



Part 3

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Skills: Getting on in business, getting on at work



Skills: Getting on in business, getting on at work Part 3

**Presented to Parliament by
the Secretary of State for Education and Skills
by Command of Her Majesty**

March 2005

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Skills: Getting on in business, getting on at work

Part 3

department for
education and skills
creating opportunity, releasing potential, achieving excellence

dti



HM TREASURY

DWP

Department for
Work and Pensions

Progress in meeting skill needs

Introduction

1. This technical paper sets out the most recent evidence and historical trends on how we are better meeting our skill needs. It provides a background and context for understanding the skills issues and policies set out in Parts 1 and 2 of the Skills White Paper. It focuses on trends on:

labour supply including those related to gender, age and ethnic group;

adult participation in learning including differences in gender, age and ethnicity;

the value of qualifications including differences in the rate of return to different qualifications;

Level 2 qualifications including differences by age, ethnicity, region and sector of employment;

Level 3 qualifications including differences by age, ethnicity, region and sector of employment; and

Higher Education including differences by gender, ethnicity and socio-economic group.

2. An accompanying report, *Skills in England, Volume 1*,¹ setting out the latest assessment of the balance between skills supply and demand has been published in parallel with the Skills White Paper.

Labour Supply and Demographics

3. The age profile of the UK working age population is changing significantly. In 1995, the majority of those of working age were under 40. By 2015, that position will be reversed, with around 55% of those of working age over 40 (see Chart 1). It will not be possible to depend on the inflow of young people to meet skill need. We must regularly upskill and reskill our older workers. Failure to do that will weaken our industrial base, reduce productivity and competitiveness.

4. The current working age population comprises 90 per cent from those who describe themselves as white and 10 per cent from other ethnic groups. A more detailed breakdown reveals that the white population has an older age structure than other ethnic groups, reflecting past immigration and fertility patterns. Therefore, depending on future net migration, ageing of other ethnic groups is anticipated to lead to their forming an increasing proportion of the working age population in the future (see Chart 2).

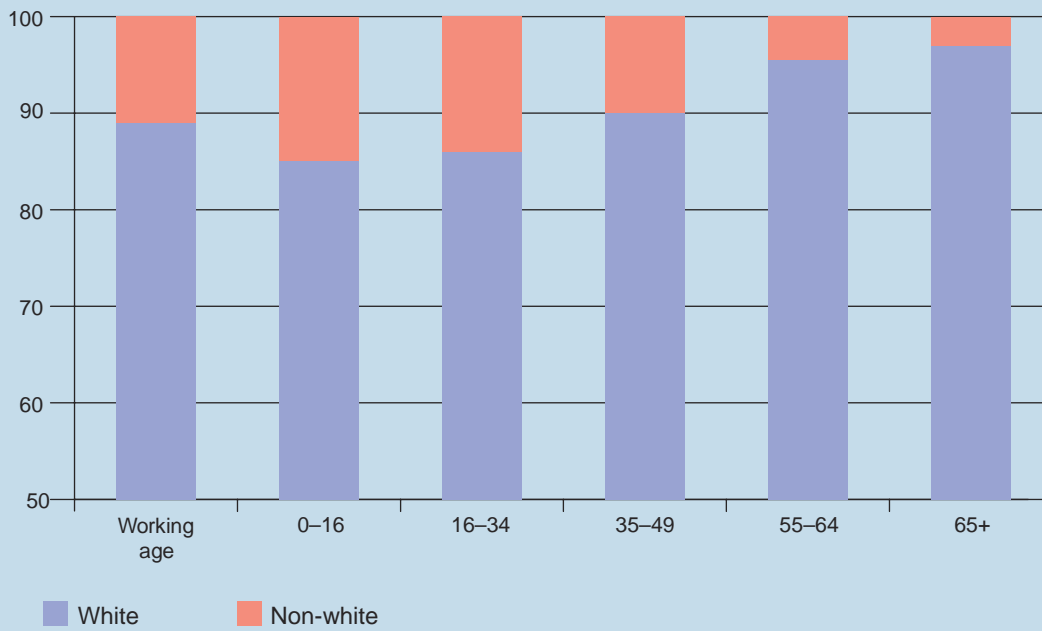
¹ *Skills in England 2004 vol 1: Key Messages*, LSC (2005)

Chart 1: UK Population by Age, 1995 and 2015

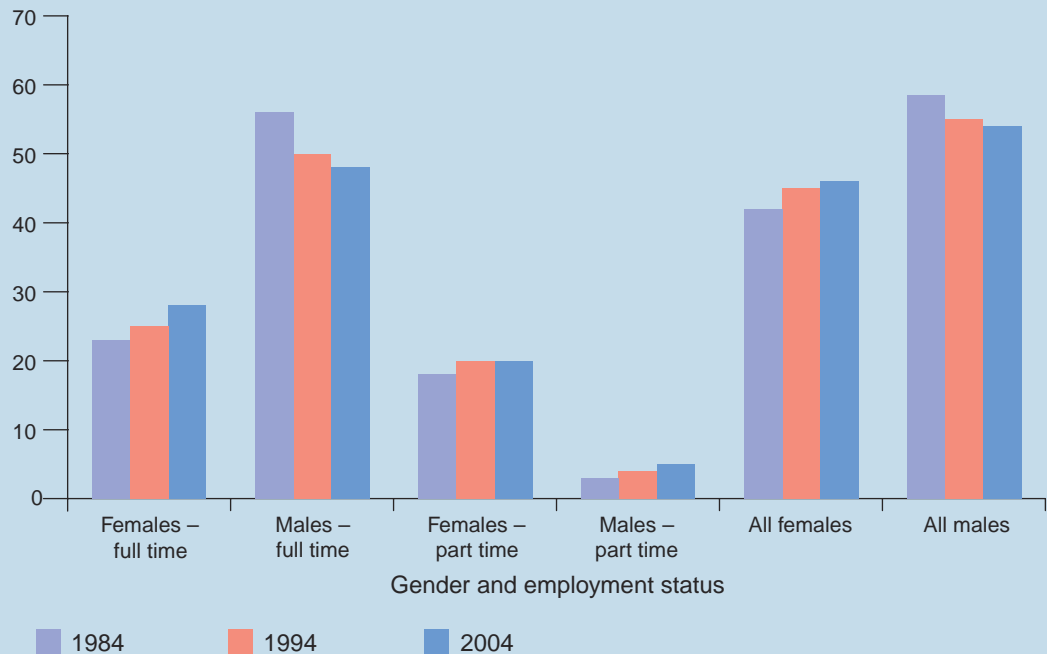


Source: U.S. Census Bureau, International Data Base

Chart 2: Ratio of whites to non-whites for the working age population and other age bands



Source: Labour Force Survey, Spring Quarters

Chart 3: Labour Market participation by gender

Source: Labour Force Survey, Spring Quarters

5. The total proportion of women in employment has increased from 41% in 1984 to 46% in 2004, catching up slightly with the participation of males (54%). This has been caused by growth from both women in part-time jobs and full-time jobs. Amongst males there has been an increase in the proportion in part-time employment, but a decline in the proportion working full-time (56% to 48%) – see Chart 3.

Adult participation in Learning

Overall

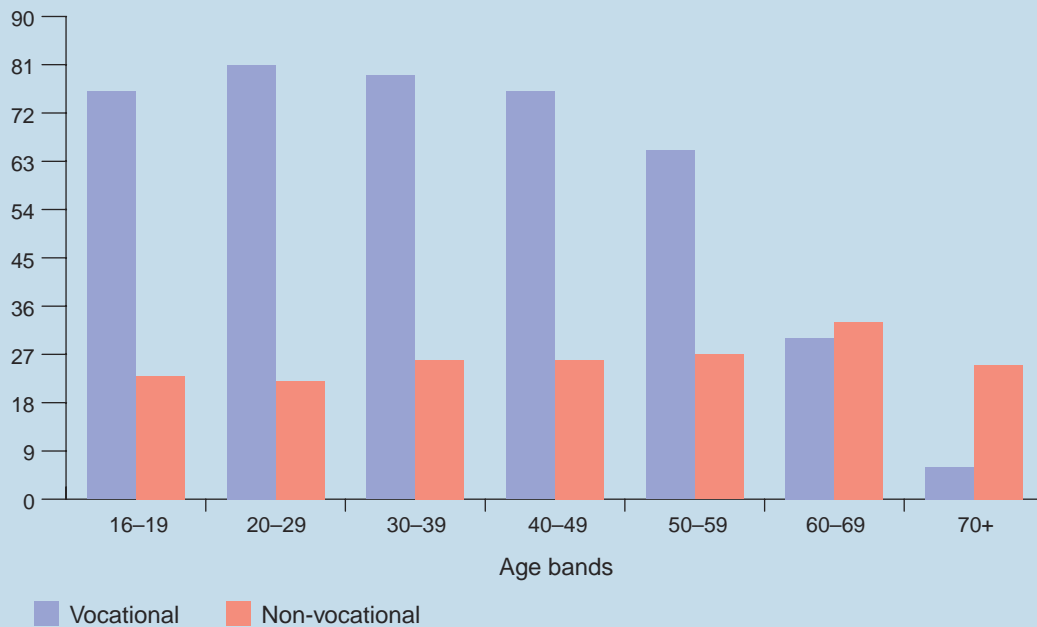
6. According to the National Adult Learning Survey (NALS) 69% of adults aged 16+ had participated in vocational learning in the 3 years prior to 2002, and 26% had participated in non-vocational learning. Chart 4 shows that participation in vocational learning decreases significantly after the age of 50, although participation in non-vocational learning increases slightly. However, since 1997 there has been an increase of 5 percentage points

in the proportion of 50-59 year olds participating in vocational learning and an increase of 2 percentage points for 60-69 year olds.

7. Men are more likely to do vocational learning than women (73% compared to 65%) – this probably reflects the higher participation of men in the labour market which is the main driver of vocational learning. Women (29%) are more likely to do non-vocational learning than men (23%).

8. There is quite a variation in learning among different ethnic groups:

People of Black African and Black Caribbean origin (and people from mixed races) have a high participation in learning, similar to that of Whites. This is surprising since these minority ethnic groups have many socio-demographic characteristics (e.g. low employment and high deprivation) which are associated with low rates of learning.

Chart 4: Percentage of age groups reporting different types of learning over the last 3 years

Source: National Adult Literacy Survey, 2002

People of Pakistani and Bangladeshi origin have very low participation in learning. Some of this can be explained by low fluency in English and socio-demographic factors.

People of Indian and Chinese origin have an intermediate participation rate.

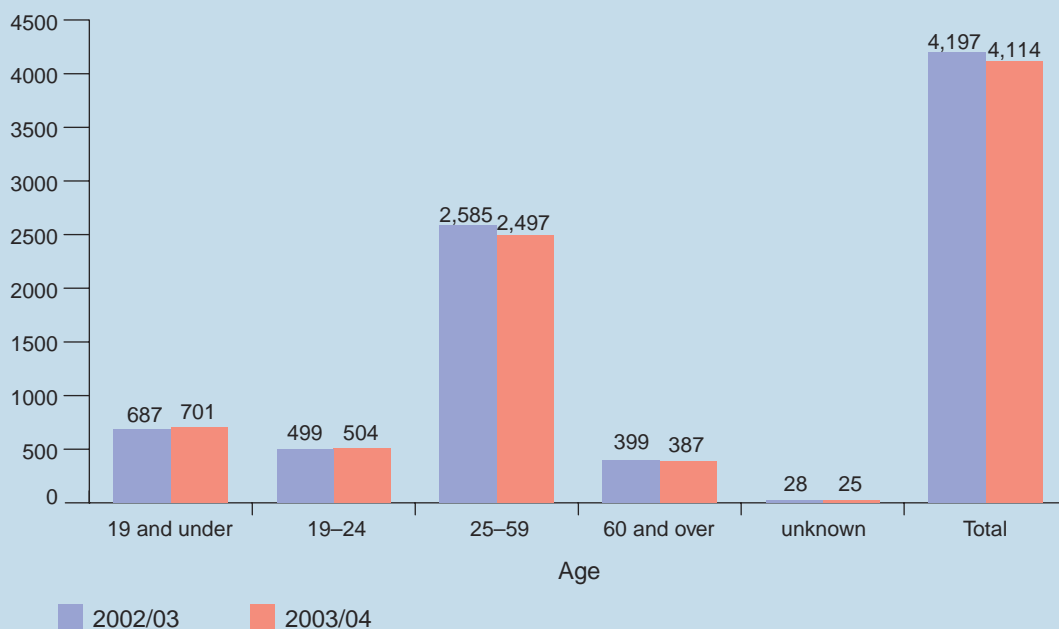
Further Education

9. In 2003/04 there were 4.1 million learners in LSC funded Further Education. Of these, the majority (61%) were aged 25-59; 17% were under 19 years of age; 12% were aged 19-24 and 9% were aged 60 and over. Those aged under 19 increased by 2% between 2002/03 and 2003/04 (687,000 to 701,000) while those aged 25-59 decreased by 3% to 2.5 million (see Chart 5).

10. In 2003/04 79.4% of learners in Further Education described themselves as White, while 15.1% described themselves as being from ethnic minorities. As ethnic minority groups make up only 10% of the population of England this suggests a proportionately greater propensity to participate in FE learning. The largest ethnic group were those of Black or Black British – African ethnicity (2.6%) – see Table 1.

11. The majority (60%) of learners in Further Education in 2003/04 were female; 40% were male (see Table 1).

Chart 5: Learners (000s) on LSC-funded Further Education Provision in 2002/03 and 2003/04 by age.



Source: Individualised Learner Record

Table 1

Learners (000s) on LSC-funded Further Education provision for 2003/04 by ethnicity and gender.

2003/04				
Ethnicity	Female	Male	All	% of total
Asian of Asian British – Bangladeshi	16.2	15.1	31.3	0.8%
Asian or Asian British – Indian	54.7	35.7	90.4	2.2%
Asian or Asian British – Pakistani	52.3	34.3	86.6	2.1%
Asian or Asian British – any other Asian background	23.6	23.4	47.0	1.1%
Black or Black British – African	61.8	46.7	108.5	2.6%
Black or Black British – Caribbean	44.1	26.7	70.8	1.7%
Black or Black British – any other Black background	12.3	8.9	21.2	0.5%
Chinese	14.5	8.4	22.9	0.6%
Mixed – White and Asian	5.9	5.0	10.9	0.3%
Mixed – White and Black African	6.5	5.0	11.5	0.3%
Mixed – White and Black Caribbean	11.0	7.1	18.1	0.4%
Mixed – any other Mixed background	8.9	5.6	14.5	0.4%
White – British	1,882.5	1,214.1	3,096.5	75.3%
White – Irish	18.6	12.8	31.4	0.8%
White – any other White background	87.0	50.0	137.0	3.3%
any other	47.8	40.2	88.0	2.1%
Not known/not provided	127.6	99.9	227.5	5.5%
Total	2,475.3	1,638.8	4,114.2	100.0%

Source: Individualised Learner Record

University for Industry (Ufi)

12. In 2003/04 there were 511,000 learners enrolled with Ufi learndirect with these learners enrolled on over 1 million courses. This compares with 78,000 learners on 157,000 courses in 2001/02.

Adult and Community Learning

13. In 2003/04, a total of 842,000 learners were enrolled on Adult and Community Learning programmes. As these figures are derived from a new data collection method introduced in that year comparisons with earlier years are not possible.

Adult Participation in Employer Funded Training

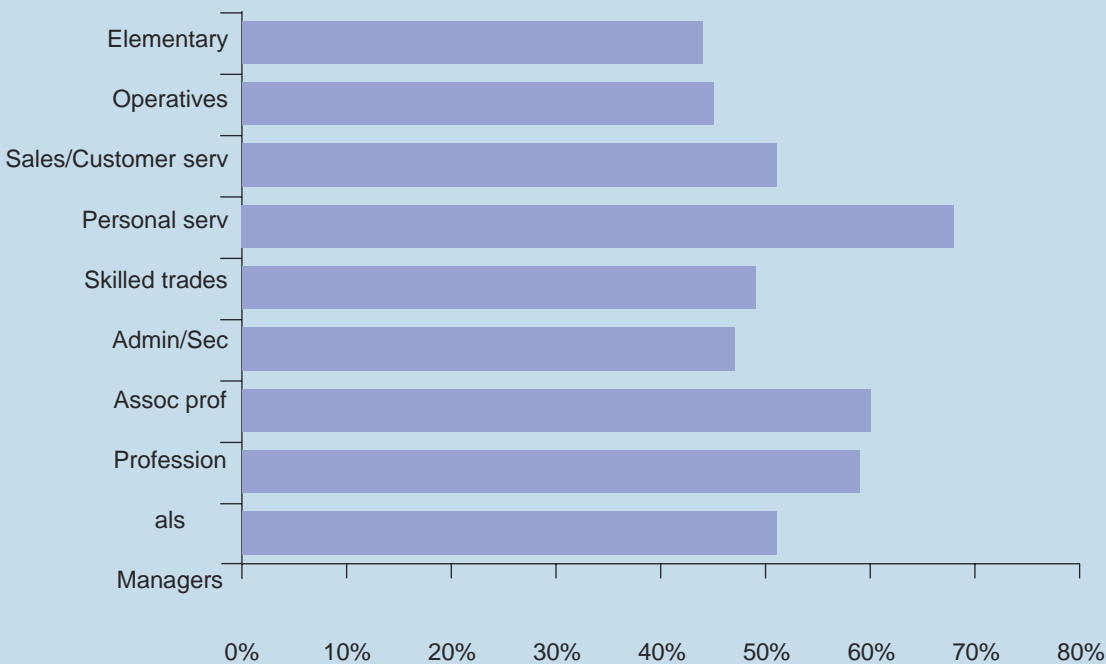
Incidence of training

14. The volume and nature of training undertaken by employers is a crucial influence on the supply of skills. The National Employer

Skills Survey 2003 showed that between 50% of the smallest establishments (with 1-4 employees) and 97% of the largest (with 500 or more employees) provided training for some of their workforce in the previous 12 months.

15. As well as varying by establishment size, the incidence of training varies by sector, with over 90% of establishments in public administration and defence and in education providing training, compared to 47% in printing and publishing and 46% in textiles and clothing. Chart 6 shows that training is most likely to be provided to those in personal service, professional and associate professional occupations. Training is least likely to be provided to those in administrative, operative and elementary occupations.

Chart 6: Occupations for which employers provide training



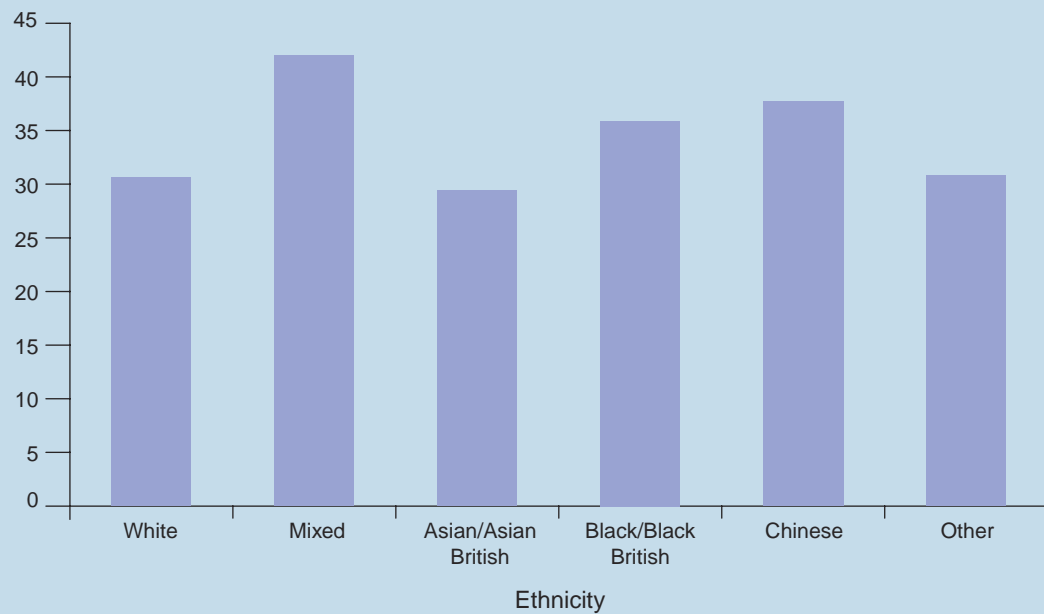
Source: National Adult Literacy Survey, 2003

Chart 7: Receipt of job-related training by employees in last 13 weeks by age



Source: Labour Force Survey, Autumn 2004

Chart 8: Receipt of job-related training in last 13 weeks by employees by ethnic group



Source: Labour Force Survey, Autumn 2004

16. The incidence of training also varies by gender, age and ethnicity. A higher proportion of females than males receives such training. In Autumn 2004, 34% of female employees in England had received job-related training in the last 13 weeks, compared to 28% of males. This partly reflects the relatively high likelihood of receiving training in sales and customer service occupations, which have higher proportions of females.

17. Chart 7 shows the proportions receiving job-related training by age bands. The likelihood of receiving such training in the last 13 weeks declines with age with under 25% of employees aged 50-65 receiving training, compared to over 40% of 16-19 year olds.

18. Chart 8 shows the proportions of different ethnic groups who received job-related training. The Asian or Asian British group was the least likely to have received training, followed by the White and Chinese groups.

Volume of training

19. On average, 53% of employees had received training in the last 12 months but, again, this varies between different types of employer. Chart 9 shows that, in the smallest establishments, 44% of employees had received training but this proportion increased to 59% for medium-sized establishments with 100-199 employees and was a little lower for the largest establishments.

20. Sectorally, the volume of training provided varies in a similar way to incidence of training with 65% of employees in establishments in education and 64% in health and social work receiving training, compared to 36% in wood and paper and 30% in textiles and clothing (see Chart 10).

21. While smaller employers provide training for a lower proportion of employees, they provide a greater duration of training, on average, than do large. Establishments with 1 – 4 employees provided an average of 7.3

Chart 9: Average percentage of employees in receipt of training by establishment size

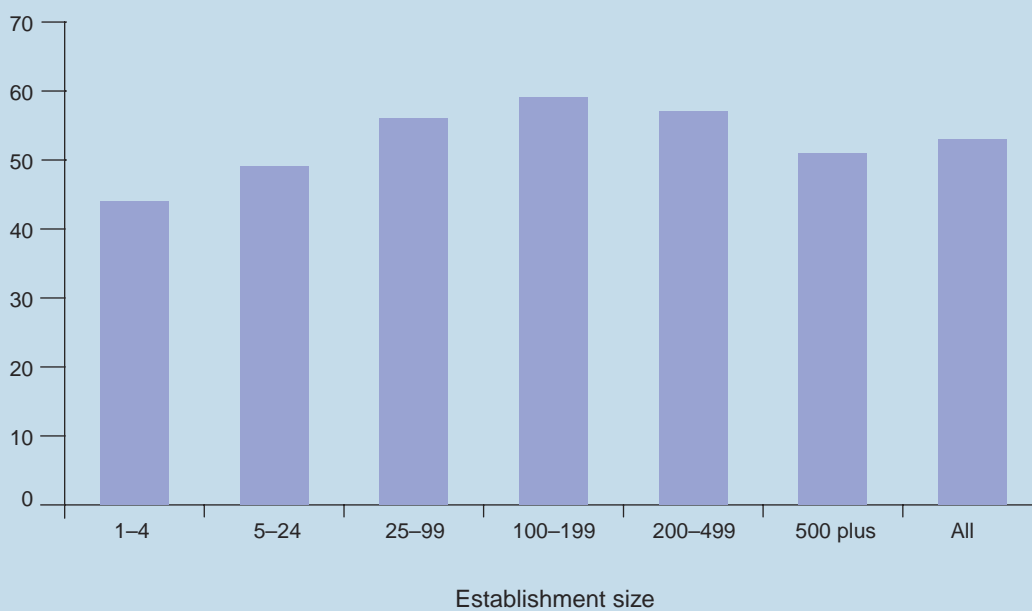
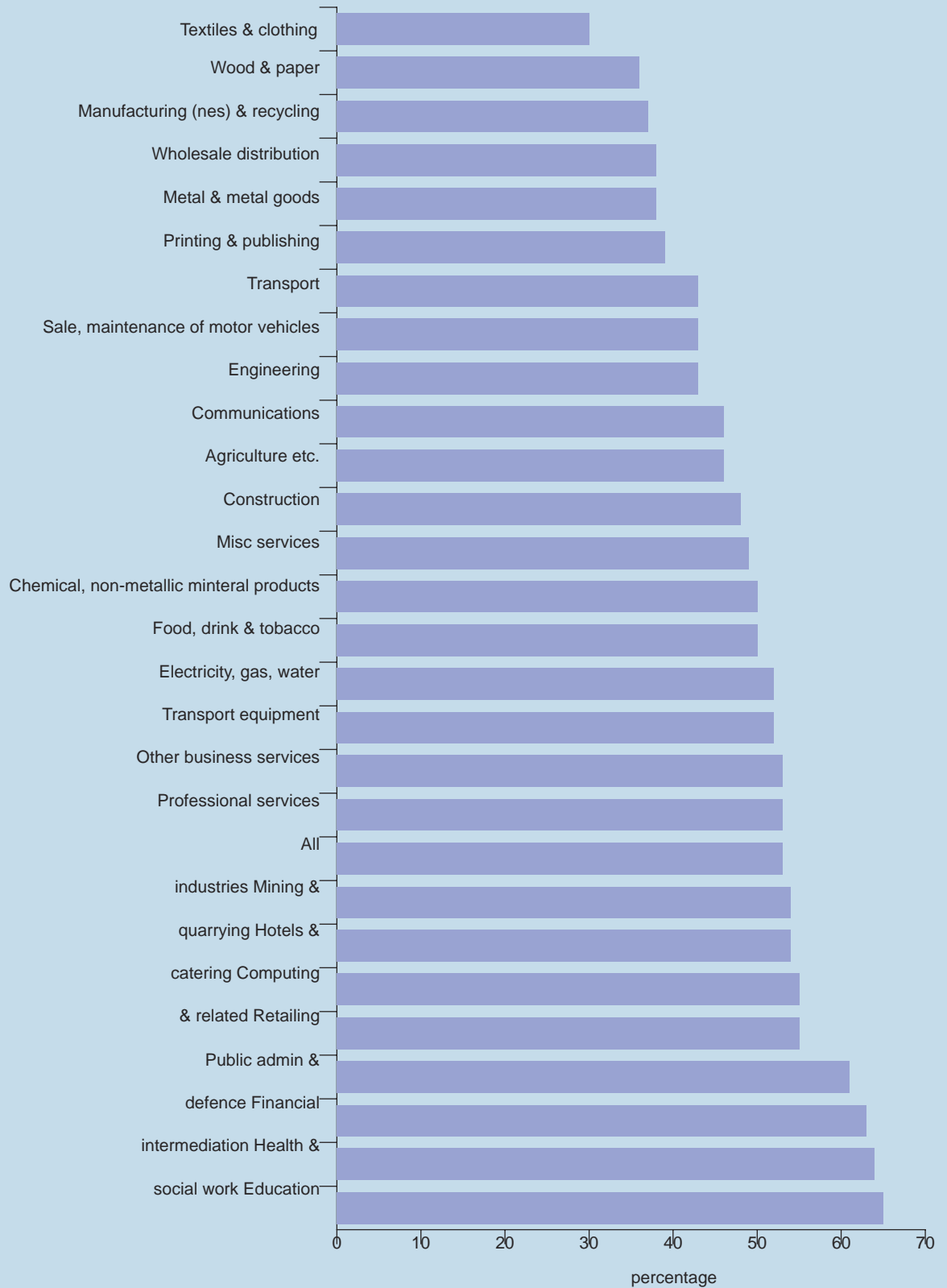
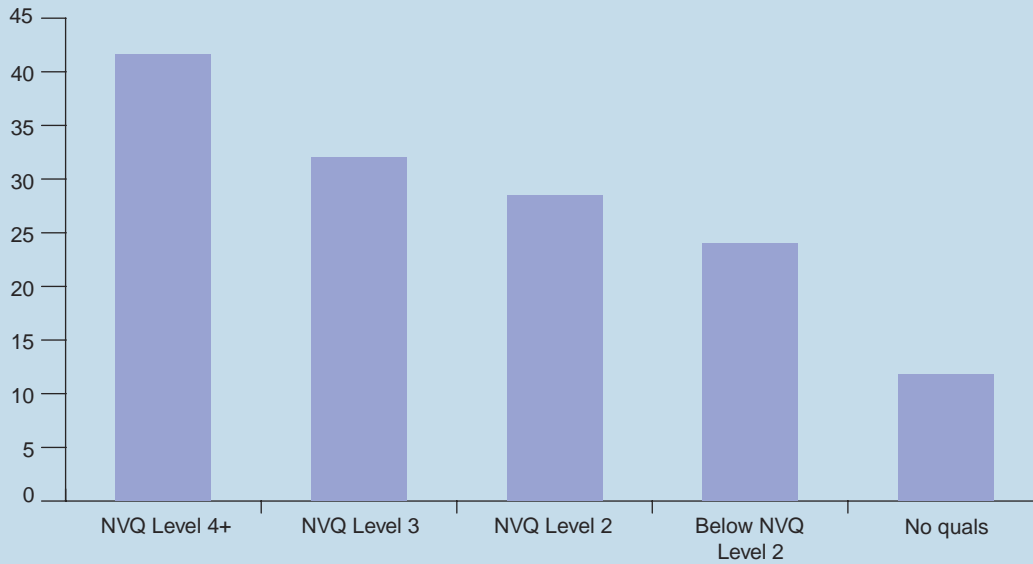


Chart 10: Percentage of employees in receipt of training over last 12 months by industry



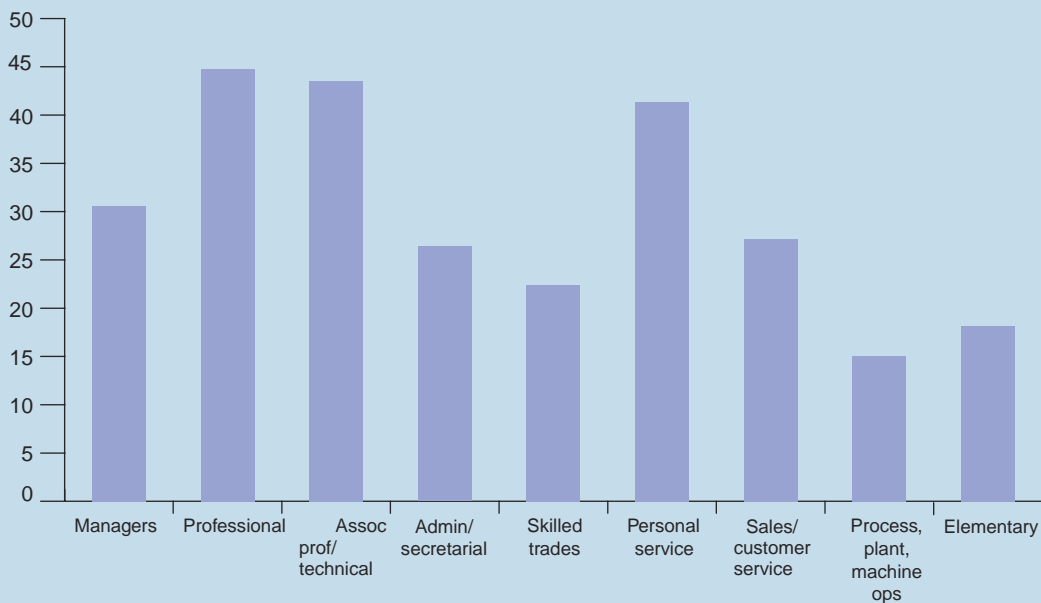
Source: National Employers Skill Survey, 2003

Chart 11: Percentage of employees receiving job-related training in last 13 weeks by highest qualification level held



Source: Labour Force Survey, Autumn 2004

Chart 12: Percentage of employees receiving job-related training in last 13 weeks by occupation



Source: LFS, Autumn 2004

days training in the last 12 months, compared to 3.5 days in those with 500+ employees. Sectorally, the hotel and catering industry provided the largest volume of training at 8.8 days and the least was provided by textiles and clothing (1.9 days) and mining and quarrying (1.7 days).

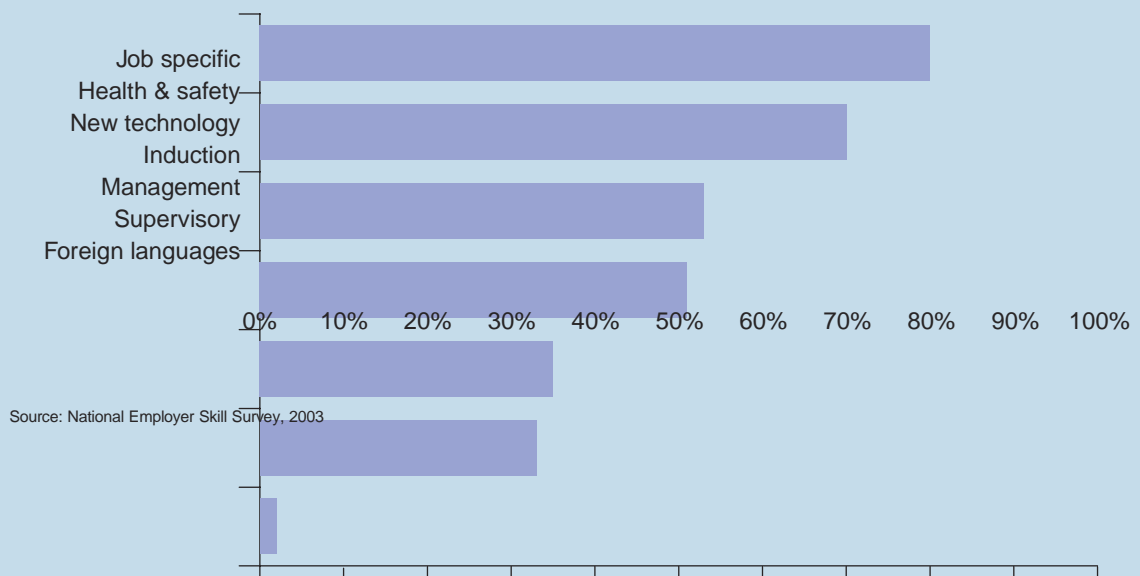
22. With the exception of those in personal service occupations, there is a general pattern of employees in lower skilled jobs being less likely to receive training. This is confirmed by the Autumn 2004 Labour Force Survey data on the receipt of job-related training in the last 13 weeks. 45% of employees in professional occupations had received job-related training, compared to 18% in elementary occupations and 15% of process, plant and machine operatives. The more highly qualified are also more likely to receive job-related training – 42% of those qualified to degree level or equivalent had received training in the last 13 weeks, compared to just 12% of those without qualifications (see Charts 11 and 12).

Types of training

23. Chart 13 shows the types of training which employers provide. Job-specific training was provided to some employees by 80% of establishments and health and safety training was also quite commonly provided, whereas management training was less common, being provided by only 35% of establishments.

24. The incidence of each type of training increases with establishment size. The sectoral picture is more complex. There is relatively modest variation by industry in the incidence of job-specific training – such training was provided by 90% of establishments in education, compared to 75% of those in the transport, hotels and catering, and wholesale distribution sectors. For management training there is considerably more variation by industry – such training being provided by 64% of establishments in education to just 19% in computing and related industries, 17% in agriculture, and 16% in wood and paper.

Chart 13: Types of Training Provided



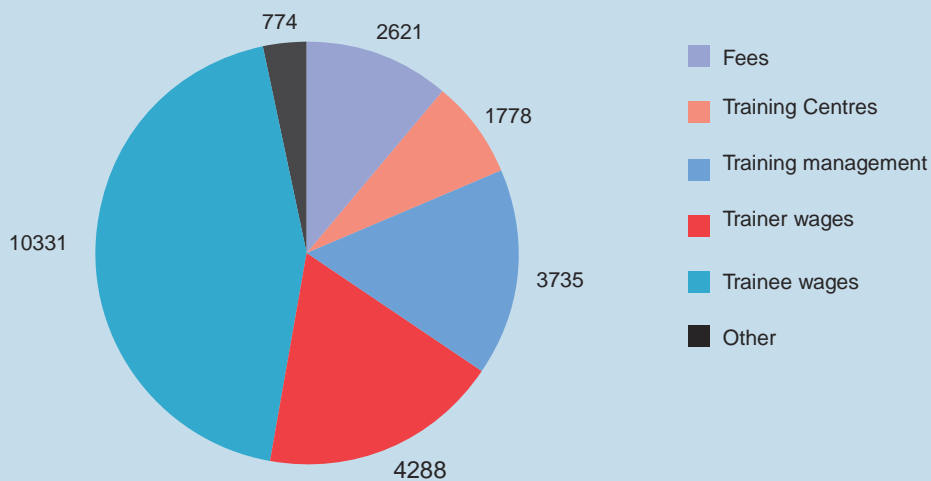
Spending on training

25. The Learning & Training At Work survey in 2000 collected data on how much employers had spent on training their employees in the previous 12 months. Separate estimates were obtained for a variety of costs associated with both off- and on-the-job training, including the labour costs of those being trained. The smallest employers could not reliably produce the data but employers with 10 or more employees spent an estimated £23.5bn on training (including £10.3bn on trainee labour costs). This is illustrated in Chart 14.

26. Of the total expenditure, £14.5bn was spent on various forms of off-the-job training, including over £2.6bn on fees to external providers. The locations of this off-the-job training are shown in Chart 15 (although it cannot be assumed that spending is in proportion to the proportion of employers using each location).

27. Private training providers were the most popular source of off-the-job training, being used by two thirds of employers who provided such training, compared to only around one third who used FE colleges. The average proportions in Chart 15 are affected by the behaviour of the smaller employers providing off-the-job training (of whom there are large numbers). Such small employers are only a little less likely than large employers to have used private training providers but are substantially less likely to have and use company training centres or use FE college provision.

Chart 14: Employer spend on training (£m)



Source: Learning & Training At Work, 2000

Chart 15: Proportions of employers using off-the-job training locations

Source: Learning & Training At Work, 2000

Training leading to qualifications

28. 51% of employers that trained said that some or all of their training led to formal qualifications. The likelihood of training leading to a qualification increases with establishment size – 43% of establishments with 1-4 employees provided some training leading to a formal qualification, compared to 83% of those with 500+ employees. There is also variation by industry, from 70% of establishments in the education sector to 29% of those in printing and publishing providing some training leading to formal qualifications.

The Value of Qualifications

29. There is a positive relationship between qualification levels and earnings². Higher levels of qualification attract higher earnings, although the picture is not straightforward. Vocational qualifications (VQs) tend to provide lower wage returns than their academic counterparts and some low level VQs appear on average to bestow no earnings gain. Table 2 shows the broad picture in terms of earnings return by qualification type and level (controlling for a range of demographic and educational factors).

² See for example, The Returns to Academic, Vocational and Basic Skills in Britain, STF paper 20 – Dearden et al, DfES 2000.

Table 2 Wage premium (%) from obtaining qualifications

	NQF Level	Men	Women
Academic Qualifications³			
O level/higher GCSEs	2	21	19
A level	3	17	19
First Degree	4	28	25
Vocational Qualification			
Level 1-2 NVQs	1-2	ns	ns
Level 3-5 NVQs	3-5	6	5
BTEC First Certificate/Diploma	2	ns	ns
City and Guild Craft	2	7	ns
RSA high ⁴	2	ns	12
ONC/OND or TEC/BEC national	3	10	8
HNC/HND or TEC/BEC higher	4	15	9
Professional qualifications	5	35	41
Returns to Vocational Qualification compared to holding no qualifications			
NVQ2	2	ns	3
NVQ2 via employer training	2	7	6
BTEC First Diploma	2	2	13
City and Guild Craft	2	19	5
RSA First Diploma	2	9	20

ns = not significant

Table based on: (1) *The Returns to Academic, Vocational and Basic Skills in Britain*, STF paper 20 – Dearden et al, DfES 2000; (2) *An In-depth Analysis of the Returns to National Vocational Qualifications Obtained at Level 2*, Dearden et al, CEE 2004

30. The table shows that academic qualifications gain a consistently high return, and one which is higher than their vocational equivalents. Women with A-levels, for example, earn a 19% wage premium compared to women without A-levels, but the return to holding an NVQ 3-5 is around 5%. The table also shows some of the Centre for Economics of Education findings⁵ that in comparison to individuals who have no qualifications, some vocational qualifications do give a positive return:

Adults who undertake an NVQ Level 2 through their workplace gain a 6-7% return compared to individuals with no qualifications.

BTEC First Diploma, RSA First Diploma and City and Guild Crafts all give positive returns. This may suggest that improving the NVQs could achieve better returns.

Level 2 Qualifications

Adults

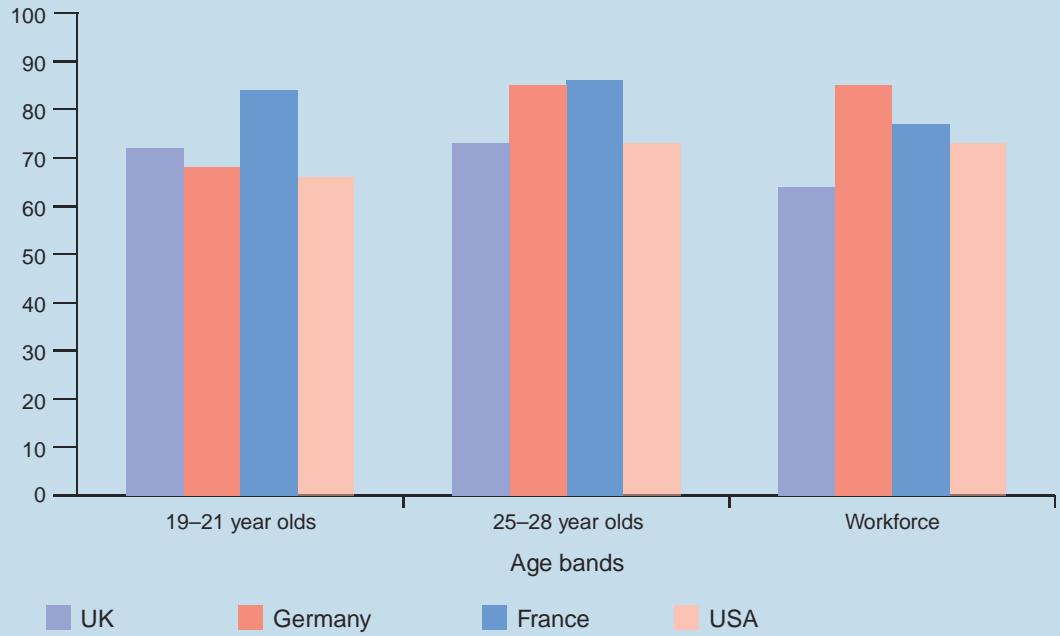
31. Compared to the US, France and Germany the UK has the lowest proportion of its workforce qualified to Level 2 and above. However, the UK has been catching up in recent years. In 1994 someone in the UK workforce was 58% as likely as one in the German workforce to hold a Level 2 or higher; by 2003 that likelihood had increased to 70%.

³ The first section of the table shows the return to each qualification compared to an individual without that qualification.

⁴ Includes RSA diploma, RSA advanced diploma/certificate and RSA higher diploma.

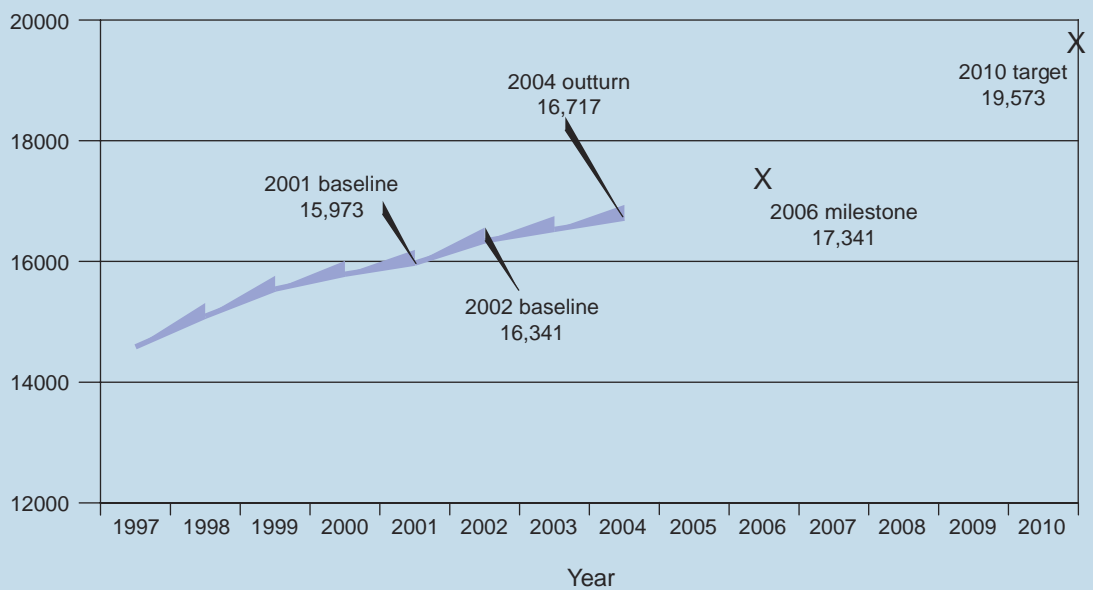
⁵ An In-depth Analysis of the Returns to National Vocational Qualifications Obtained at Level 2, Dearden et al, CEE 2004.

Chart 16: Qualifications at Level 2 and above

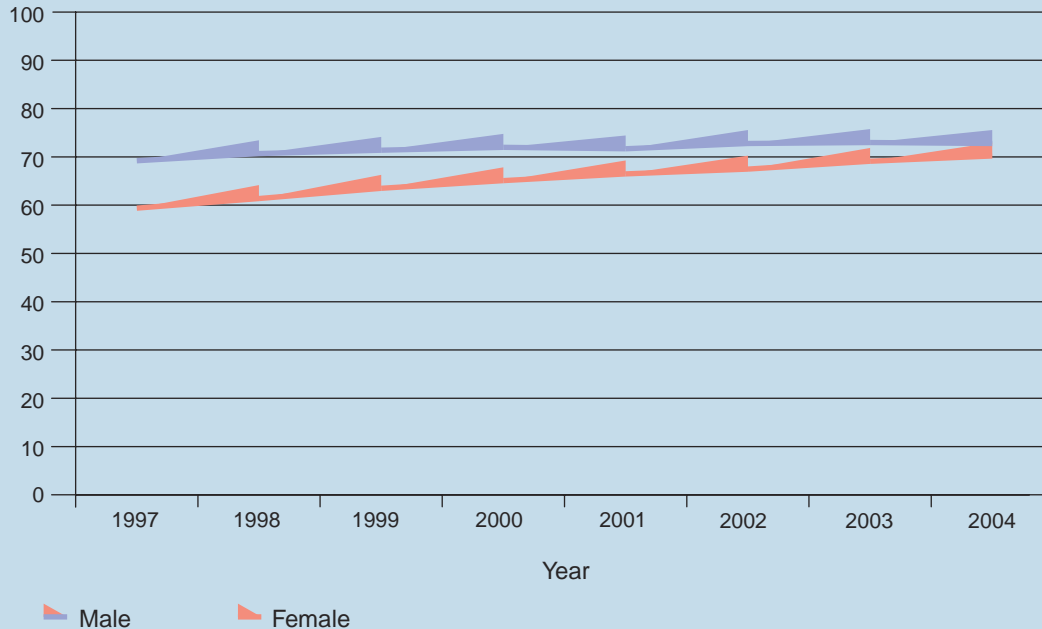


Source: International Comparisons of Qualifications: Skills Audit Update; H. Steedman, S. McIntosh and A. Green (2004)

Chart 17: Number of adults in the workforce qualified to Level 2 or higher (000s)



Source: Labour Force Survey

Chart 18: Proportion of adults qualified to Level 2+, England

Source: Labour Force Survey, Autumn Quarters

32. To achieve the adult PSA target of a 40% reduction in the numbers of the workforce without a Level 2 qualification requires the number of those with a Level 2 qualification to increase by 3.6 million between autumn 2001 and autumn 2010 (see Chart 17); a milestone target for autumn 2006 is for 1 million more adults in the workforce with a full Level 2 or higher than in 2002.

33. By Autumn 2004 the number of adults with a full Level 2 qualification or higher had increased by 744,000 compared to Autumn 2001 (from the 3.6 million required to reach the 2010 target) and 71.7% of adults in the workforce were qualified to at least Level 2 compared to 64.8% in 1997.

34. Although a higher proportion of males are qualified to Level 2 or higher than females, 72.8% compared to 70.2%, the gap is closing over time. The proportion of females qualified to Level 2 or higher has increased by 10.9 percentage points since 1997 whilst males saw an increase of 3.7 percentage points (see Chart 18).

35. In Autumn 2004 the proportion of adults qualified to Level 2 or higher varied from 69% in the West Midlands to 74% in the South East. However, the gap between highest and lowest has narrowed in recent years, falling from 8.7 percentage points in 1997 to 5.6 percentage points in 2004 (see Table 3).

36. In 1997 London had the highest proportion of adults qualified to Level 2 or higher and the North East the lowest. However, between 1997 and 2004 the largest increase was for the North East region and the lowest for London – the North East increasing by 10 percentage points, three times the increase for London, 3.3 percentage points.

37. The variation in those qualified to Level 2 by industry sector is much wider than that seen by regions. In Autumn 1997, Agriculture and Fishing had the lowest proportion of adults qualified to Level 2 or higher (58.4%) with the Education sector the highest (84.1%) – (see Table 4).

Table 3: Proportion of adults qualified to Level 2 or higher, by region, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004
North East	60.4	64.7	66.1	65.0	67.3	68.4	69.4	70.4
North West	65.8	67.0	68.5	70.5	69.5	70.3	70.6	73.0
Yorkshire and the Humber	62.1	63.4	66.5	66.8	66.9	68.6	70.1	70.0
East Midlands	61.4	63.5	64.4	65.2	66.6	68.1	69.3	69.7
West Midlands	60.6	62.0	63.3	65.8	66.2	68.0	68.2	68.9
East of England	63.4	65.0	66.8	66.6	68.5	68.2	69.8	69.9
London	69.1	69.7	70.5	72.1	73.4	73.4	73.4	72.4
South East	67.8	70.3	71.1	71.5	70.3	73.3	73.9	74.5
South West	66.2	68.3	68.9	70.4	70.9	71.2	72.7	72.9
Gap between highest and lowest regions	8.7	8.4	7.8	7.0	7.3	5.4	5.7	5.6

Source: LFS, Autumn Quarters, 1997-2003.

38. However, this gap has reduced in recent years, with the Agriculture and Fishing sector seeing a large proportionate increase between 1997 and 2004 – rising by 8.0 percentage points, second only to the Health and social work sector which rose by 9.0 percentage points. The lowest rise was in Construction, with a rise of 1.6 percentage points.

39. Younger adults are better qualified than older adults. In 2004, 79% of 25 to 29 year olds were qualified to Level 2 or higher, compared to 67% of adults aged over 50. In recent years there has been more improvement amongst younger adults than older adults and so the gap has widened from nearly 8 percentage points in 1997 to nearly 13 percentage points in 2004.

Table 4: Proportion of adults qualified to Level 2+, by Industry Sector, England 1997 and 2004

Industry Sector	1997	2004	Difference 1997-2004
Agriculture, hunting, forestry & fishing	50.4	58.4	8.0
Mining, quarrying	66.0	72.2	6.1
Manufacturing	61.1	67.5	6.4
Electricity gas & water supply	79.0	83.0	4.0
Construction	69.1	70.8	1.6
Wholesale, retail & motor trade	55.6	62.0	6.4
Hotels & restaurants	54.7	61.1	6.3
Transport, storage & communication	59.4	62.2	2.8
Financial intermediation	74.2	80.4	6.3
Real estate, renting & business activ.	74.3	78.8	4.6
Public administration & defence	76.2	81.4	5.2
Education	78.9	84.1	5.2
Health & social work	68.8	77.8	9.0
Other services	68.6	75.0	6.5

Note: Excludes private households with employed persons
Source: LFS Autumn Quarters, 1997 and 2004.

Table 5: Further Education Learner numbers (000s) and spend (£ millions) for Level 2 adult learners, England, 2002/03 and 2003/04

Level	2002/03		2003/04	
	Learners	Spend	Learners	Spend
Full Level 2	151.0	£152.9	162.3	£173.7
Part Level 2	684.4	£287.0	690.9	£350.1
All Levels	3,510.8	£1,699.8	3,413.0	£1,851.5

Source: Individualised Learner Record (ILR) and LSC Funding Data.

Adult Further Education Learning at Level 2

Learners

40. In 2003/04 there were 853,000 adults (aged 19+) in FE aiming for a Level 2 qualification. Of these learners 162,000 (19%) were aiming for a full Level 2 qualification and 691,000 learners (81%) were aiming for a part Level 2 qualification.

41. Of those undertaking learning which, if successful, would contribute towards the Level 2 PSA target (96,000 learners), the majority (64%) are achieving their first full Level 2. The remainder (36,000) are 'jumping' straight to Level 3 from below Level 2.⁶

42. In 2003/04 the majority of learners aiming for full Level 2 qualifications were studying in 'hard' vocationally orientated areas of learning. For example, a quarter of learners aiming for full Level 2 qualifications were studying within the 'Health Social Care and Public Services' area; 17% were studying 'Construction'; and 8% were studying in the 'Engineering, Technology and Manufacturing' area.

43. For those learners aiming for part Level 2 qualifications this is not the case. The majority were studying more general vocational learning. For example, around a quarter were studying 'Information and Communication Technology' (24%) and 15% were studying 'Hospitality Sports Leisure and Travel'. Much

Table 6: Courses taken by Level 2 learners, 2003/04

Subject Area of Learning	Level 2		
	All	Full	Part
Science and Mathematics	5%	3%	4%
Land Based Provision	2%	3%	2%
Construction	4%	17%	3%
Engineering, Technology and Manufacturing	4%	8%	3%
Business Administration, management and Professional	12%	14%	12%
Information and Communication Technology	19%	2%	24%
Retailing, Customer Service and Transportation	2%	6%	2%
Hospitality, Sports Leisure and Travel	11%	8%	15%
Hairdressing and Beauty Therapy	4%	9%	2%
Health Social Care and Public Services	13%	25%	11%
Visual and Performing Arts and Media	6%	1%	6%
Humanities	2%	0%	2%
English, Languages and Communication	8%	1%	7%
Foundation programmes	6%	3%	7%
Not Known	2%	1%	2%
Total	100%	100%	100%

Source: Individualised Learner Record

⁶ Information on current qualification aim and prior qualifications of learners is taken from the Winter 2002/03 Labour Force Survey (LFS). 37.3% of learners are aiming for their first full Level 2 and 19.4% are jumping from below Level 2 to Level 3.

of the part Level 2 learning in the ICT area includes courses such as CLAIT and the European Computer Driving Licence, which are general IT user courses.

Spend

44. In 2003/04 £524 million (28%) of the FE Adult Participation Budget was spent on learners aiming for a Level 2 qualification. Of this £174 million was spent on those aiming for a full Level 2 qualification and £350 million on those aiming for a part Level 2 qualification – (see Table 5).

45. Some £113 million was spent on learning which, if successful, would contribute towards the Level 2 PSA target. Of this, £69 million was spent on those learners aiming for their first full Level 2 qualification and £44 million was spent on those ‘jumping’ straight to Level 3 from below Level 2.

Young People

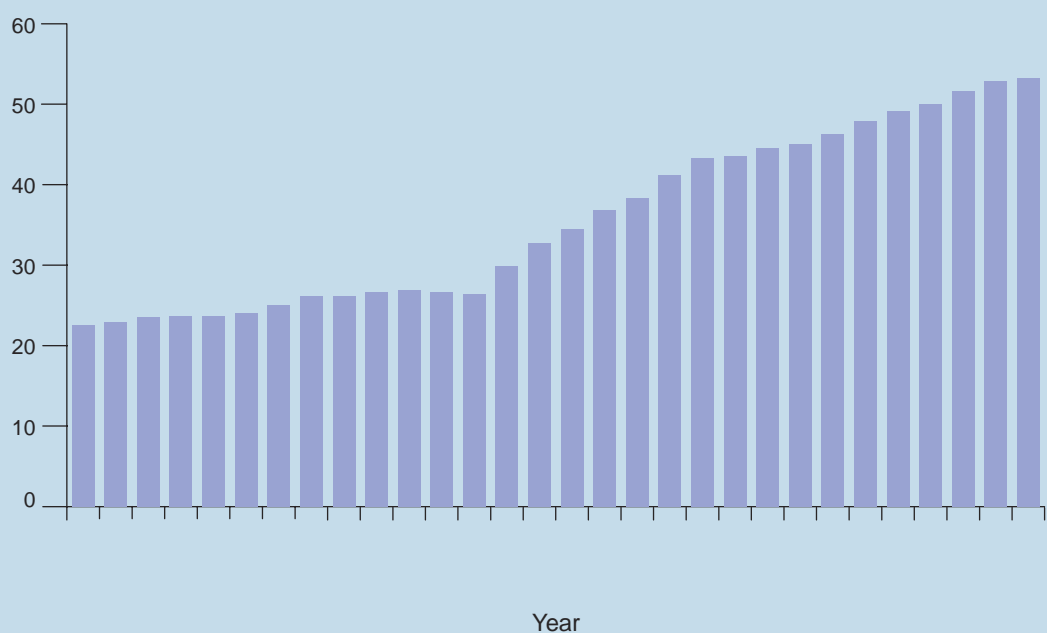
46. 346,000 (53.7%) 16 year olds obtained the equivalent of 5 GCSEs A* to C in 2003/04

compared to 265,000 (45.1%) in 1997. The proportion increased most rapidly during the late 1980s and early 1990s following the introduction of the GCSE examination, increasing more steadily over the last decade (see Chart 19).

47. Girls have continued to outperform boys at the higher grades (A*-C) over the last ten years. In 2004 58.8 per cent of girls achieved 5 or more A*-C compared to 48.8 per cent of boys, a difference of 10 percentage points. This gap has narrowed by 0.3 of a percentage point compared to 2003 (see Chart 20).

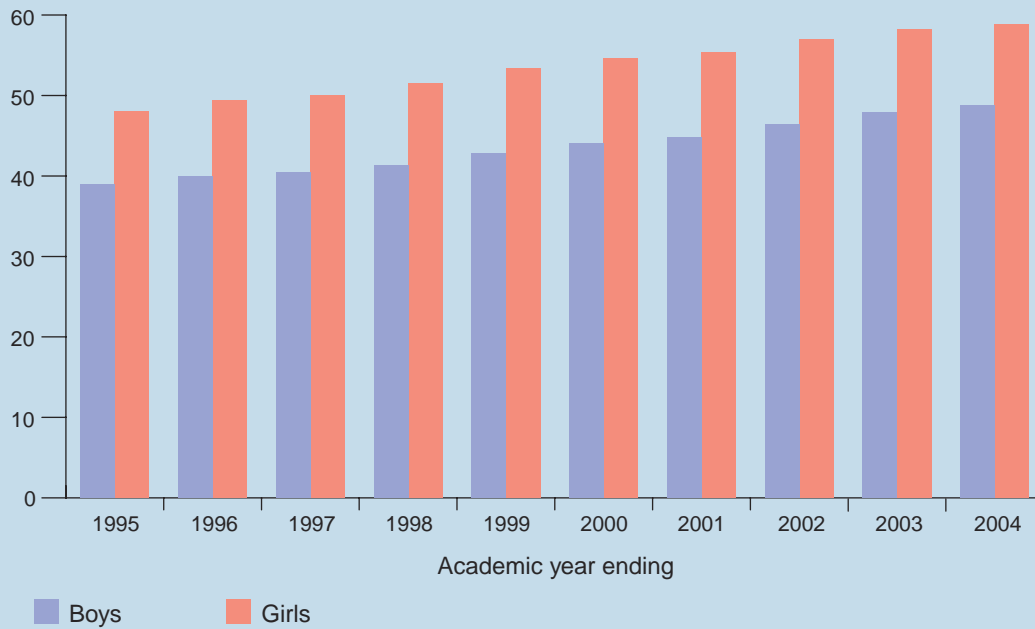
48. There were great variations in GCSE/GNVQ performance by ethnicity in 2003. Pupils from White, Mixed and Asian ethnic groups perform at around the national level. These major ethnic groups mask considerable differences. For example, around 65% of Indian pupils achieved 5 or more A*-C grades compared to around 42% of Pakistani pupils. Although 36% of Black pupils overall achieve 5 + A*-C, 41% of Black African pupils get 5 A*-C compared to 33% of Black Caribbean pupils. Chinese pupils performed much better than the national average, with 75% achieving this level.

Chart 19: Proportion of 16 year olds achieving 5+ GCSEs at grades A* to C



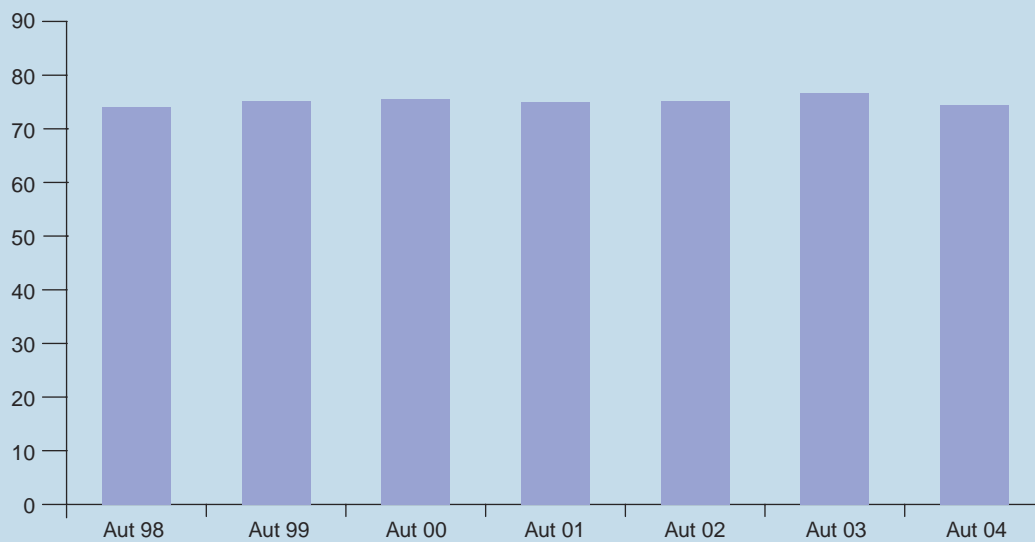
Source: DfES Schools Performance Data

Chart 20: GCSE and equivalent achievement by gender



Source: DFES Schools Performance Data

Chart 21: Proportion of 19-21 year olds at Level 2+



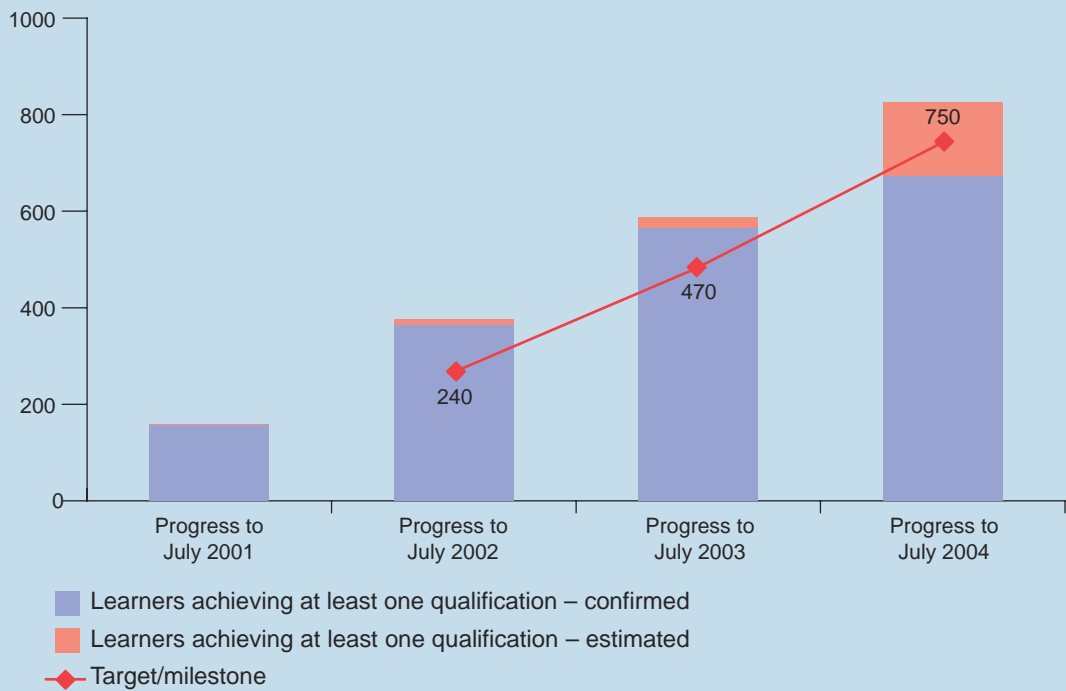
Source: Labour Force Survey, Autumn Quarters

Chart 22: Proportion of 19-21 year olds at Level 2+ by gender



Source: Labour Force Survey, Autumn Quarters

Chart 23: Progress towards July 2004 Basic Skills Target



Source: Individualised Learner Record

49. The proportion of young people qualified to Level 2 or above by age 19 has remained fairly flat since 1998 (see Chart 21) standing at 74% at Autumn 2004. These figures, published in Statistical First Release 06/2005,⁷ show that the PSA target to increase Level 2 attainment by young people by 3 percentage points between 2002 and 2004 has been missed. Achieving the 2006 and 2008 targets will be tough but achievable because of the major investment in 14–19 reforms, EMAS and apprenticeships.

50. A higher proportion of 19-21 year old females are qualified to at least Level 2 than males, 76% of females compared to 73% of males in 2004 (see Chart 22).

Basic Skills

51. In 2002 the Department and LSC set the target to improve the basic skill levels of 1.5 million adults between the launch of Skills for Life in April 2001 and July 2007, with a milestone of 750,000 achievements by July 2004. Chart 23 shows the progress made towards the 2004 milestone during each intervening year. It includes achievements recorded by LSC from general FE, Work Based

Learning and Adult Community Learning, and contributions from partners delivering basic skills in prisons and job centres.

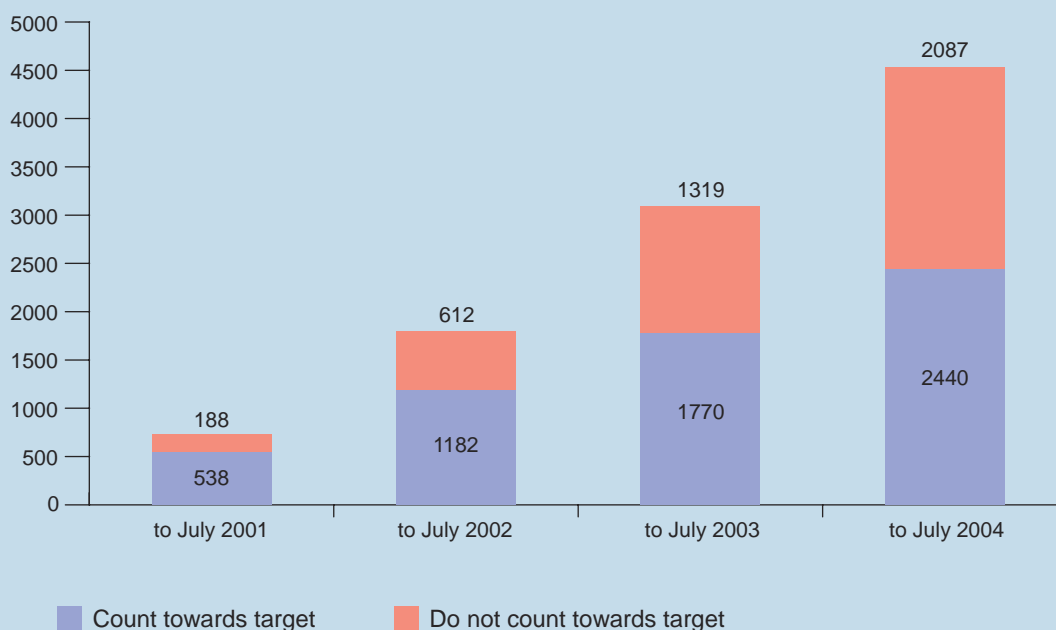
52. Chart 24 shows the estimated, cumulative number of basic skills learning opportunities funded by LSC since April 2001. Of about 4.5 million learning opportunities taken, 2.4 million (54%) are on courses that count towards the basic skills target.

Level 3 Qualifications

Adults – overall

53. The UK is comparable to France in terms of the proportion of the workforce qualified to Level 3 or above, worse than the US and significantly worse than Germany. The deficit against the US is largely explained by the higher proportion in the US qualified to Level 4. The deficit against Germany is explained by the significantly higher proportion of the German workforce holding vocational qualifications at Level 3. France does better than the UK in the 25-28 year age group suggesting that over time they are likely to move ahead of the UK.

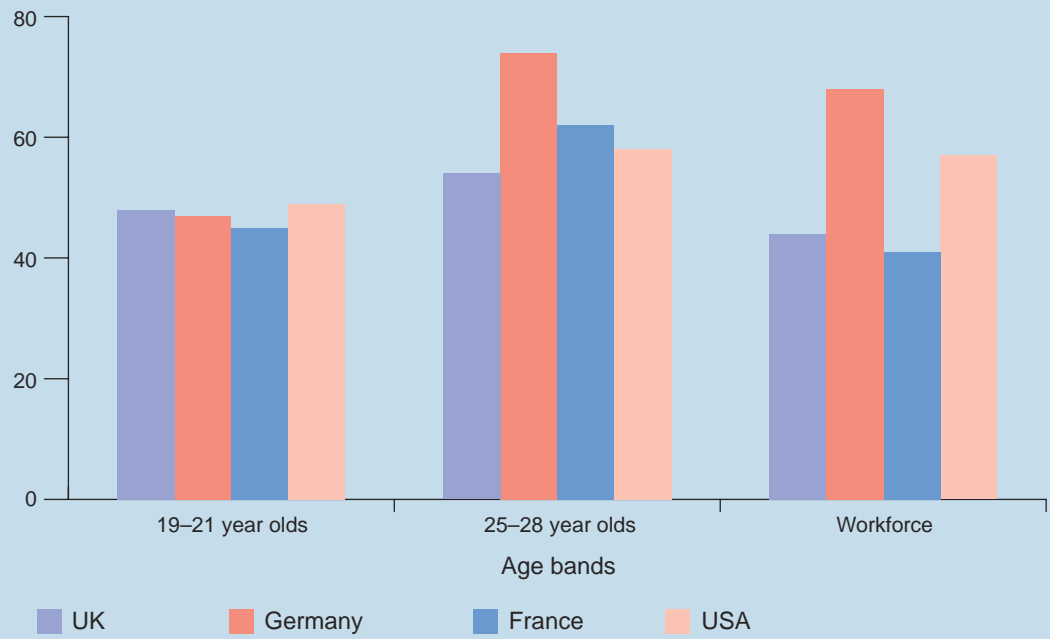
Chart 24: LSC funded Basic Skills Learning opportunities since April 2001 (000s)



Source: Individualised Learner Record

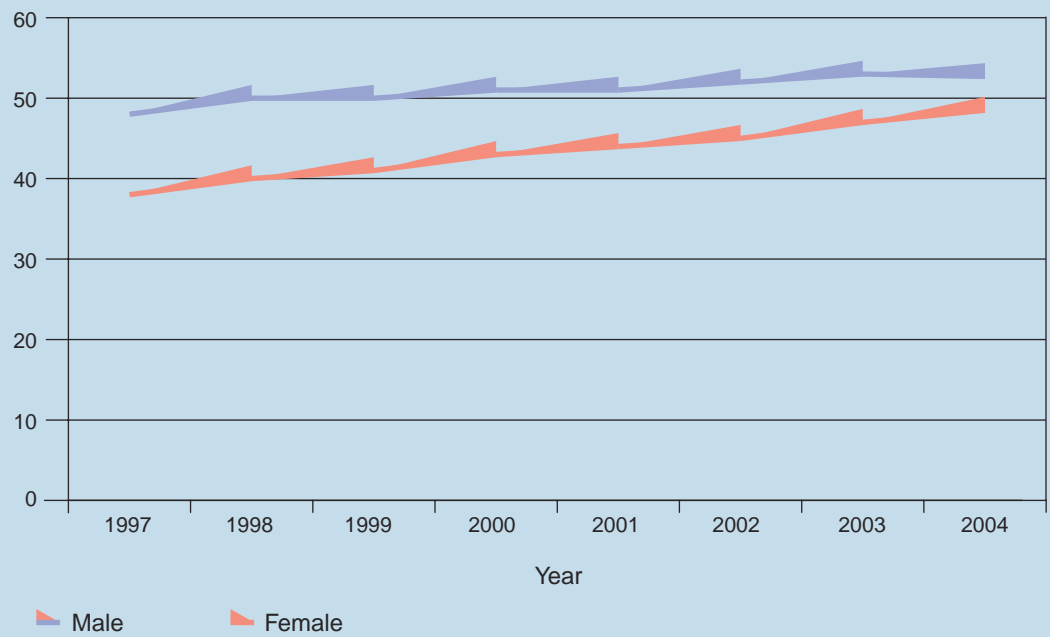
⁷ SFR 06/25: "The Level of Highest Qualification Held by Young People and Adults: England 2004."

Chart 25: Qualifications at Level 3 and above



Source: International Comparisons of Qualifications: Skills Audit Update; H. Steedman, S. McIntosh and A. Green (2004)

Chart 26: Proportion of adults qualified to Level 3+, England.



Source: Labour Force Survey, Autumn Quarters

54. In Autumn 2004 50.8% of adults (11.8 million) were qualified to Level 3 or higher compared to 43.1% in 1997.

55. As at Level 2, although a higher proportion of males are qualified to Level 3 or higher than females, 52.7% compared to 48.5%, the gap is closing. The proportion of females qualified to Level 3 or higher has increased by 10.8 percentage points since 1997 – twice the increase seen for males, which rose by 5.2 percentage points.

56. Younger adults are significantly more likely to be qualified at Level 3 or higher than older adults. In 2004, 61% of 25 to 29 year olds were qualified to Level 3 or higher, compared to 47% of adults aged over 50. In recent years there has been more improvement amongst younger adults than older adults and so the gap has doubled between 1997 and 2003.

Adults – progression to Level 3 and above

57. Around 60% of adults qualified at Level 3 and above hold at least Level 4 qualifications as their highest qualification. The contribution those qualified at Level 4 and above make to

the total of those qualified at Level 3 and above has increased in recent years reflecting the faster growth in HE participation – in other words, only a minority of those gaining a Level 3 qualification stop there, with most progressing straight on to achieve a higher education qualification as well.

58. The heavy contribution from the Level 4 qualified to those qualified at Level 3 and above is particularly true of women. Nearly two-thirds of women qualified at Level 3 or higher hold Level 4 or higher qualifications – a much higher proportion than for men (55%). This reflects the rapid growth in female participation in HE over the last 10 years (see Chart 42, Page 38) and the lower likelihood of women holding traditional vocational qualifications such as City & Guilds and Trade Apprenticeships (see Chart 28).

59. The proportion of those qualified at Level 3 and above whose highest qualification is at degree level or higher (Level 4+) peaks for 25-29 years olds (where two-thirds of those qualified at Level 3+ are qualified at Level 4+) and falls back in later age groups (see Chart 29).

Chart 27: Proportion qualified to Level 3+ by age, England

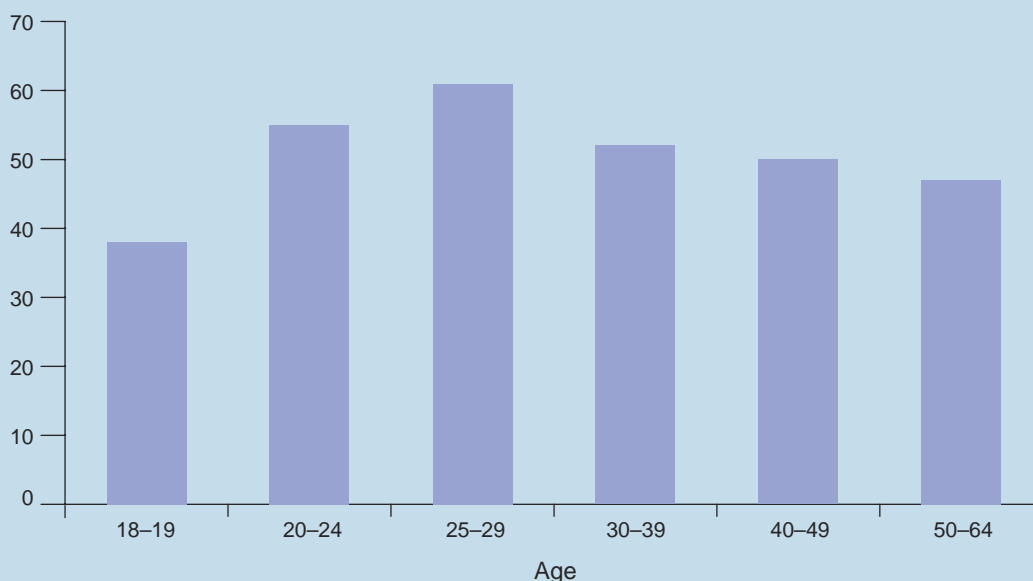
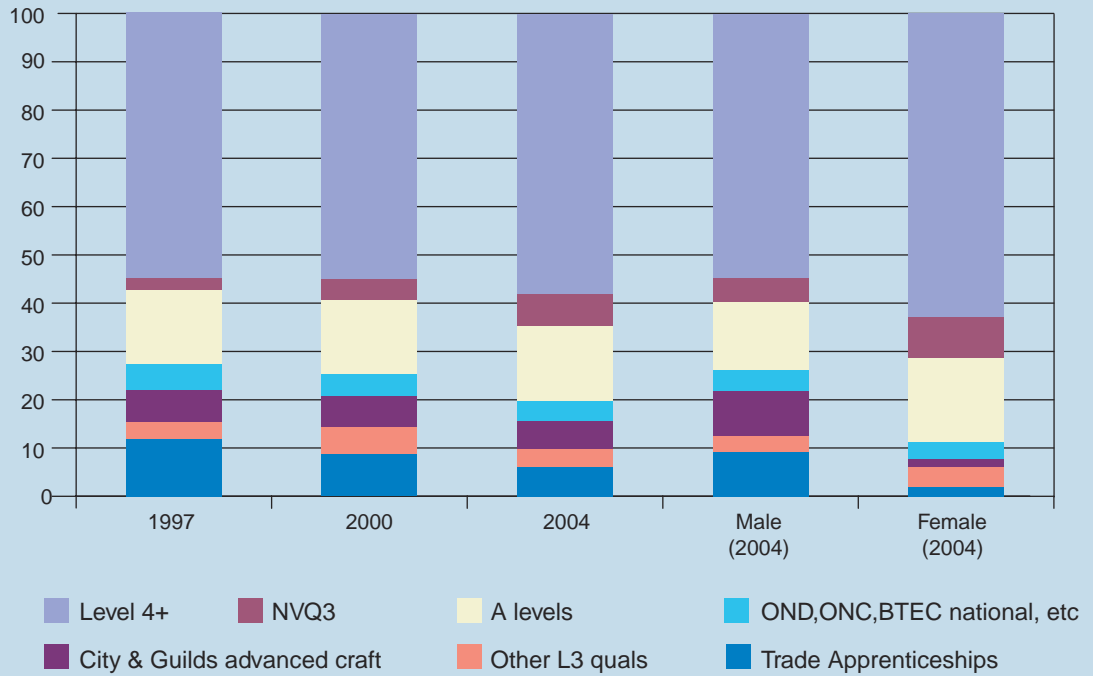
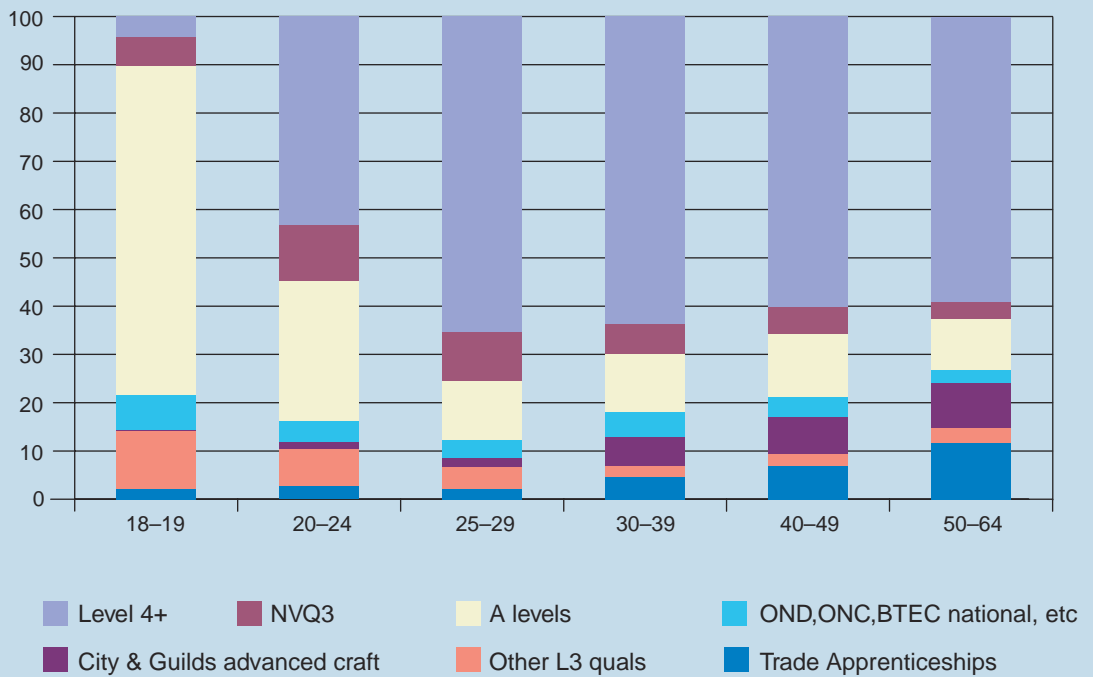


Chart 28: Type of qualification held for economically active adults qualified to Level 3 or higher, England



Source: Labour Force Survey, Autumn Quarters

Chart 29: Type of qualification held by age for economically active adults qualified to Level 3 or higher, England



Source: Labour Force Survey, Autumn Quarters

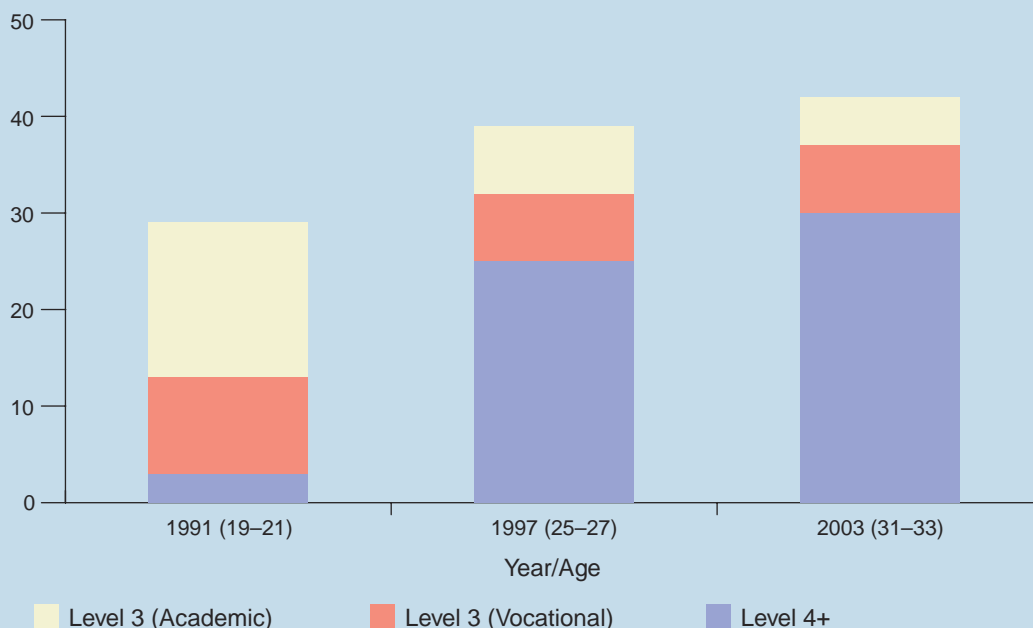
60. This reflects the significant contribution young people gaining A levels then proceeding onto HE makes to the total numbers qualified at Level 3+. Recent research by McIntosh⁸ using a pseudo-cohort analysis of the LFS illustrates this. At age 19-21 around 90% of those qualified at Level 3+ are those holding 2 A-levels (who account for two thirds of that 90%) or vocational Level 3 qualifications (who account for the remaining third). By age 25-27 65% of those qualified at Level 3+ are those qualified at Level 4+. The majority of those holding A-levels at age 19-21 have gained Level 4 qualifications by age 25-27 as have significant numbers holding Level 3 vocational qualifications at Level 3 at age 19-21.

61. By age 31-33 the proportion of the cohort holding a Level 3 qualification as their highest qualification is half what it was at age 19-21. Most of those holding 2 A levels at age 19-21 (16% of the cohort) gain Level 4 qualifications by age 31-33 (when the proportion with 2 A levels as their highest qualification falls to just 5% of the cohort). At least one-third, and

probably more, of those holding Level 3 vocational qualifications at age 19-21 also progress to Level 4. There is some, limited, progression to Level 3 vocational qualifications from below as the cohort ages but the proportion holding a Level 3 vocational qualification as their highest at age 31-33 is 3% points lower than for age 19-21 (see Chart 30).

62. The same study by McIntosh shows that in France those qualified at Level 4+ make up a similarly large contribution to those qualified to Level 3+ as in the UK. In France there are similar volumes progressing from Level 3 academic qualifications gained by age 19-21 (accounting for $\frac{1}{4}$ of those qualified at Level 3+ in France at age 19-21) into HE. However, in France there is relatively more progression into Level 3 vocational qualifications as the cohort ages than in the UK and the proportion holding a vocational Level 3 qualification as the highest increases from age 19-21 to age 31-33 (it falls in the UK) (see Chart 31).

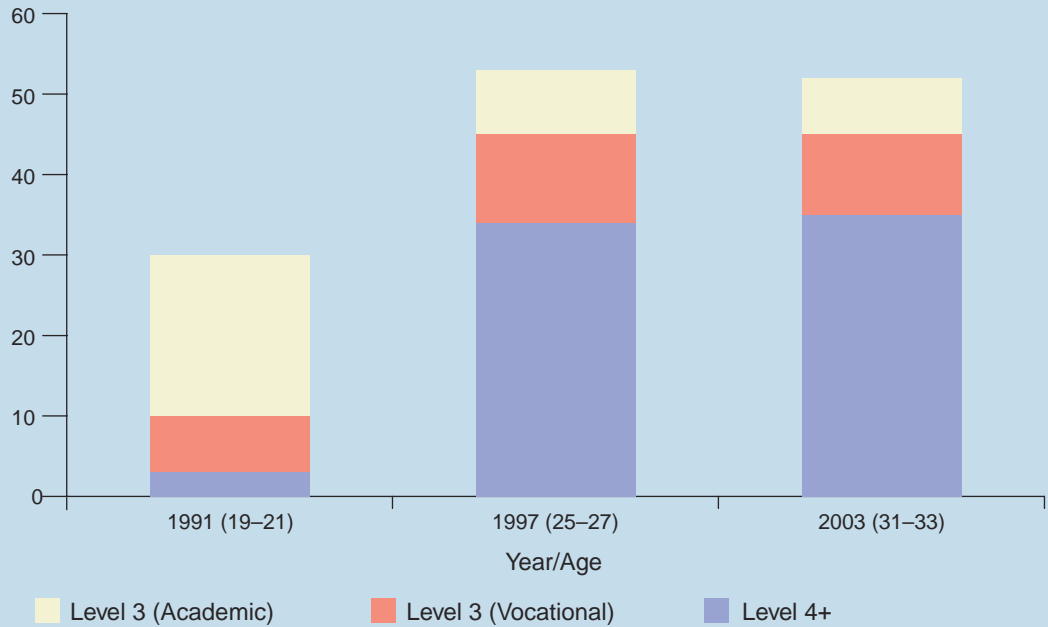
Chart 30: Proportion of Cohort at Level 3+ (UK)



Source: *Using Pseudo Cohorts to Track Changes in the Qualifications of National Populations*, Steven McIntosh (forthcoming)

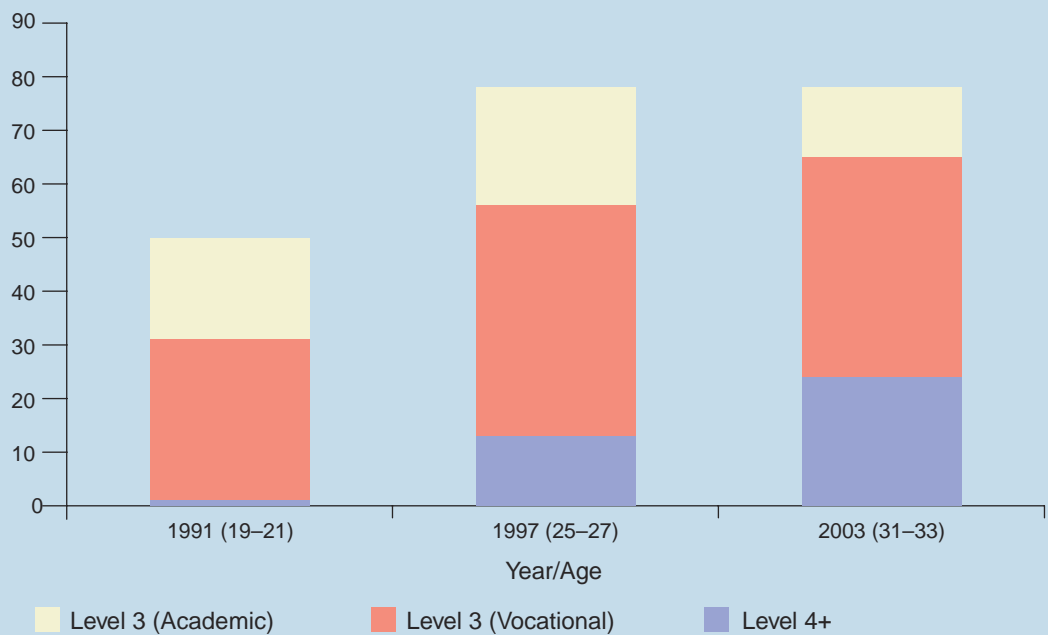
⁸ *Using Pseudo Cohorts to Track Changes in the Qualifications of National Populations*, Steven McIntosh (forthcoming)

Chart 31: Proportion of Cohort at Level 3+ (France) – Pseudo Cohort Analysis



Source: *Using Pseudo Cohorts to Track Changes in the Qualifications of National Populations*, Steven McIntosh (forthcoming)

Chart 32: Proportion of Cohort at Level 3+ (Germany) – Pseudo Cohort Analysis



Source: *Using Pseudo Cohorts to Track Changes in the Qualifications of National Populations*, Steven McIntosh (forthcoming)

63. In Germany, from within the overall cohort of those qualified to Level 3 or higher, the proportion of those whose highest qualification is Level 3 is significantly higher than in the UK – by age 31-33 nearly 70% of those qualified to Level 3+ in Germany hold a highest qualification at Level 3 (compared to 30% in the UK). This is because Level 3 vocational qualifications are a much more important route to Level 3+ in Germany than in the UK. In Germany progression from Level 3 onto Level 4 is much lower than in the UK and much slower (by age 25-27 only half the proportion of Germans are at Level 4 compared to the UK). Progression up to vocational Level 3 from below at ages 25-27 and 31-33 is also much higher in Germany than in the UK (see Chart 32).

Adults – Regional & Sectoral Picture

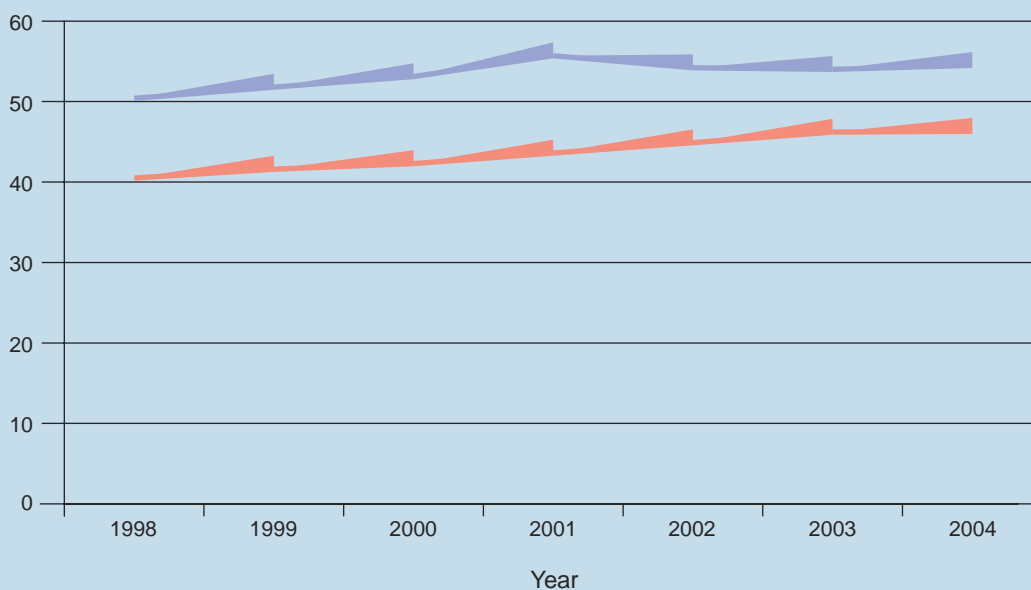
64. In Autumn 2004 the proportion of adults qualified to Level 3 or higher varied from 46% in the North East to 54% in London and the South East. However, the gap between highest and lowest has narrowed in recent years, falling from 11.7 percentage points in

1997 to 8.2 percentage points in 2004. Although London had the highest proportion of adults qualified to Level 3 or higher in 1997 (49%) it had the smallest increase between 1997 and 2004 (5.0 percentage points).

65. As at Level 2 the variation in Level 3 qualifications by industry sector is much wider than that seen by region. Agriculture and Fishing, Hotels and restaurants, Wholesale and Transport and Communications are the sectors with the lowest proportion of their workforce qualified to Level 3 or above (each at between 36-37%). The Education sector was the highest (72%) with double the proportion seen in the lowest sectors.

66. This gap has reduced slightly in recent years, with Finance seeing the largest proportionate increase between 1997 and 2004 – rising by 10 percentage points. The lowest increase was in Construction, with a rise of less than 1 percentage point.

Chart 33: Proportion of adults qualified to Level 3+, England



Best region (1)

Worst region (2)

1: London 1998-2004

2: NE 1999, 2000, 2004.

WM 1998, 2001, 2003. EE 2002

Table 7: Proportion of adults qualified to Level 3+, by Industry Sector, England 1997 and 2004

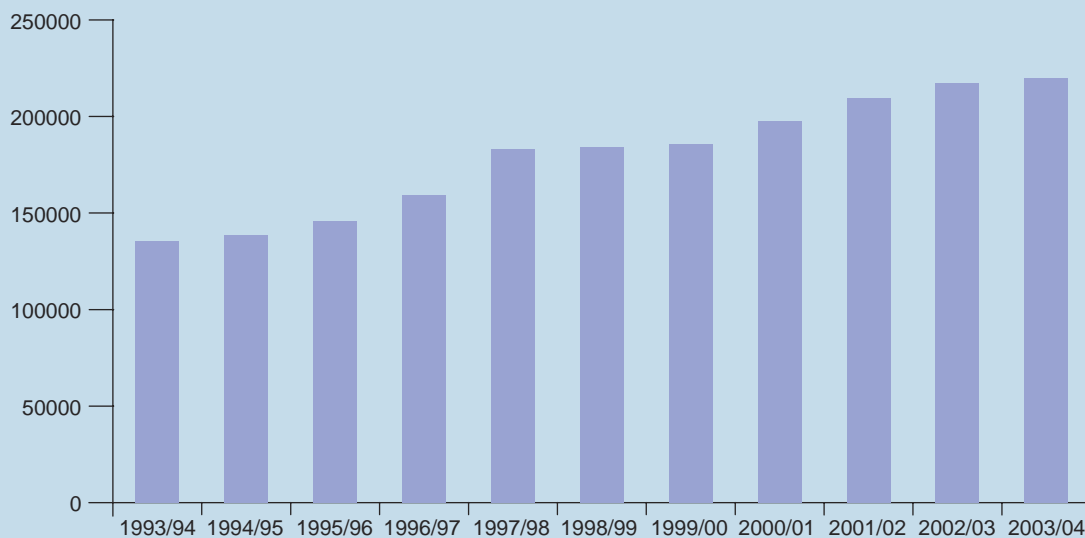
Industry Sector	1997	2004	Difference 1997-2004
Agriculture, hunting, forestry & fishing	29.6	36.7	7.1
Mining, quarrying	44.5	52.7	8.2
Manufacturing	39.3	46.6	7.4
Electricity gas & water supply	56.9	59.6	2.7
Construction	45.4	46.7	1.3
Wholesale, retail & motor trade	31.1	36.9	5.8
Hotels & restaurants	30.7	36.3	5.6
Transport, storage & communication	33.7	36.5	2.8
Financial intermediation	46.1	55.7	9.6
Real estate, renting & business activ.	55.4	61.6	6.2
Public administration & defence	51.4	59.9	8.5
Education	67.4	71.9	4.5
Health & social work	51.0	59.3	8.2
Other services	45.9	54.4	8.5

Note: Excludes private households with employed persons
Source: LFS Autumn Quarters, 1997 and 2004.

Young People

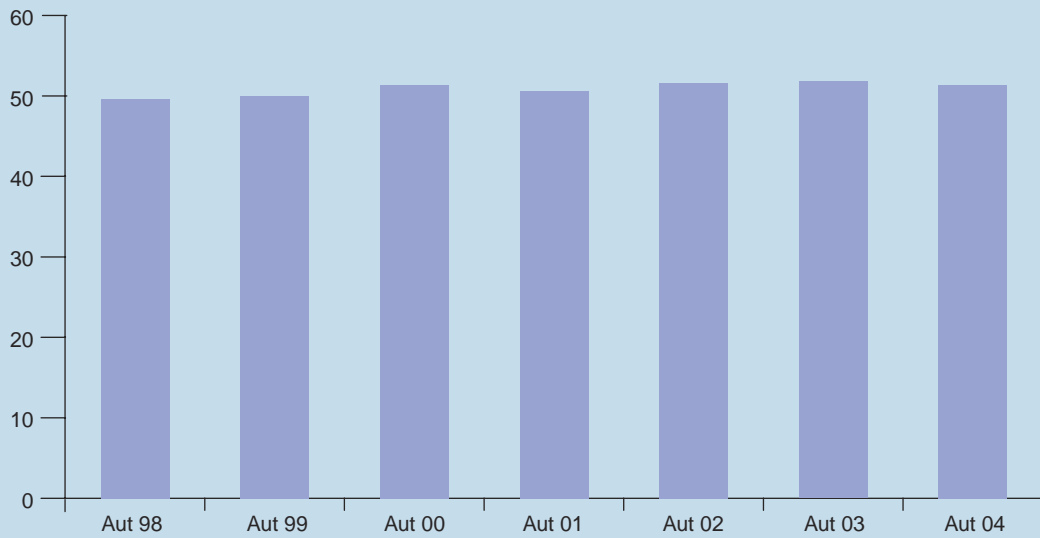
(see Chart 34). The large increase in 1997/98 follows the introduction of Advanced GNVQs.

67. Some 220,000 18 year olds (34.5%) achieved 2 A levels or their equivalent in 2003/04, up from 159,000 (26.9%) in 1997

Chart 34: Number of 18 year olds achieving 2+ A Levels (or equivalent)

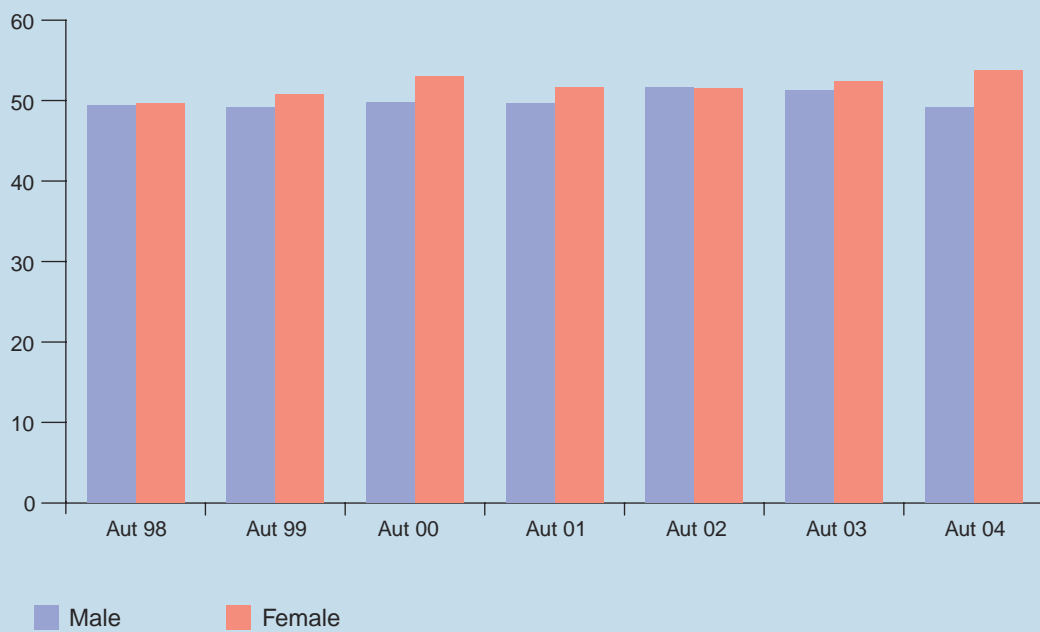
Source: School and College Achievement and Attainment Tables data

Chart 35: Proportion of 19-21 year olds at Level 3 or above



Source: Labour Force Survey, Autumn Quarters

Chart 36: Proportion of 19-21 year olds at Level 3+ by gender



Source: Labour Force Survey, Autumn Quarters

68. Girls are almost one-third more likely to gain 2 A levels by age 18 than boys. In 2003/04 39.2% of 18 year old girls had achieved 2 A levels compared to 30.5% of boys. This gender gap is widening. The proportion of 18 year old girls gaining 2 A levels has increased by nearly 10% percentage points since 1997 compared to just under 6% points for boys.

69. The proportion of 19 year olds qualified to Level 3 or above has remained fairly level since 1998, standing at 51% in 2004 compared to 50% in 1998 (see Chart 35).

70. A higher proportion of 19-21 year old females are qualified to at least Level 2 than males, 54% of females compared to 50% of males in 2004 (see Chart 36).

Further Education Learning at Level 3

Learners

71. In 2003/04 there were 465,000 adults (aged 19+) in Further Education aiming for a Level 3 qualification. Of these learners 125,000 (27%) were aiming for a full Level 3 qualification and about 340,000 learners (73%) were aiming for a part Level 3 qualification (Table 8).

72. Of those aiming for a part Level 3 qualification in 2003/04, 197,000 learners (57%) were progressing, i.e. their highest qualification was at Level 2 or below.⁹ Some 185,000 Level 3 learners (40% of the total) were already qualified to Level 3 or above

73. For Level 3 learners there is a high concentration of learners studying within the 'Health Social Care and Public Services' area (37%), and in 'Business Administration and Professional' (19%). There is less concentration of full Level 3 learners in 'hard' vocational learning than seen for full Level 2 learning (see paragraph 42). This even distribution is reinforced to a greater degree for part Level 3 with subject areas such as the 'Humanities' and 'Hospitality, Sports Leisure and Travel' receiving a greater share of learners (10% for each).

Spend

74. In 2003/04 £428 million (23%) of the FE Adult Participation Budget was spent on learners aiming for a Level 3 qualification – £176 million for those aiming for a full Level 3 qualification and £241 million spent on those aiming for a part Level 3 qualification (see Table 8).

Table 8: Further Education Learner numbers (000s) and spend (£ millions) for Level 3 adult learners, England, 2002/03 and 2003/04.

Level	2002/03		2003/04	
	Learners	Spend	Learners	Spend
Full Level 3	124.0	£162.3	125.0	£186.7
Part Level 3	368.6	£210.3	339.9	£241.3
All Levels	3,510.8	£1,699.8	3,413.0	£1,851.5

Source: Individualised Learner Record (ILR) and LSC Funding Data.

⁹ Information on current qualification aim and prior qualifications of learners is taken from the Winter 2002/03 Labour Force Survey (LFS). This LFS distribution of highest qualification held by current qualification aim is applied to FE learner numbers to obtain the information presented.

Table 9: Subject Area for Level 3 Learners, 2003/04

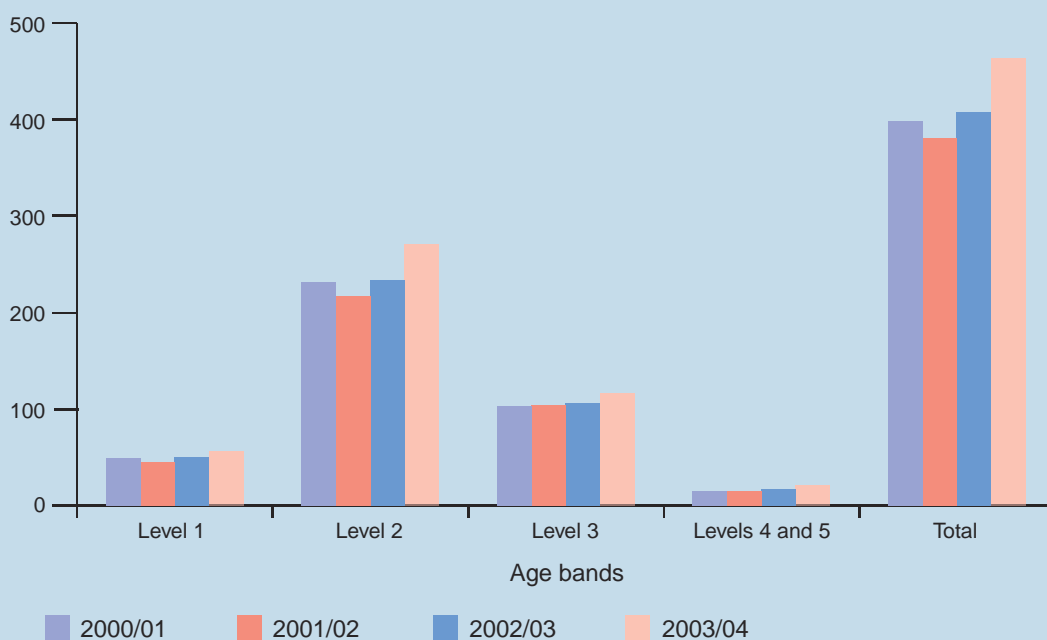
Subject Area of Learning	Level 3		
	All	Full	Part
Science and Mathematics	5%	5%	5%
Land Based Provision	2%	2%	2%
Construction	3%	4%	2%
Engineering, Technology and Manufacturing	5%	6%	5%
Business Administration, management and Professional	20%	19%	21%
Information and Communication Technology	6%	3%	7%
Retailing, Customer Service and Transportation	1%	2%	1%
Hospitality, Sports Leisure and Travel	7%	4%	10%
Hairdressing and Beauty Therapy	7%	3%	7%
Health Social Care and Public Services	18%	37%	14%
Visual and Performing Arts and Media	8%	5%	7%
Humanities	10%	1%	10%
English, Languages and Communication	6%	4%	6%
Foundation programmes	1%	2%	2%
Not Known	0%	1%	0%
Total	100%	100%	100%

Source: Individualised Learner Record (ILR)

Qualifications gained at Level 2 and Level 3

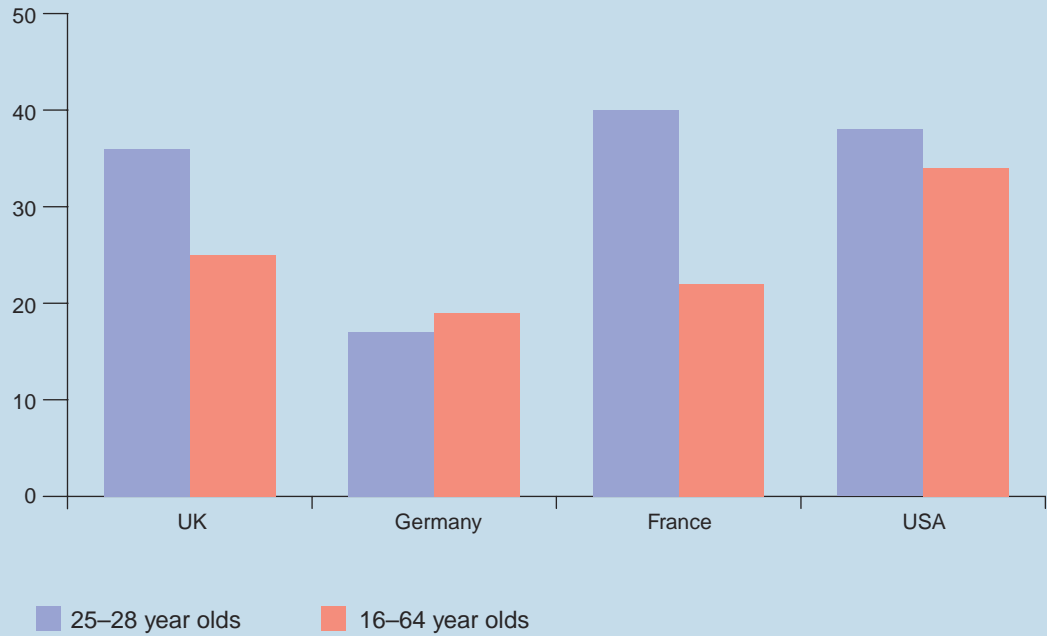
75. Increased participation in learning is leading to increased numbers gaining

qualifications. In 2004 there was a 56,000 increase in the number of NVQs awarded (an increase of 14%) with the number of NVQ Level 2s increasing by 36,000 (15%) (see Chart 37).

Chart 37: Awards of NVQs by level and year, UK

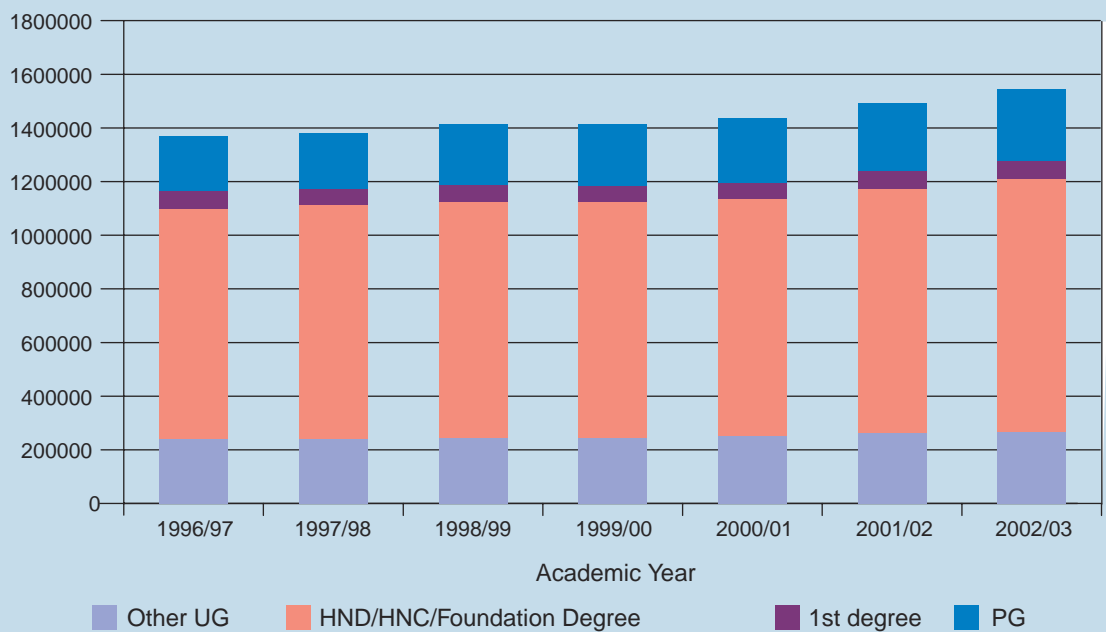
Source: National Information System for Vocational Qualifications (NISVQ)

Chart 38: International comparisons of qualifications at Level 4 and above



Source: International Comparisons of Qualifications: Skills Audit Update; H. Steedman, S. McIntosh and A. Green (2004)

Chart 39: UK domiciled HE enrolments at GB HE institutions



Source: Higher Education Statistics Agency (HESA)
 Note: Excludes Open University

Higher Education

76. The US has about a third more of its workforce qualified to Level 4 and above than the UK although the UK has more qualified to Level 4 and above than either France or Germany. However, a greater proportion of 25-28 year olds are qualified to Level 4 and above in France than in the UK suggesting that the gap may close in the future.

77. The number of UK domiciles enrolled on HE courses has increased by more than 10% since 1996/97. Sub degree enrolments have grown by a quarter, led by increasing demand for Foundation Degrees, to 38,000 in 2004/05. It is currently estimated that there will be around 50,000 Foundation Degree full-time equivalents by 2005/06, with a proportion of these replacing some HND programmes. The number of honours degree places is also expected to rise.

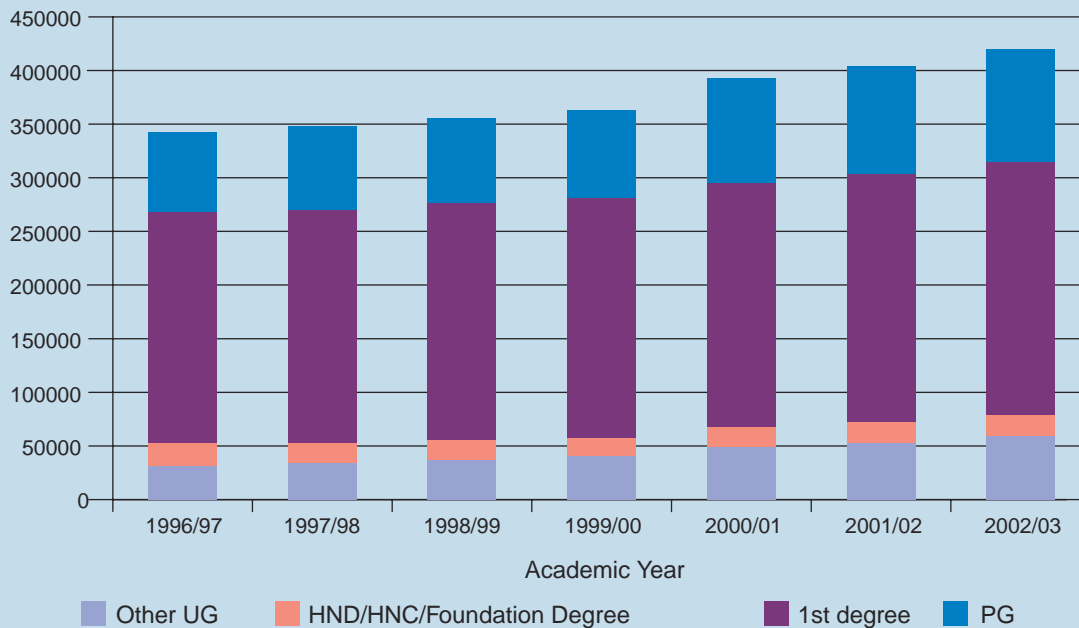
78. The number of UK domiciled qualifiers has grown by a quarter since 1996/97, postgraduates have increased by 40% and sub degree qualifiers have grown by 50%

79. The proportion of enrolments to postgraduate courses by those with graduate qualifications on entry has increased by 4 percentage points between 1996/97 and 2002/03. Additionally, almost half of enrolments to sub-degree courses are by those students who already hold graduate qualifications.

Regional Picture

80. The Higher Education Funding Council for England have produced a regional breakdown of participation in Higher Education (based on the indicative Initial Entry Rate – IER¹⁰) for 2001/02. This is illustrated in Map 1 below. The indicative IER ranges from 34% in North East to 49% in London, but is very much

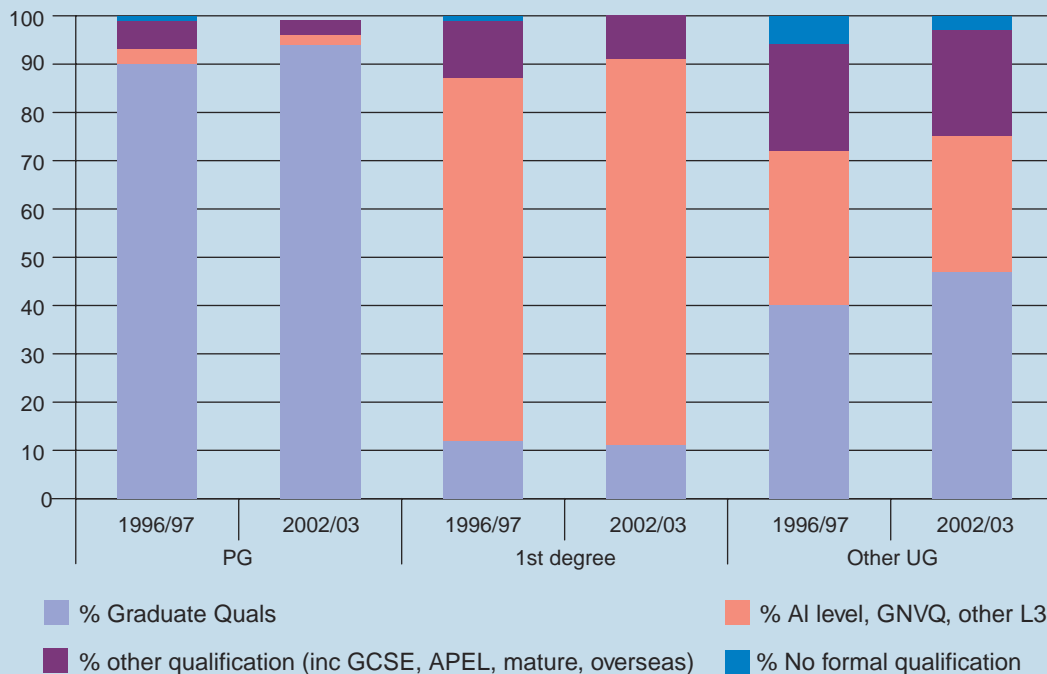
Chart 40: UK domiciled HE qualifiers at GB HE institutions



Source: Higher Education Statistics Agency (HESA)
Note: Excludes Open University

¹⁰ The Initial Entry Rate (IER) measured the participation of English-domiciled 17-30 year old, first time entrants to Higher Education, enrolling on courses expected to last one year or more. Where "Higher Education" is defined as a course that leads to a qualification above A level and its equivalents, that lead to a qualification awarded by higher education institutions or widely recognised national awarding bodies. Entrants with prior HE experience are excluded.

Chart 41: Highest qualification on entry by level of study, 1996/97 and 2002/03



Source: Higher Education Statistics Agency (HESA)

related to students in schools and colleges achieving 2 or more A-levels or equivalent as a percentage of population in the region (ie entry level qualification to university).

Differences by Ethnic/Social Group

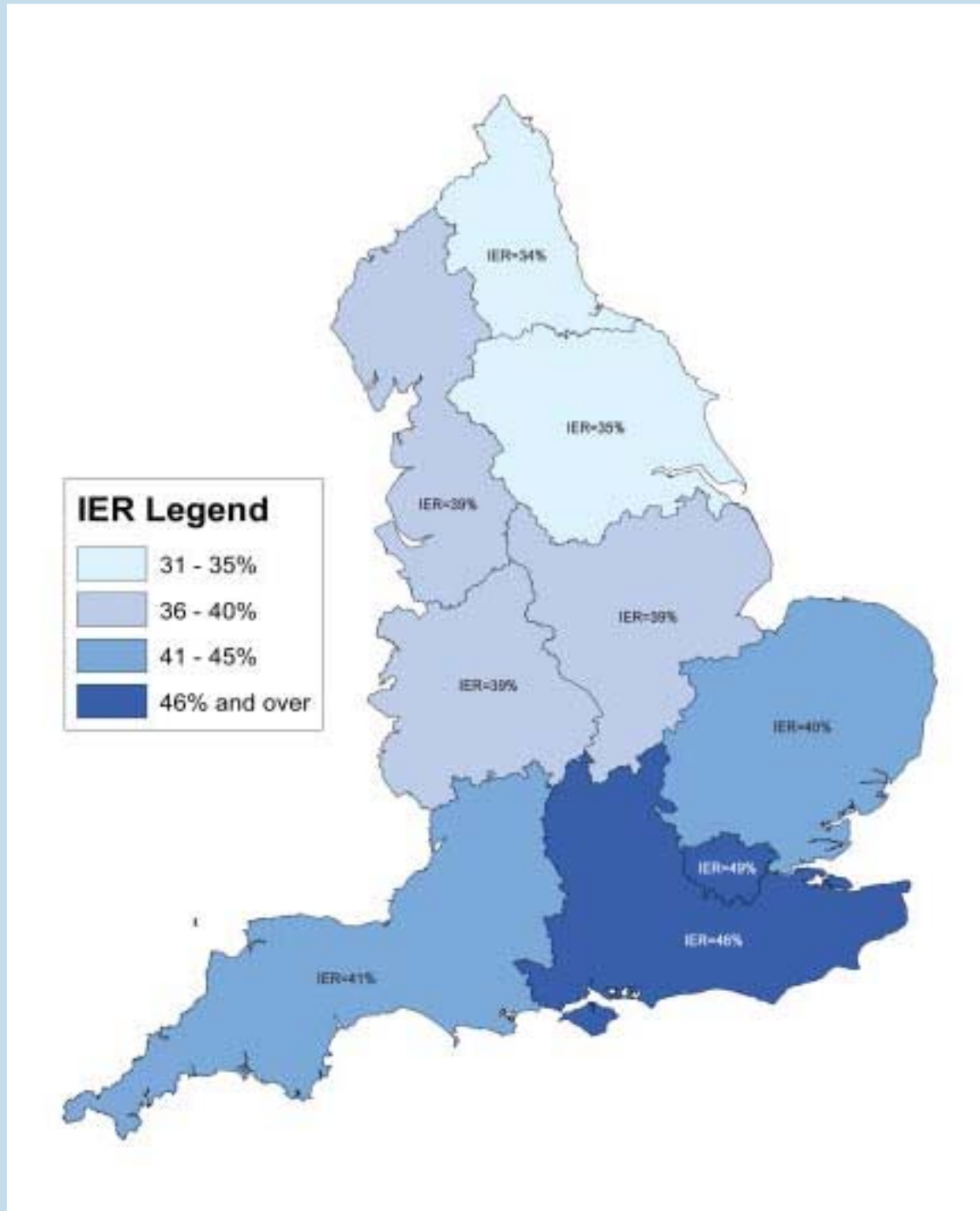
81. Participation in Higher Education (as measured by the Higher Education Initial Participation rate – HEIPR¹¹) for minority ethnic groups is 56% compared with 38% for the White group and an overall average of 40 per cent¹². The average rate masks considerable diversity within the minority ethnic population and HEIPRs vary from 39 to over 70 per cent.

¹¹ As a result of a National Statistics Review the Higher Education Initial Participation Rate (HEIPR) has replaced the IER as the way progress is measured on the target to "By 2010 increase participation in Higher Education towards 50%". The HEIPR differs from the IER in that courses must be expected to last at least 6 months, and only those students who attend their course for at least 6 months are included. For the IER, "Higher Education" was defined as all courses of one year or more.

¹² Note that these figures are for those of known ethnicity and the overall average of 40% participation for all ethnic groups is lower than the 44% usually quoted which also includes those of unknown ethnicity, who make up a large proportion of HE participants)

Map 1: Indicative IER Rates in HE by Region

IER (2001/02) and Entry Level Qualifications in Schools and Colleges (2002/03)



Entry Level Qualifications = Students achieving 2 or more A-Levels or equivalent as a percentage of 17 year old population

Table 10: GB HE Age Participation Index¹³ by Social Class, 1940–2001

Year	I-III _n (%)	III _m -V (%)	All classes (%)
1940	8	2	2
1950	19	3	3
1960	27	4	5
1970	32	5	8
1980	33	7	12
1991	35	11	23
1992	40	14	28
1993	43	16	30
1994	46	17	32
1995	47	17	32
1996	48	18	33
1997	48	18	33
1998	45	17	31
1999	45	17	32
2000	48	18	33
2001	50	19	35

Where:

1. I-III_n includes those in the 'upper' social classes; I (Professional), II (Intermediate), III_n (Skilled non-manual).

2. III_m-V includes those in the 'lower' social classes; III_m (Skilled manual), IV (Partly skilled) and V (Unskilled)

Source: Figures for 1940 – 1990 taken from NCI (Dearing Report).

82. In 1940, children of the top 3 social classes were 4 times as likely to go to HE as children from the bottom 3 classes. By 2001, the ratio had narrowed to just over 2 and half times as likely. Children from the top 3 social classes are over 6 times as likely to go to HE as they were in 1940; children from the bottom 3 classes are now almost 10 times as likely to go as in 1940 (Table 10).

83. In 1972, male participation rates in HE were higher than women's. As overall participation grew, women's grew at a faster rate than men's and by 1992, women's participation rates exceeded men's. The gap has continued to widen.

¹³ The API is defined as the number of home domiciled initial entrants to full-time and sandwich undergraduate HE aged under 21, expressed as a percentage of the average number of 18 and 19 year olds in the population. The API is available as a longer time-series, unlike other measures of participation.



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