parents' continuing receipt of Child Benefit or to provide documentation which they were likely not to have if they had left home suddenly.

3.14 Once a young person has successfully claimed Income Support or Job Seeker's Allowance in their own right under the estrangement criteria, their on-going claim depends on them not making contact with their parents or carers. This damages the prospect of family relationships healing. *Bridging the Gap* points to a body of opinion that argues that this rule 'causes and reinforces estrangement'.

Revised guidance on severe hardship and estrangement 3.15 DWP has established a working group with voluntary and community sector partners to review the guidance for Jobcentre Plus staff on administering the severe hardship provisions and estrangement criteria. Jobcentre Plus will also be delivering more training to staff in offices who deal with young people.

3.16 DWP has established a working group with stakeholders and is committed to rewriting guidance on JSA severe hardship and estrangement including reviewing the guidance on responsible third parties. New guidance will be rolled out with training from spring 2005.

3.17 By 2006 all Benefits Advisers dealing with young people, particularly cases of estrangement, should have appropriate training to deal with personal disclosures.

Jobcentre Plus good practice in partnership working 3.18 DWP is setting up a working group with stakeholders to look at partnership working between organisations such as Fairbridge, who work with the most disadvantaged young people, and Jobcentre Plus to ensure that young people undertake the form of training or education that best suits their individual needs and is most likely to prepare them to achieve their potential.

3.19 DWP is setting up a working group with stakeholders to examine ways of getting the best results from partnership working with young people's organisations from the voluntary and community sector.

Specialist Young People's Officer 3.20 There is already a designated officer in the majority of Jobcentre Plus offices to work with young people claiming JSA severe hardship or estrangement. This role could be expanded to incorporate liaison with Local Authorities about care leavers; reviewing appropriate courses of training for the hardest to help; working together with Connexions and New Deal for Young People advisers to draw up the most advantageous training plan for the young person; and acting as a liaison point for voluntary sector suppliers of training and New Deal; and with a capability of working from remote locations to suit customers.

3.21 DWP will be consulting with stakeholders on the role of a specialist young people's officer.

Anomalies and perverse incentives

3.22 A second feature of the way the system of financial support has evolved and its complex interactions is that some young people do not have the incentives or support to participate in education and training. At its most perverse, the system can cut across the Government's objectives to increase the proportion of young people achieving level 2 qualifications and access to higher education.

Age 19 cut off **3.23** The most damaging of these anomalies for low-skilled and vulnerable young people is the age 19 cut off. Child Benefit rules define a child around a normative view of post-16 participation as two academic years of A-level study, completed before the young person's 19th birthday. The pattern of post-16 participation has changed along with the proportion of the cohort who continue in learning. Each year thousands of young people reach the age of 19 while still engaged in full-time education as they have not yet achieved their qualifications. Most of those who are still studying for non-advanced qualifications at age 19 will be doing so because their education was disrupted for some reason. There is no available statistical breakdown by group, but representations were made on the age 19 cut off by care leavers, young offenders, homeless and estranged young people.

3.24 Parents' or carers' entitlement for Child Benefit and Child Tax Credit support ceases on the young person's 19th birthday, irrespective of whether they are still in full time non-advanced education. Young people from low-income households may be forced to leave their course before achieving their qualification because of the pressure on the family finances of losing financial support. The situation is even worse for young people living independently, as in some cases their entitlement to Income Support will cease and they must instead claim financial support through the Jobseeker's Allowance (JSA) regime. In order to continue to receive support through JSA, the young person must be available for work and therefore not studying full-time. Even if the young person decides to struggle on without benefits, the loss of Income Support triggers the loss of Housing Benefit, making it impossible for a young person to continue on their course without losing their home or running up rent arrears.

3.25 Personal testimonies offered to the review about the effects of the age 19 cut off, particularly for independent young people, show the distress and frustration caused. Those affected were by definition re-engaged in education, having overcome previous obstacles, but blighted by this rule, which only served to heighten the sense of injustice. Many young people echoed the sentiment of this 20 year old independent tenant:

'I want to claim benefits now to support my study so I don't have to claim benefits for the rest of my life.'

3.26 There was a real sense among the respondents, although they were seeking support in the short-term, in the long-term they would contribute more to society. The determination of young people to continue their education had led to severe hardship and debt in some cases which threatened to affect future long-term prospects.

Reforming the age 19 cut off

3.27 The Government plans to amend the age 19 cut off in Child Benefit, Child Tax Credit and Income Support, to help achieve its skills objectives by continuing support for any young person on a course of learning before their 19th birthday until the end of their course. When rolled out nationally, EMA will have a three year entitlement or three in four years for individuals assessed to benefit from an additional year by their Connexions Personal Adviser. The general three year entitlement does not relate to an individual's age but the academic years from the end of compulsory schooling.

Defining the end of the course

3.28 The Government has developed three criteria for accessing extended support to finish a course of learning:

- **In a programme of learning eligible for Child Benefit, Child Tax Credit or Income Support before their 19th birthday.**

3.29 This criteria is designed to act as a gateway to define the group currently disadvantaged by the age 19 cut off. By excluding those who begin a course after age 19 it may generate an incentive to re-engage earlier to benefit from more generous support. There will be hard cases where a young person has entered education later than the cut off and missed out on entitlement for the more generous treatment, for example where they were not able to start a course until after their 19th birthday despite being accepted.

- **On a recognised course that leads to an agreed learning goal up to but not beyond qualification level 3. Entitlement stops on achievement of the specified learning goal or on progression from one level of qualification to another.**

3.30 The aim of this reform is to enable young people to complete their courses, not necessarily to progress between levels. For example a young person completing a level 2 over the age of 19 under the new provisions would not then be entitled to enrol on a level 3 programme with the same package of support. The current provisions cut off when a young person reaches level 3 or age 19, whichever comes first. Entitlement beyond the age of 19 would cut off on the achievement of the qualification or 'agreed learning goal' as in EMA.

- **Cuts off on the young person's 21st birthday.**

3.31 While age cut offs create anomalies, it is necessary to have one for those cases in which a young person does not or cannot reach their learning goal or the next level of qualification within a reasonable period. The proposed absolute cut off would cover those exceptional circumstances.

Question 2: Are the criteria the Government is considering for extending eligibility for Child Benefit, Child Tax Credit and Income Support to the end of the course the right ones? If not what else should the Government consider and why?

Incentives to participate **3.32** Recent evidence on the NEET group³ points to a subset of young people who are currently untouched by the Government's interventions to raise post-16 participation. They are living at home with their parents, not engaged in active search for education, training and employment and have no interaction with the state. The Connexions service is remitted to track young people, but young people have no incentive to engage with services or to actively seek work or training. Researchers argue that attaching a financial incentive to participation would make the current set of interventions more effective.

One-off costs **3.33** Young people face difficulties with course-related costs relating to their personal circumstances and needs. They struggle with travel, equipment and materials. These difficulties are exacerbated where a student has a disability or is particularly disadvantaged, and where equipment, materials or fares must be funded in advance. Some young people have problems with accommodation and living costs and need specific support from time to time. The current financial support system caters for these costs by providing access to local flexible discretionary funding, for example through college based learner support funds. While such funds are limited, evaluation shows that they are well targeted and very effective particularly in reaching the disabled, disadvantaged and others who are marginal to learning and would otherwise fail to complete their courses. These funds provide a flexible funding stream that responds to individual needs.

3.34 In particular, the costs of travel are consistently raised by young people as a barrier to participation. Young people aged over 16 generally pay full adult fare on public transport. The young people who responded to the National Children's Bureau's survey on financial support clearly indicated that they considered subsidised travel costs a priority. The EMA pilots included a variation in which young people had their travel paid for rather than receiving a weekly amount in their bank account. The evidence from the pilot shows no advantage of hypothecating the EMA payment to travel costs. In fact, evaluation of the mainstream pilots demonstrated that travel was one of the items most frequently cited as being paid for by the EMA.

Discretionary funds **3.35** Discretionary funds that pay for one-off costs have been shown to be effective at helping individuals overcome barriers to participation in a number of spheres including:

- Learner Support Funds administered by colleges;
- Adviser Discretionary Funds administered by Jobcentre Plus; and
- Discretionary Fund as part of Positive Activities for Young People.

³ Middleton, S et al (2003) Young people not in education, employment or training: evidence from the Education Maintenance Allowance pilots database, CRSP 493 (unpublished)

3.36 The younger the individual, the less likely he or she is to have access to immediate funds to pay for unexpected items. Even relatively small one-off costs could be a barrier to participation. Since July 2001, New Deal Personal Advisers have been able to use the Adviser Discretion Fund (ADF) which allows up to £300 to buy goods or services that will move them closer to work or help the recipient to overcome the final barriers. ADF was based on the experience in Action Teams and Employment Zones, which demonstrated the value of empowering advisers by giving them the discretion to spend relatively small amounts of money in this way. Typical purchases include a travel pass for the first month in a new job, work clothes or a new suit for job interviews or tools and equipment for work. Jobcentre Plus has also identified possible 'psychological' benefits extending beyond the purely practical assistance given, namely an improvement in trust between adviser and customer and an improvement in the overall confidence of the customer as a result of feeling better equipped to enter the labour market.

3.37 The commitment of vulnerable young people to learning and self-development can be fragile and at risk as other pressures crowd in. Discretionary funds strengthen the ability of advisers to 'strike while the iron is hot' and support the transformation of short-term interest or enthusiasm into more lasting commitment. The responsive nature of a discretionary fund could help advisers generate more confidence in the system's ability to help a vulnerable young person. It may also increase the credibility, in the eyes of the young person, of the other elements of support, focussed on longer-term personal development, that the adviser is seeking to put in place.

Box 3.1: Positive Activities for Young People, Greater Merseyside

As part of the street crime initiative during summer 2002, Greater Merseyside Connexions Partnership was funded to provide, in partnership with other agencies, an intensive programme of individual support, diversionary activities and personal development opportunities, targeted at young people at risk of or engaging in offending and truancy, called Positive Activities for Young People. The target group was young people aged 8-19 years at risk of offending or already involved in offending and anti-social behaviour, with an emphasis on 13-17 year olds. Key workers were tasked with responding to individual young people's needs and situations and to provide as much proactive support as possible. The formal evaluation of the scheme found that the key workers were not "bogged down by bureaucracy" and that autonomy and flexibility were key to them making swift decisions and being innovative.

The evaluation found that one of the unique factors in the approach was the relatively easy access by key workers to funds for goods and services that would help young people to surmount barriers to participation, including basic issues like lack of food or less tangible matters like low self-esteem, or broaden their experience in ways that would make participation more likely. Key workers were also able to link the achievement of individual goals to incentives like free cinema tickets. The evaluation concluded that the programme's success rate in finding at risk young people previously lost to the system can in some way be attributed to the use of incentives.

3.38 A DfES survey of Connexions partnerships revealed that at least 17 partnerships out of 47 already have a contingency fund for young people, in accordance with Financial Guidance for Connexions Partnerships. All the partnerships which hold a fund responded that it had a positive impact on the services they were able to provide young people.

3.39 DfES is examining the role of contingency funds to identify how Connexions Personal Advisers may use them to help overcome barriers to participation, especially for those young people not in employment, education or training (the NEET group), and is:

- revising existing guidance to make it clearer that Partnerships can use grant funding to create contingency funds;
- sharing good practice, and the benefits found by Partnerships who already make use of such funds; and
- evaluating the impact of contingency funds.

4

SIMPLIFYING SUPPORT

4.1 Alongside the vision of a radically reformed qualification structure creating a coherent 14-19 phase of education, **the Government has a long-term vision of a single, coherent system of financial support for 16-19 year olds.** This chapter sets out that vision and launches a consultation on the implications of radical simplification. The Government believes that improvement to the financial support system can be achieved through radical simplification, without necessarily increasing overall spending on financial support for the 16-19 age group. One such simplified system is the Youth Allowance (YA) established in Australia in 1998 which is described in Annex C. During the consultation process the Government will be examining the YA to see how successful it has been and whether there are any lessons to be learned from it.

4.2 The Government believes a system of financial support for 16-19s designed to deliver its objectives of flexibility and fairness should fulfil the following criteria:

- support young people's post-16 choices and transitions;
- deliver decent minimum levels of income to young people and their families; and
- provide an accessible system of support.

4.3 As set out in earlier chapters, the Government believes that the current model of support for the two-thirds of young people aged 16-18 who are in full-time education and living at home is the right one. That is:

- financial support paid direct to the parents or carers, or independent young person; and
- a financial incentive paid direct to the young person.

4.4 The Government's intention is to replicate this model of support and incentive for more marginalised groups, particularly young people living independently and unwaged trainees. Early soundings with representatives from the voluntary and community sector have shown a consensus in favour of this approach.

Devolved issues **4.5** Education incentives and training wages are a devolved matter. Each country would set education and training incentives to meet their needs within the framework of a single system of financial support.

The vision

4.6 The Government sees the future of financial support as one single coherent system for the 16-19 cohort, building on the reforms set out in the previous chapters. The aim of the new system would be to ensure all young people have an adequate level of support and incentives to participate in education or training. Extending support to young people currently excluded from support or faced towards the labour market by the Jobseeker's Allowance (JSA) regime will encourage 16-19 year olds to consider education and training as their first option rather than work without training.

Support 4.7 The role of financial support paid to the parents or carer, or to an independent young person would be to provide a stable stream of income to support living costs which therefore does not vary by activity, although it would vary by household income. Being part of a single system, young people who move from one activity to another would not have to re-apply for support. As well as providing a stable bridge of income between activities, support paid at the same level irrespective of activities would not distort choices. In order to receive support young people would need to be engaged in an activity recognised by the Government as improving long-term employment prospects or in circumstances in which the Government recognises as acceptable for not participating, such as caring or illness.

Incentive 4.8 Financial incentives would influence young people's behaviour in several ways. First the additional weekly amount payable direct to the young person would provide an incentive for them to progress into learning. Once in learning the payment would be conditional on other forms of behaviour, for example attendance. Additional incentive payments could be conditional on making satisfactory progress in learning by completion of a tailored 'individual learning agreement'.

Decent minimum income levels 4.9 Alongside the system of financial support and incentives for young people in learning, young people in employment, either in full-time work or in training, will have their wages underpinned by minimum income standards. Young people in work will be protected from exploitative pay by the National Minimum Wage. Employed trainees' wages will be under review at a local and national level to ensure appropriate levels of minimum pay.

Table 4.1: setting out the vision

Activity	Living with Parents	Living Independently	Learning Incentive
Full Time Education and Unwaged Training	Support paid to the family, dependent on household income with threshold applied to young person’s income	Support paid to individual with income threshold applied	Incentive payment with retention and completion elements payable to young person tested on parental income for dependents
Waged Training	Not eligible for family support but guaranteed weekly level of income from employer	Not eligible for support, apart from with housing costs/childcare but guaranteed weekly level of wage from employer	None payable
Working	Not eligible for support protected by hourly NMW	Not eligible for support apart from with housing costs and childcare but subject to hourly NMW	None payable
Not in Education, Employment or Training	Support to family, dependent on household income conditional on young person’s participation in an approved activity	Support paid to individual conditional on young person’s participation in an approved activity	None payable, but individual programmes might incentivise using discretionary funds

4.10 This vision marks a departure from the current system in a number of ways:

- it moves away from the current definition of a child based on the course of education and instead looks at more realistic proxies of independence, such as employment or the young person’s income;
- those living independently and those living at home are in the same system and eligible for the same support, with the same conditions;
- it supports young people not in education, employment or training if the young person is engaged in another approved activity, such as volunteering; and
- it supports transitions between activities and remove the worst anomalies and perverse incentives.

The parameters of a simplified system of support

4.11 Using criteria of age, qualification level and family income the Government seeks to identify the group of people who will benefit the most from additional support and incentives in order to achieve a successful transition to adulthood. Targeting support and incentives on one group of young people means there will inevitably be others who fall outside those provisions. In drawing up its proposals the Government will be mindful of the interaction with the financial support system for groups outside the system. The key groups here are:

- children of compulsory school age;
- the adult workforce; and
- young people in higher education.

Age 4.12 Despite the fact that curriculum reforms are aimed at the age group 14-19, the Government believes it is right to focus financial incentives for young people on the 16-19 age group. That is because parents have a statutory duty to ensure children under the compulsory school leaving age are receiving a suitable education, at school or otherwise. Only after compulsory school leaving age, the age at which some young people may be tempted by the short-term gains of unskilled work, do financial incentives for young people in low-income households to participate in learning begin to make a difference. The Government appreciates the impact of age cut offs in creating anomalies and perverse incentives. It will use the experience gathered in amending the age 19 cut off in existing financial support arrangements to determine the scope of any new system.

Qualification level 4.13 The current system of financial support is also delineated by qualification level. Child Benefit and Child Tax Credit only support the families of young people in non-advanced education, that is up to and including level 3. However, this support is also conditional on studying for those qualifications in full-time education. Building on the proposed amendment to the definition of a child in Child Benefit, in the long term the Government would not seek to differentiate between those in full-time education and in unwaged training studying for the same qualification level.

Household income 4.14 For the vast majority of young people who live at home, access to financial resources is determined by their household income. Evidence suggests that post-16 participation is positively correlated with parental income. The evaluation of EMA pilots showed that EMAs were most effective at raising the participation of young people who were eligible for the full amount of EMA, those in the lowest income groups. From September 2004 for roll out across the UK, EMA will be targeted using the same definition of household income as in the tax credits system. The Government will adopt a consistent approach to income testing wherever possible. The question of taking a young person's own income into account is addressed in paragraph 4.15.

Independence

4.15 Currently independence is determined by learning route. Underpinning the Government's vision is a new concept of young people's dependence and independence, recognising changes in curriculum and transitions to adulthood. In determining the circumstances which make a young person independent, the Government will take into account any new evidence and the views of young people and their parents. The Government believes that young people in full-time employment should continue to be treated as independent. There are other circumstances in which a young person can currently access Income Support in their own right, for example if they are a parent. Any new system would need to retain these notions of independence.

Leaving home 4.16 Evidence from initial consultation shows that stakeholders and young people want support for young people who leave the family home to be more quickly and easily accessible. Currently the burden of proof is firmly on the independent young person to demonstrate that they are estranged from their parents. Stakeholders have asked whether the system could be more trusting of young people who leave home, recognising de facto independence rather than investigating the circumstances of a young person's departure from home.

Question 3: How could the Government recognise de facto independence without encouraging young people to leave the family home?

Question 4: Are there any other circumstances in which a young person should be recognised as independent?

Young person's income 4.17 Evidence suggests that for most people independence has a financial angle. Many young people surveyed said that they felt independent even when living at home because they had personal disposable income to spend on their social life. Indeed research shows that some young people defer leaving the family home in order to increase their disposable income for a social life rather than paying for their own place to live. About half of 16-19s in full-time education, defined as at least 12 contact hours each week, also work part-time. Young people in full-time training have less opportunity to supplement their income as they are generally engaged in work-based training for the majority of the working week. The objective is not necessarily to create equality of income but to ensure that financial support does not distort choices between learning routes. Therefore the Government proposes to consider an income threshold so that young people with individual income over that threshold are treated as independent, but other young people do not face a disincentive to supplement their income through part-time work.

4.18 Young people in employment, either in full time work or employed training fall outside the scope of state financial support. Instead their wages are underpinned by a guaranteed minimum. The Government needs to distinguish between young people in full-time education with part-time employment and those in full-time employment. Two possible criteria are working hours and income. As set out above, full-time education is currently defined as 12 contact hours a week, so a young person could combine their course with 25 hours of work. Alternatively a young employee could be working full-time, attending college on day release or in the evenings. The Government wants to support young people in full-time employment to exercise their right to time off to study.

Question 5: How should the proposed threshold on young person's income operate?

Question 6: Would an income threshold define full-time work, or would an hours rule be more appropriate?

Extending family support

4.19 The second fundamental reform would be the extension of support to categories of young people who currently fall between the gaps in entitlement, for example those who cannot participate in an approved activity, for example because they are volunteering, ill or on grounds of maternity.

4.20 The rationale for extending to these groups is three fold:

- support – it recognises parental responsibility and alleviates poverty;
- activity – it introduces a rights and responsibility framework for those not in education, training or employment. It improves on the current severe hardship provisions in JSA as it more explicitly faces this cohort towards education and training rather than the labour market; and
- transitions – being part of the same system of support as those in education and training improves incentives to participate and smoothes transitions to participation.

Support 4.21 Parents support young people in their transition to adulthood even when there is no state financial support available. Consultation responses from parents show that they are often willing to get into debt to support young people when there is no other source of help. The Government recognises that transitions to adulthood are extended with the growing necessity to gain skills before entering the labour market. Transitions to adulthood do not always follow a set pattern and any new financial support system should recognise that vulnerable groups in particular may have a disrupted pattern of learning. In order to support parents and incentivise young people to participate in positive activities, as a transition to education and training or between learning courses, the Government believes there is a case for extending support to those young people. The corollary is that those who do not engage in an approved activity will not be eligible for financial support.

Activity 4.22 Evidence suggests that there is a group of NEET young people who have not been activated by the current package of policies around information, advice and guidance, financial incentives and curriculum reform. These young people may need to take intermediate steps before they are ready for a formal course of learning. Flexibility around the definition of activity will incentivise and reward those who are progressing towards but have not yet made it onto a formal course. The kinds of activities that could be recognised are basic skills training delivered by the voluntary and community sector or engagement in a search for training or a job. Bringing these young people into the rights and responsibilities framework also confers a sense of responsibility and citizenship.

Transitions 4.23 Flexibility in defining an approved activity also extends support to young people in transition. A care leaver who contributed to the review was unable to access financial support between courses of education because she was unavailable for work. Such an activity test could bridge short breaks in courses and incentivise young people to participate in other activities, such as a period of volunteering, in longer breaks between courses. There is a lot of movement between activities for this cohort and the gap between courses can be considerable, particularly where young people drop out in-year and have to wait until the beginning of the next academic year to start again. Extending support could prevent these young people moving into the low-skilled youth labour market.

4.24 Beyond the benefits of tracking, activating and conferring citizenship through the rights and responsibilities framework, there are advantages of keeping young people within a single system of support. Much of the current complexity and barriers to participation are generated by transitions between systems when a young person's circumstances change. Keeping a young person in the same system of support makes it easier to ensure a smooth transition to education or training and clear incentives to progress onto a course of learning leading to a formal qualification.

Volunteering 4.25 The Government recognises volunteering as a positive activity both in developing skills and employability for the young person, but also for the contribution that volunteering makes to the community. In evaluation evidence from Millennium Volunteers (MV), the Government's flagship volunteering programme for young people which has recruited over 120,000 volunteers, 65 per cent of participants agreed that MV had increased their employability.

4.26 The Government is keen to encourage more young people to undertake voluntary activity, which can make a contribution to the wider activities envisaged by Tomlinson's vision of a diploma. For some young people it can be a way of developing their confidence and talents and a valuable route back into education and employment. The Government is currently piloting the Young Volunteer Challenge, to encourage young people aged 18 to 19 from low-income backgrounds to take a year out after school, college or training to volunteer.

Question 7: Which activities should be eligible for support in addition to education and training?

Question 8: Should there be any time limits for support for these other activities?

Incentives

4.27 The Government believes that stable support should be supplemented by an incentive to learn. The EMA pilots have demonstrated the effectiveness of financial incentives in increasing in post-16 participation. As Box A.1 sets out, they have also provided a great deal of information about what works in delivering financial incentives to this age group. The Government thinks that the right structure is a combination of a weekly payment dependent on fulfilling the attendance and learning agreement, alongside retention and progression bonuses. As EMAs are rolled out nationally from September 2004 there will be further opportunity to evaluate and refine the system of incentives. Again building on evidence gathered in piloting contingency funds and in the Positive Activities for Young People programme, more flexible incentive payments could be made for those progressing towards learning.

Discretionary funds

4.28 Evidence set out in Chapter 3 suggests that a discretionary fund should sit alongside any new financial support system. Young people will from time to time face small one-off costs which present a barrier to participation. Any system of financial support should have the flexibility to respond to those individual needs in the same way as the New Deal Adviser Discretionary Fund which has proved so effective.

Other systems of financial support

4.29 These reforms will make financial support easier to understand, more accessible and more supportive when young people make transitions from one activity to another. There will be some young people with particular needs that require significant additional financial recognition, for example the disabled, care leavers and parents. Integrating all these forms of support into a single system risks making the new system as complicated as the one it replaces. However leaving some young people out of the system could risk marginalising them. One possible criterion to use would be to integrate all forms of financial support apart from those which are available beyond the 16-19 stage, for example Child Tax Credit if the young person is a parent themselves, or Disability Living Allowance. A young person in these circumstances may therefore be eligible for the support and, incentive payment and through a separate system, for support to recognise additional needs.

Question 9: Which streams of financial support should be included in any single system of support specifically for 16-19 year olds and which should be left outside?

HM Treasury, the Department for Education and Skills and the Department for Work and Pensions seek your views on the following questions. Please respond to:

Financial Support for 16-19s Consultation

Work Incentives and Poverty Analysis Team

HM Treasury

1 Horseguards Road

London SW1A 2HQ

financialsupport.consultation@hm-treasury.gsi.gov.uk

The consultation period will end on 30 September 2004.

Consultation questions:

Short term

Question 1: The Government would be interested in views on whether to identify unwaged trainees by programme of learning or non-employed status.

Question 2: Are the criteria the Government is considering for extending eligibility for Child Benefit, Child Tax Credit and Income Support to the end of the course the right ones? If not what else should the Government consider and why?

Long term

Question 3: How could the Government recognise de facto independence without encouraging young people to leave the family home?

Question 4: Are there any other circumstances in which a young person should be recognised as independent?

Question 5: How should the proposed threshold on young person's income operate?

Question 6: Would an income threshold define full-time work, or would an hours rule be more appropriate?

Question 7: Which activities should be eligible for support in addition to education and training?

Question 8: Should there be any time limits for support for these other activities?

Question 9: Which streams of financial support should be included in any single system of support specifically for 16-19 year olds and which should be left outside?

A

SUPPORTING PARTICIPATION

Patterns of post-16 participation

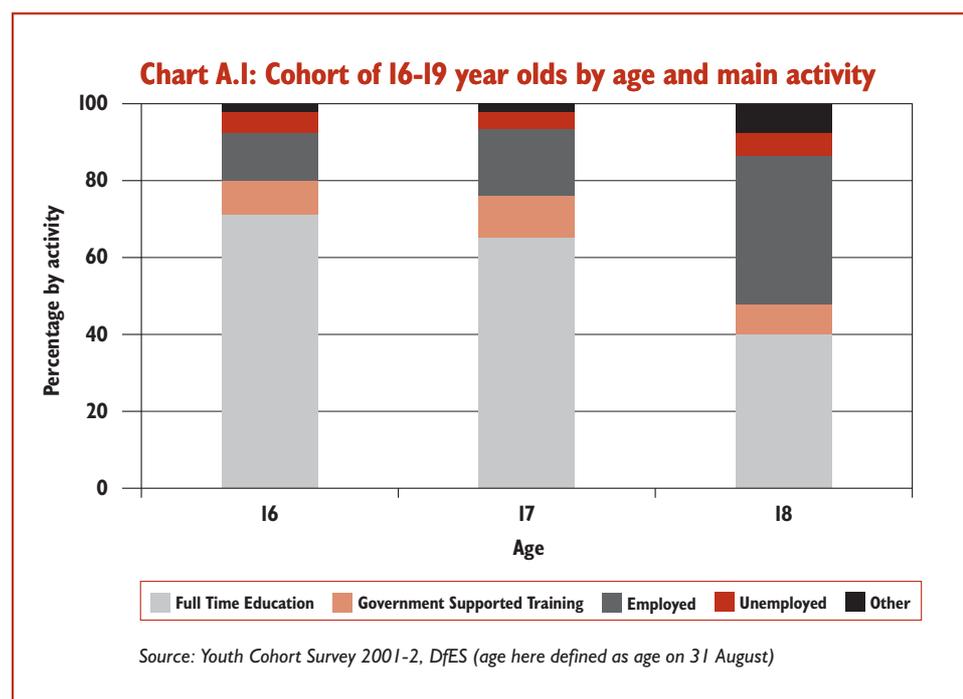
A.1 The Government's aim is that after age 16, all young people should continue in learning, whether in school, college or the workplace in order to increase the proportion who have achieved at least level 2 by age 19. As Table A.1 shows, currently 56 per cent of the cohort are engaged in full-time education and a further 20 per cent of the cohort are in training or other education. The remaining 24 per cent of the cohort are not participating in learning: 15 per cent are in work without formal training and 9 per cent are not in education, training or employment (NEET).

Table A.1: Activity of 16-19 year olds

Activity	Total	Full Time Student	Training or Other Education	Employed	NEET
Number of 16 – 19s (000s)	1,885	1,065	349	290	181
Percentage of cohort	100	56	19	15	10

Source: Statistical First Release 31/2003: Participation in Education, Training and Employment by 16-18 year olds in England

A.2 Chart A.1 shows the pattern of participation by age. It shows that the patterns of participation in education and training are similar at age 16-17, but a different pattern emerges at age 18. At age 18 more young people leave education and enter employment. Young people at age 18 become eligible for Jobseeker's Allowance (JSA), the New Deal for Young People and the youth rate of the National Minimum Wage.



A.3 Over 60 per cent of employed 16-17 year olds are studying full-time as their main activity. There is a high degree of concentration of 16-17 year old employees in certain industries. As Table A.2 shows over three quarters of all 16-17 year old students are employed in wholesale and retail or hotels and restaurants. Non-student employees are more evenly spread between sectors with 28 per cent in manufacturing or construction, compared to 3.5 per cent of their student counterparts. 16-17 year old non-students are also concentrated in health and social work and other community, social and personal services.

Table A.2: Percentage of 16-17 year old employees by sector and educational status

	Manufacturing	Construction	Wholesale/ Retail	Hotels and Restaurants	Other sectors
Students	2.8	0.7	51.9	25.7	18.9
Non-students	13.4	14.7	28.5	13.0	30.5

Source: Labour Force Survey, autumn 2002 to summer 2003 average

A.4 Typically more young people participate in full time education in Year 12, the first year after the end of compulsory schooling. A significant minority of those will drop out of education during or after the first year of study. Participation rates in full-time education drop from 71 per cent of the cohort to 65 per cent between Year 12 and Year 13. Most colleges run courses over an academic year, so a young person who drops out during Year 12 may find they have to wait several months before they can start back at college on a different course. Training generally does not operate by the academic year, so a young person dropping out of college could find a training place at any point during the academic year. A young person between education and training places is counted as NEET.

A.5 The category of NEET covers a wide range of activities and circumstances. Roughly equal proportions of young men and women are in the NEET group. About 60 per cent of the NEET group are unemployed and the rest are inactive. Most NEET young men are unemployed and most NEET young women are inactive. Half of all inactive NEETs are parents or carers, almost all of whom are women. A further 6 per cent are sick or disabled, again a majority of whom are women.

A.6 Men are more likely to leave education than women at 16, but this is offset by greater numbers of men entering training or employment, leaving the proportions who are NEET broadly similar. A higher proportion of White children leave education at 16 than those from other ethnic groups. However, they are also more likely to move into training or employment, with the result that Black, Pakistani and Bangladeshi 16-year olds are more likely to be NEET, by contrast Indian and other Asian 16 year olds are less likely to be NEET than their White contemporaries.

A.7 There is also a regional pattern to participation in education and training. While the average participation rate for 17 year olds across education and training does not vary much, Table A.3 shows that 17 year olds living in the North East of England are significantly more likely to be participating in work based learning than those in the South.

Table A.3: Percentage of 17 year olds participating in education and government supported training by region in England, 2001

Region	Full-Time Education	Work Based Learning	Other Part Time Education	Total Education and Training
North East	53	16	8	77
North West	55	12	6	73
Yorkshire and the Humber	53	12	7	72
East Midlands	57	11	7	74
West Midlands	56	11	7	73
East of England	59	8	5	71
London	63	5	5	73
South East	61	7	4	72
South West	60	10	5	75
England	58	10	6	73

Source: *Statistics of Education: Participation in Education and Training by 16 and 17 year olds in Each Local Area in England End 2001, February 2004*

Factors that affect decisions to participate

A.8 Most young people remain in education and training after 16 because they are ambitious and recognise acquiring skills as an important step to a brighter future. Financial returns to A-levels have remained high over the period since 1979 despite significant increases in enrolment rates in full-time education. The A-level route continues to offer the best long-term rewards with academic internal rates of return ranging from 14-21 per cent. As well as providing high returns themselves, A-levels are still the primary route to Higher Education with over 90 per cent of young people with good A-levels continuing to university¹. Training also delivers positive returns of 7-9 per cent for a NVQ level 3 trade apprenticeship. As a result of these returns, in theory, all young people have an incentive to participate in some form of learning after the age of 16.

¹ Using the measure of A=10 points, B=8, C=6, for those with 26+ points (A,B,B), 95 go to HE and for those with 18-24 points (C,C,C) to (B,B,B) 90 go to HE.

A.9 In practice some young people choose not to continue in learning. Broadly the factors that underlie the decision to remain in education or training are:

- prior attainment;
- social class and family income; and
- parental education.

A.10 Although there is a strong correlation between social class, income and parental education, there is evidence that they are independently linked with children's educational achievement and hence with post-compulsory participation.

Prior attainment **A.11** The introduction of GCSEs increased post-16 participation rates by raising attainment. GCSEs increased the proportion of the cohort achieving higher grades at 16 with the propensity to stay in education associated with those grades remaining constant. In 1986 only 24 per cent of young people achieved higher grade 'O' levels. The results for 2002-03 show 52.9 per cent of pupils gaining five or more grades A*-C. 90 per cent of young people getting 5 GCSEs A*-C continue in further education.

Parental education **A.12** Analysis from the National Child Development Study links parental educational attainment to propensity to stay on after 16. Gregg and Machin² found that young people whose parents had left education before the age of 15 were less likely to stay on after the age of 16 themselves. Low income was also shown to be a significant influence on a young person's propensity to remain in education or training. Other factors such as parental unemployment and lone parenthood were not shown to be significant. Post-16 participation rates also vary by gender, locality and ethnicity.

A.13 Post-16 participation, particularly among young men, is negatively correlated to unemployment levels. Clark³ finds that a 10 per cent increase in youth (18-20) unemployment leads to a 2.4 per cent increase in male participation and a 0.45 per cent increase in female participation. For young men, the effect of falling total unemployment in 1996-2001 more than offset the effect of rising attainment on the participation rate. It is the local unemployment level which has an impact on the participation decision, and so local participation rates may move differently from national trends.

The Government's strategy

Child poverty **A.14** In the medium and long term, the Government's strategy to tackle child poverty⁴ will improve educational outcomes. The strategy involves ensuring decent family incomes with more support for families that need it most, when they need it most; work for those who can, helping parents participate in the labour market; improving public services, especially early years services and education to enable children who start life in poor families to prosper as adults, thus helping to break cycles of disadvantage; and support for parents so that they can provide better support for their children.

² P. Gregg and S. Machin (1998) 'Child Development and Success or Failure in the Youth Labour Market' Discussion Paper No. 397, Centre for Economic Performance, LSE, London

³ D. Clark (2002) 'Participation in Post-Compulsory Education in England: What Explains the Boom and Bust? Discussion Paper 024, Centre for the Economics of Education

⁴ HM Treasury (2001) 'Tackling child poverty: giving every child the best possible start in life'

Adult skills **A.15** The national Skills Strategy, *21st Century Skills – Realising our Potential*⁵, published in July 2003, set out the Government’s agenda for acting on both demand and supply to raise the investment in skills. Its aim is to ensure employers have the right skills to support the success of their businesses, and individuals have the skills they need to be both employable and personally fulfilled. The New Deal for Skills will be a major step forward in achieving these aims, especially for the low skilled, and will focus particularly on tackling the long-standing barriers between welfare and workforce development.

A.16 For those aged 19 and over, the Government announced a new entitlement to learning at level 2 for those who are not already qualified at that level in the Skills Strategy. Adults who commit to achieving a full level 2 qualification will be entitled to free tuition. The new entitlement will be phased in from September 2004. The Government is currently piloting the Adult Learning Grant (ALG) in 10 Local Learning and Skills Council areas. ALG is a weekly payment for 19 plus year olds who are studying in full-time education, to improve the incentives for adult learners.

Encouraging young people to participate **A.17** The Government’s strategy to encourage all young people to remain in post-16 education and training has focused on promoting increased demand for participation among young people and on improving the quality and supply of education and training options post-16. There are three elements:

- reforming the curriculum to provide more coherence, choice and flexibility;
- raising the quality and profile of the vocational route and promoting the right to time off to participate in education and learning; and
- improving advice guidance and support, including financial support.

A.18 The reforms described in this section are either very recent, for example national roll out of Connexions and Entry to Employment (E2E), and indeed in some cases are yet to be introduced nationwide, for example (EMAs), so they have not yet impacted on the headline measure of NEET.

Learning entitlement **A.19** The Government’s strategy to increase participation by raising the individual demand for post-compulsory education and training is underpinned by a funding structure that provides universal free entitlement to education and training for the 16-19 age group. This entitlement means that, subject to availability, a young person under the age of 19 can participate in any course of learning without charge.

Right to time off **A.20** Since September 1999, low-skilled young people up to age 19 have had the right to time off to participate in education or learning:

- 16-17 year olds not in full-time education and not qualified to level 2 have had the right to paid time off work to study or train for approved qualifications; and
- young people aged 18 studying towards a relevant qualification also have the right to paid time off to complete the study or training already begun.

⁵ DfES (2003) ‘21st Century Skills – Realising our Potential’

A.21 The legislation does not prescribe how the learning takes place, so it can be delivered in the workplace, through a college or distance learning. There is no prescribed time requirement: it is specified as what is reasonable in the circumstances, taking into account the requirements of the course or training as well as the circumstances of the employer's business, and the effect of the time off on the running of that business.

Reforming the curriculum

Reforming the 14-19 phase

A.22 The current breakpoint provided by GCSEs at 16 is thought to be a contributory factor to the low post-16 participation rate. Although compulsory education ends at age 15 or 16 in most OECD countries, the UK is one of only two countries where school leaving qualifications are awarded at age 16. In England, reforms to the 14-19 phase aim to reduce drop out and disaffection pre-16 by providing a more flexible curriculum, responding to the individual's needs and interests, to provide continuity and progression post-16. The Green Paper on the 14-19 phase was published in February 2002 and following consultation, a policy document, *14-19: opportunity and excellence*, was published in January 2003 setting out a new core curriculum for 14-16s, with more flexibility for institutions to tailor programmes to individual pupils integrating time spent in further education and work-related learning within the school timetable. These short to medium-term changes will take full effect from 2004-05 onwards.

Tomlinson's proposed reforms

A.23 The paper also established the Working Group on 14-19 Reform, chaired by Mike Tomlinson, with a remit to look at longer-term reform of the qualifications and curriculum framework for the whole age-group. Tomlinson's initial proposals⁶ represent a major departure from the existing curriculum and qualification structure. Currently both 14-16 and 16-19 phases are focused on attaining a number of free-standing qualifications, sets of GCSEs or a single NVQ or A-level. This system does not accredit achievement in other areas, such as volunteering, and employers and Higher Education institutions look for students to focus their attention to maximise their grades in particular subjects, rather than achieve success across a balanced set of studies. In too many cases, GCSEs can act as an inadequate school leaving qualification especially among those who achieve fewer than 5 GCSEs A*- C (level 2 equivalent).

A.24 Tomlinson has proposed the introduction of a multi-level diploma, from entry to advanced level (levels 1-4), offering young people clear progression through a set of core, open and specialist options. A diploma as offered in the majority of other Western European countries encompasses a whole programme within a single qualification, for example a level 2 diploma would be made up of an agreed programme of study combining core and specialist subjects. With more flexibility to accumulate components of the qualification over time, students would seek to reach the equivalent of level 3 by 19, but some would reach level 2 instead. This shift towards a mixed economy of academic and vocational study moves away from the traditional definition of the child in academic study to age 19.

A.25 Tomlinson's working group reported back to the Government with its initial recommendations in February 2004, which are out for consultation, and it will make its final recommendations in September 2004. Any proposed curriculum reform would be introduced progressively.

⁶ 14-19 Working Group, summaries of progress at http://www.14-reform.gov.uk/reports_consultation/index.cfm

Raising the quality and profile of the vocational route

A.26 The second strand of the strategy to increase participation post-16 centres on expanding the numbers in work-based training and improving the quality of the training delivered to the young person. The key elements are raising the quality of Modern Apprenticeships (MAs), increasing retention rates on MAs and providing a stepping stone to the level 2 and 3 qualifications offered through MAs and in other forms of training, through the launch of E2E.

Entry to Employment

A.27 In September 2001, Sir John Cassels' Modern Apprenticeship Advisory Committee proposed the establishment of pre-employment provision for those young people not immediately able to enter a Modern Apprenticeship or other employment. In July 2002 the DfES announced that a pathfinder E2E programme would be introduced to help develop more effective work-based learning, enabling more young people to progress to higher learning opportunities. Eleven pathfinders, which encompass local Learning and Skills Council (LSC) and Connexions Service partnerships, ran across all Government Office regions and E2E was launched throughout England in August 2003.

A.28 E2E supports learners in the achievement of level 1 qualifications (or other equivalent achievement) as a building block towards attainment at level 2 and progression to MAs or other appropriate provision. All level 1 training in England is now within E2E framework. Although there is no set time for completing E2E, it depends on individual progress, on average a participant will spend 16-22 weeks on an E2E programme.

A.29 The E2E framework, from which individual programmes will emerge, includes: formal learning opportunities to achieve accredited qualifications including basic or key skills; practical and vocational learning; employability skills and career management; informal and personal development activities and work experience, with an emphasis on young people playing a full part in planning and reviewing their learning. E2E provides support to young people who have been disaffected for example as a result of school exclusion or low levels of school achievement or disadvantaged by circumstances or characteristics, such as homelessness, offending behaviour, health issues, care history or family difficulties.

Modern Apprenticeship

A.30 Modern Apprenticeships (MAs) are offered at two levels, the Foundation Modern Apprenticeship (FMA) at level 2 and the Advanced Modern Apprenticeship (AMA) at level 3. Young people can join a full-time MA from age 16, and the Learning and Skills Council is currently raising the upper age limit of 25. In England 71 per cent of 16-17 year olds undertaking a Modern Apprenticeship are at the foundation level.

Modern Apprenticeship taskforce

A.31 In England there are currently 235,000 16-21 year olds participating in Modern Apprenticeships and current plans envisage 320,000 young people participating in Modern Apprenticeships by 2006. The Modern Apprenticeship taskforce, chaired by Sir Roy Gardner, Chief Executive of Centrica, was established in February 2003 to increase further the number of apprenticeship opportunities available by generating employer engagement within a wide range of sectors and among both large employers and small and medium size enterprises.

A.32 Before Modern Apprenticeships were introduced, apprenticeships were concentrated in traditional sectors. These sectors still dominate MAs with 25 per cent in engineering and 12 per cent in construction, but take-up is growing in non-traditional service sectors with 13 per cent in business administration and 12 per cent in health and social care. Take up of MAs is also greater among larger employers. A 2001 survey found that 9 per cent of employers with five or more employees who recruited 16-24 year olds used FMAs, with a further 3 per cent using AMAs. By contrast, around a quarter of those with a workforce of 500 or more employed Modern Apprentices.

Improving success and completion rates

A.33 The Government is also taking action to improve the quality of the training delivered and to increase the completion⁷ and success rates⁸ of Modern Apprenticeships. The strategy is working and the rates are improving, albeit from a low base. Over the 12 month period to June 2003 success rates improved by 5 percentage points to 40 per cent. The Learning and Skills Council has set objectives to increase median success rates on Modern Apprenticeship programmes from 37 per cent in 2001-02 to 50 per cent by July 2004 and 57 per cent by July 2005 with no provider or area of learning less than 40 per cent; and to increase Modern Apprenticeship completion rates so that they are within 15 percentage points of the respective success rate.

A.34 One key element in achieving these targets is ensuring that young people embarking on a Modern Apprenticeship are adequately prepared for it. To address this the Government is encouraging providers to start learners who have not attained level 2 on an FMA, progressing to AMA. This is being taken forward at a local level through service level agreements with Connexions Services. This is a long-term strategy, which together with the introduction of E2E will improve success rates on both programmes.

A.35 To raise training quality standards, the LSC has an objective of reducing the proportion of providers that are judged to be inadequate by the Adult Learning Inspectorate from 56 per cent in 2001-02 to 45 per cent by July 2003, to 33 per cent by July 2004 and to 17 per cent by July 2005. To reach these targets the LSC is offering support to training providers to increase the volume and extent of their provision while at the same time improving retention and achievement but also ensuring that the contracts of those providers falling below standard are terminated.

Improving guidance and support

A.36 The final element of the Government's strategy for improving participation in education and training post-16 consists in the roll out of improved advice services for young people, through Connexions, and increased financial support for young people staying on in full time education, through EMA. The evidence from the evaluation of EMAs is discussed in more detail in Box A.1.

A.37 EMAs are designed to tackle the financial barriers to participation in education that young people from low-income families can face. They are paid on top of financial support to the parents of a young person staying on in school beyond the compulsory school-leaving age. On the basis of the evaluation of the EMA pilots, a national EMA model will be introduced in the UK from September 2004. In England, in September EMA will become available to 16 year olds nationally. From 2006-7, it will be available to all eligible students in Years 12, 13 and 14. Roll out is expected to increase participation in post-compulsory education in England overall by 3 percentage points.

⁷ The percentage of learners completing the full framework.

⁸ The percentage of learners completing the full framework or just the primary NVQ.

There are small variations between the schemes in Scotland, Wales and Northern Ireland. The key features of the proposed scheme for England are:

- weekly payment bands of £30, £20 and £10 per week. The £30 entitlement would be available to families with household income of up to £19,630; £20 to families in the £19,630 to £24,301 band; and £10 for household income up to £30,000;
- bonus payments of £100 in January and July of each academic year, with an additional bonus payment in September/October for those who have returned to learning for a second or subsequent year;
- a three-year period of entitlement for all eligible students, with an additional year of entitlement for young people in specified vulnerable groups;
- EMA will be paid directly into the student's bank account rather than to the parent; and
- EMA eligibility will be assessed on the basis of family income, as defined by the Inland Revenue for tax credit purposes.

Box A.1: Evidence from the Education Maintenance Allowance pilots

Evaluation of the EMA, has found that in those areas where it was piloted, there was an increase in participation in education among eligible young people of 5.9 percentage points in Year 12 with a further increase in Year 13. About half of the draw into full-time education at 16 that can be attributed to EMA comes from young people who would otherwise have entered the NEET group.

The pilots tested £40 and £30 weekly payments. The higher payment level was not any more effective at attracting additional numbers of young people into further education.

The pilots also found payment to the young person was twice as effective in encouraging participation in Year 12 (9.6 percentage points) compared to where payments were made to parents (4.8 percentage points).

The evaluation shows that young people most frequently use their EMA weekly payments for course expenditure, as well as personal and household expenditure, social spending, and saving, including for higher education. Bonuses, in contrast, were seen more as a 'reward' and so tended to be used for major personal purchases or social expenditure.⁹

A.38 The Government believes that asylum seekers aged 16-19 should not be eligible for financial incentives to participate in education and training, unless and until they are awarded full refugee status and permanent leave to remain. This is because incentive payments are an investment in the long-term opportunity, flexibility and productivity of the UK economy. However, failed asylum seekers have no legal right to remain in the UK and those with some form of temporary leave to remain are ultimately expected to return to their country of origin.

Connexions A.39 Connexions is an information, advice and guidance service for all young people age 13-19 in England. The service is universal in scope but more intensive support is offered to those young people at risk of poor outcomes. Personal advisers deliver a range of support, differentiated according to client need and professional competence,

⁹ Analytical Services: Youth, DFES

and broker access to specialist advice and services where needed. The focus of the Connexions Service is preventing young people disengaging from learning and reintegrating disengaged young people into education, training or employment. Connexions is on course to meet its target of reducing the proportion of young people NEET by 10 per cent by November 2004. In November 2003, NEETs had been reduced by 3 per cent overall and 8 per cent in established Connexions Partnerships.

B

SUPPORTING TRANSITIONS

Transitions to adulthood

B.1 In the context of the New Deal for Skills, this review is an opportunity to re-examine the role of the Government, individuals, employers and parents in supporting young people to make successful progress through education and training into the labour market and independent living. The transition to adulthood is made up of a series of transitions in different spheres: education, work, leisure and domestic life.¹ The order of these transitions will shape a young person's experience. The curriculum and support need to be flexible and responsive enough to ensure that young people in a range of different circumstances have the incentives to participate in education and training up to the age of 19.

The role of parents

B.2 There is a strong link between a family income and parental experience of education and a young person's propensity to stay on in education and training after 16. A minority of parents see the end of compulsory schooling as the end of childhood and therefore their responsibility for their children. The vast majority see a continuing role. In fact, as Table B.1 shows, just under 97 per cent of 16-18 year olds in England and Wales live within the family home. Policy on post-16 education and training needs to take account of the role of parents in supporting young people in their decisions as well as financially and more generally.

Table B.1: Living status by age and activity²

Percentage	16 year olds		17 year olds		18 year olds	
	Independent	Dependent	Independent	Dependent	Independent	Dependent
Government Supported Training	0.5	8.4	0.4	10.6	0.7	7.2
Full-Time Education	1.5	69.5	1.0	64.1	17.5	22.4
PT / FT job	0.6	11.8	1.0	16.2	4.3	34.1
Unemployed	0.5	5.0	0.5	4.0	1.2	4.9
Other	0.3	1.8	0.5	1.7	2.2	5.5
Total	3.4	96.6	3.5	96.5	25.9	74.1

¹ Thomson, R and Holland, J (2002) *Inventing Adulthood: Young People's Strategies for Transition*, ESRC

² Dependent refers to those who live with either / both parents / step parents. Independent refers to respondents who do not live with either their mother/step-mother or father/step-father.

The European experience **B.3** Patterns of transitions to independence vary widely across Europe. Young people in Northern European countries leave home earlier than those in Southern European countries. One study³ found that Finnish and Danish young people left home the earliest, then the Dutch and the British. Italian and Irish young people left home the latest. Across Europe women leave home earlier than men. In the UK half of women had left home by 22 and half of men by 23.5. This compares to ages of 27 and 30 in Italy. Patterns of independent life also differ across Europe. Women from Northern European countries are likely to spend some time living alone, with friends or cohabiting. Southern European women are more likely to move from the parental home into a marital home.

B.4 A qualitative comparative study of leaving home in the UK, Spain and Norway examined the cultural differences between the countries in patterns of leaving home.⁴ In Britain and Norway young people leave home for a variety of reasons including: cohabiting; going to university; getting a job elsewhere or simply to seek independence. In Spain most young people leave home to get married. Compared to the other two European countries Britain had the least defined cultural expectation about parental responsibilities in the transition to adulthood.

The British experience **B.5** The role of financial support in the transition to adulthood in Britain is a complex one. The diversity of pathways to adulthood is matched by a lack of clarity about the financial responsibilities of parents towards their children. This lack of clarity leads to a situation of discretionary, negotiated and irregular income transfers between parents and children that can lead to tension.⁵ The transfers are not only one-way, parents often expect board payments from their children but there is usually a hidden subsidy in the cost of board and lodgings.

Independence **B.6** Many young people define independence from their parents as financial independence. Even after a young person achieves independence in terms of day-to-day financial maintenance, parents will often have an ongoing role. Many parents provide a safety net, offering support in kind or a loan in times of crisis as well as ongoing emotional support. Some young people, notably care leavers⁶, do not have the support of their parents as they make the transition to adulthood. The role of the state in those circumstances is to provide ongoing support, not only in basic maintenance but also financial support in time of crisis.

B.7 Results from consultation showed that young people consider themselves financially independent when they can afford their essential living costs. Even those young people with independent income did not feel independent if their parents were paying for necessities. For others, independence was more closely linked to working or having a job. Dependency on parents or carers centres on receiving financial support either in kind or in cash. Young people who felt semi-independent usually contributed to their own living costs, either by paying board or only receiving additional support from their parents. By far the smallest group of respondents (those who described themselves as financially independent) were those who were working full-time or receiving benefits in their own name, living on their own, with a partner or a child and

³ Iacovou, M and Berthoud, R, (2001) *Young People's Lives: a map of Europe*, University of Essex Institute for Social and Economic Research, ESRC

⁴ Holdsworth, C, Morgan, D et al (2000) *The Transition out of the Parental Home in Britain, Spain and Norway*, University of Liverpool, ESRC

⁵ Seavers, J and Hutton, S (2003) *With a little help from...their parents? Money, young people and family support*, NYA and ESRC

⁶ careleavers are young people who used to be in the care of the Local Authority as children

who did not receive any financial support from their parents. How young people make choices

B.8 Decisions about remaining in post-16 education are influenced by a variety of factors including personal motivation, experiences of school, GCSE results, views about the value of obtaining skills and qualifications, and the influence of parents, teachers, careers advisors and peers⁷. Different sources of evidence conclude that each of these various factors is the most influential when a young person is making a decision on which activity to pursue, but it is reasonable to suggest that they all play a significant role to a greater or lesser degree in each case.

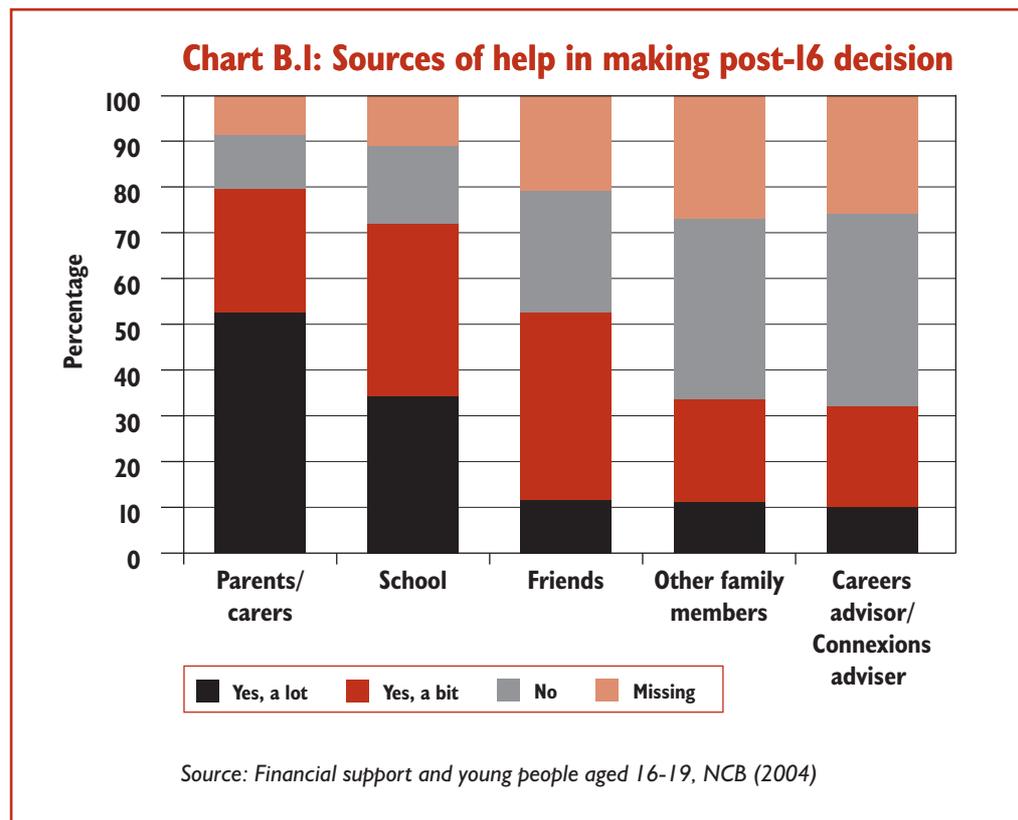
B.9 Results from the National Children's Bureau's (NCB) questionnaire *Financial support and young people aged 16 to 19*⁸ show that when making a decision about what to do when they leave school young people are most likely to receive help and advice from their parents or carers, followed by teachers and then friends. Only 10 per cent had advice from the Careers or Connexions Service and 12 per cent did not have any help. The Connexions Service focus their attention on those young people considered most at risk, and in most need of help, support and guidance. 68 per cent of respondents to the Improve your Connexions survey stated that Connexions helped them make decisions about the future.⁹ In particular, younger respondents (those aged 13-15) were more likely to state that Connexions helped them to make decisions about their future. Evidence suggests that peers do not disproportionately influence young people. At the actual point of choice, very few young people say they take a particular route in order to do the same as their friends.¹⁰

⁷ Legard, R., Woodfield, K. and White, C. (2001) *Staying Away or Staying On? A Qualitative Evaluation Of The Education Maintenance Allowance*, NCSR

⁸ Olle, H (2004) *Financial support and young people aged 16 to 19*, National Children's Bureau Research Department

⁹ Mortimer, E et al (2003) *Connexions Customer Satisfaction Survey: Phase I Partnerships*, London: Research Report 463, DfES

¹⁰ Payne, J. (2002) *Attitudes to Education, and Choices at Age 16: A Brief Research Review*, PSI



Parental influence B.10 Most parents want their children to stay in full-time education. In one survey 83 per cent of parents wanted their children to stay on in education, compared with 8 per cent who hoped they would enter work or training post-16 and 9 per cent who expressed no preference.¹¹ Sometimes parents see staying on as a stop-gap until their child knows what they want to do, a way of postponing decision.¹²

'I've said to him go to sixth form, but then if a job suddenly came up six months later, obviously take it, you know, cos he's only going to sixth form to better himself to get that job.'

B.11 Parents see their role as guiding, encouraging and influencing, rather than imposing their views on their children or making the decision for them. In fact only a very small percentage of young people cite 'parental pressure' as the main reason for staying on in education¹³ and most young people feel they make their own decisions. Young people find the decision-making process easier when left to make their own decisions or when they had been positively encouraged by their parents to follow their desired course of action¹⁴. The level of parents' education and occupation is a large influence. Evidence shows that more educated parents are more proactive and influential over their child's decisions. Parents who felt they were least knowledgeable about education and qualifications were most likely to have NEET children and were

¹¹ Ashworth, K., Rennison, J., Maguire, S. and Middleton, S. (2003) Young People Not In Education, Employment or Training: Evidence From The Education Maintenance Allowance Pilots Database, CRSP.

¹² Becher, H., Henricson, C. and Husain, F. (2004) Parents' View of Financial Issues and Post 16 Education and Training for Young People 16-19, NFPI

¹³ Payne, J. (2002) *ibid.*

¹⁴ Knight, T. and White, C. (2003) The Reflections of Early Leavers and Second Year Participants on the Education Maintenance Allowance Scheme. A Qualitative Study, NCSR

also more likely to agree that young people “do not get enough advice from school about the options open to them after Year 11”.¹⁵

B.12 Parental support is important in successful post-16 transitions. Survey evidence from the EMA evaluation shows that where young people and their parents share aspirations, the young person usually achieves their aspirations in terms of post-Year 11 activity. This was particularly the case among young people and parents who opt for the post-16 education route, even when the young person achieves no, or low, Year 11 qualifications. However, if parents disagreed with their children’s aspirations there was a higher risk of young people ending up in the NEET group or in work. Parental support is an important factor but cannot alone guarantee a positive outcome, as survey evidence shows that over half of those in the NEET group agreed with their parents about post-16 destinations. The same survey finds that truancy, exclusion, having a limiting disability and caring responsibilities are also important risk factors of entering the NEET group.

B.13 Ashworth et al find that parents of young people in the NEET group were least likely to say they had been involved in their child’s decision.¹⁶ One reason for disagreement between parents and their children about post-16 destinations is the degree of involvement by parents. There was a correlation between parental attendance at a parents meeting and young person’s participation in education post-16. A young person whose parent attended a parents’ evening or an open day was found to be seven times more likely to enter education, rather than being NEET, compared to someone whose parent had attended neither.

Better information and advice

B.14 In response to consultation, there was a strong message from both parents and young people that they did not receive enough information on post-16 choices or the financial support available. When young people were asked how they would like to receive further information, the most popular methods were through schools, colleges and teachers, and the media, including adverts and TV. Parents generally felt that children do not pass on relevant information and would prefer to receive it directly. They also make the point that it would be useful to receive such information at an earlier stage in their child’s education, for example, when they are choosing their GCSE subjects.

B.15 Young people in the NEET group were more than three times as likely as others to say they had obtained no advice at all¹⁷. Absence from school may have led to the lack of contact with other support agencies such as Career Services or Connexions. Access to impartial advice and support might have increased the level of understanding among some of the young people about the opportunities available post-16. NEET young people had fewer sources of advice and had received information from teachers and career officers less often than others. This concurs with views of their parents.

Financial support

B.16 Young people report that the most important factor in their decision to study, train, find a job or do something else is whether it will lead to a better-paid job in the future. Young people are willing to make short-term sacrifices, but how they will support themselves in the short-term is also a factor in their decision. Almost 40 per cent of young people in the NCB survey said their current financial situation was a factor in their post-16 decision.

¹⁵ Ashworth et al, (2003) *ibid*.

¹⁶ Ashworth et al, (2003) *ibid*.

¹⁷ Ashworth et al, (2003) *ibid*.

B.17 The National Family and Parenting Institute found that parents believe that their children are mostly only concerned with short-term financial gain. Parents themselves feel that the long-term benefits of remaining in education and training outweigh the immediate financial costs they might incur.

‘at the end of the day, I think we would all agree that we would beg, steal or borrow...if that’s really what they wanted to do and you know that they were gonna do it, that they could make something of themselves’.

B.18 Most parents said they did not discuss financial implications of staying on as they did not want to deter their children from continuing their education and would prefer that financial cost does not play a part in the decision-making process.

B.19 Young people suggested that they receive more support in-kind. Free transport, equipment and books were suggestions made that might affect their decision when they left school. Other non-monetary support, such as discounts in shops, student cards similar to the one in higher education and affordable housing, might be an incentive to stay on in education.

Satisfaction with choice **B.20** A majority of people in the NCB survey were satisfied with their post-16 choice. Those solely engaged in full-time study were the most satisfied with their choice. A third of those in full-time work-based training said that they wished they had done something else. Three-quarters of young people in full-time work wished they had chosen something else.

Advice and support **B.21** The Government recognises the importance of independent advice and guidance, and in the context of the Tomlinson proposals and the 14 to 19 pathfinders, will be looking at further models to expand the range of advice and support offered. This will include both the role that schools and colleges can themselves play and the personal adviser model developed by Connexions. The Government also recognises the influence and guidance parents offer in their children’s decisions. Building on the recommendations of the Children’s Green Paper, which commits the Government to providing support to all parents and carers, the Government will ensure that parents have access to relevant advice and information which will inform the support they offer their children.

C

AUSTRALIA'S YOUTH ALLOWANCE

C.1 In 1998, Australia introduced a Youth Allowance (YA) for young people between the ages of 15 and 25. YA was introduced to simplify support, remove disincentives to study and reinforce parental responsibility, replacing five payment types with one. It established consistency across circumstance with a single parental income test and independence criteria.

Box C.1: Key features of Australia's Youth Allowance: Activity testing

In order to receive YA a young person must:

- Participate in full time study or training (normally 15 contact hours a week);
- Actively seek, and be willing to accept offers of suitable work, including part-time and casual employment; or
- Undertake a combination of approved activities including part-time study, part-time work, voluntary work and others.

YA is not payable to anyone who is fully employed (usually defined as 35 hrs a week). This includes full-time apprenticeships and trainees. Since January 1999 young people under the age of 18 years are generally expected to remain in full-time education or training to receive YA. A temporary exception can be granted where it would be unreasonable to expect the young person to undertake full-time education.

Under YA, young people who are not independent are subject to a Parental Means Test with the amount of the award adjusted accordingly. Above a threshold, young people's own income also affects the amount of the award though with some smoothing for students.

Independence

Independence in YA primarily means that the parental means test does not apply. Under YA the most common ways of achieving independence are:

- Through prior workforce participation (40 per cent);
- Where Centrelink has established that it is unreasonable for the young person to live at home because of extreme family breakdown or serious threat to the person's physical or mental well-being (38 per cent); and
- Being partnered, through marriage or long-term de facto relationship (8 per cent).

C.2 The YA is an income related fortnightly payment to the families of young people, and independent young people, who are participating in an approved activity. The payment for young people assessed as dependent goes directly to their parents, but there is the option to transfer the payment to the young person. Young people assessed as independent receive the payment directly.

Participation rates **C.3** Education participation rates increased for 16-17 year olds in the first year of YA from 79.2 per cent to 81.4 per cent. The increase was maintained for the following two years. Between June 1998 and June 1999 there was a decrease of 10,200 in the number of all 16 and 17 year olds who were unemployed and an increase of 11,900 who were in full-time education (school, vocational education or training). This increase occurred when the youth labour market was otherwise strong, so the evidence points to YA and associated education initiatives being responsible for the increase.

Which elements of YA were most successful?

Extension of Rent Assistance to students **C.4** Independent students and those who live away from home for reasons of access are given help with housing costs called Rent Assistance (RA) to remove the disincentives for the unemployed returning to study caused by reduced entitlements. 30 per cent of YA students receiving RA who were previously jobseekers said that they would not have been able to study without RA.

Flexible activity testing **C.5** Flexible activity testing was introduced to allow young people to transfer between activities, to undertake combinations of activities and to recognise that building skills would better equip some young people for work than job search. Flexible activity testing reduced the numbers involved in jobsearch and increased the numbers in Intensive Assistance, Community support and Literacy and Numeracy. Few people undertook combinations of activities. Community consultation found widespread support for activity testing but there are concerns that vulnerable young people may not have the skills to negotiate an Activity Agreement.

Disincentives in YA **C.6** Seventy two per cent of early school leavers thought there were no disincentives to study in YA. The aspects of the YA that were mentioned as disincentives were the level of the payment (12 per cent), the application procedure (5 per cent), parental means testing (3 per cent), not being independent (3 per cent).