

Summary: Intervention & Options

Department /Agency: DCSF	Title: Impact Assessment: A Strategy for 14-19 Qualifications	
Stage: Consultation	Version: 1.0	Date: 31 March 2008
Related Publications: See Annex A		

Available to view or download at:

<http://www.dfes.gov.uk/consultations/>

Contact for enquiries: Fiona Jordan

Telephone: 0114 2593646

What is the problem under consideration? Why is government intervention necessary?

Qualifications have an important part to play in raising attainment and participation for 14-19 year olds. At present, the qualification system means that not all young people can make the most of their talents. The Government has committed to over time moving funding to a streamlined offer of key national qualification frameworks for the 14-19 supporting better achievement and progression through a set of clear, well-valued qualification choices. As the reformed qualifications system is developed, there needs to be clarity about how transition to this offer will be achieved.

What are the policy objectives and the intended effects?

The policy objective is to ensure that the education sector is clear about how we expect to secure a more comprehensive and coherent qualification offer for young people that will engage more in learning and ensure they have the skills and recognition they need for success.

Intended effects include better attainment, participation and progression for young people throughout the 14-19 phase and beyond. Employers and universities will be able to better understand the qualifications that young people hold, and be confident that they are securing the skills and knowledge they need.

What policy options have been considered? Please justify any preferred option.

1. No action.
2. A voluntary approach in which different institutions / local areas develop individual strategies.
3. The Strategy for 14-19 Qualifications approach: use specific drivers to manage the qualification offer to ensure national entitlements to a reformed qualification system.

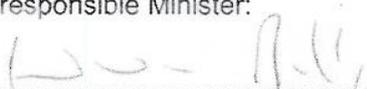
This approach can lead to greater fairness and consistency: ensuring all qualification routes have real standing, clear onward progression routes and secure the skills young people need. It can ensure greater clarity and a reformed offer which is more responsive to the views of the education system.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? This policy will be reviewed as part of ongoing monitoring of the wider education agenda.

Ministerial Sign-off For Consultation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date: 27/3/08

Summary: Analysis & Evidence

Policy Option:	Description:
-----------------------	---------------------

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' Only the direct costs to government have been monetised, over and above those already committed to Diploma development. These are approx: £300,000 p.a. for the new Joint Committee; £500,000 p.a. for SSCs to undertake SQSs for 14-19 learners; and one-off costs of £300,00 to undertake further work related to the QCF and £150,000 on the extended Diploma				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 2px;">One-off (Transition)</td> <td style="width: 40%; text-align: center; padding: 2px;">Yrs</td> </tr> <tr> <td style="padding: 2px;">£ 450,000</td> <td></td> </tr> </table>		One-off (Transition)	Yrs	£ 450,000	
	One-off (Transition)		Yrs			
	£ 450,000					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 2px;">Average Annual Cost (excluding one-off)</td> <td style="padding: 2px;">£ 800,000</td> </tr> </table>	Average Annual Cost (excluding one-off)	£ 800,000				
Average Annual Cost (excluding one-off)	£ 800,000					
Total Cost (PV)		£ Unquantified				
Other key non-monetised costs by 'main affected groups' Additional costs may be borne by awarding bodies (due to the development of new qualifications) and providers in adapting to deliver the new reforms. The review of 14-19 qualifications by the new Joint Committee will also require input from these bodies, as well as employers.						

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' None of the benefits have been monetised. The key benefits will be to 14-19 learners who will be offered better choices, in a clearly managed transition process. This should lead to increases in participation and attainment.				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 2px;">One-off</td> <td style="width: 40%; text-align: center; padding: 2px;">Yrs</td> </tr> <tr> <td style="padding: 2px;">£</td> <td></td> </tr> </table>		One-off	Yrs	£	
	One-off		Yrs			
	£					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; padding: 2px;">Average Annual Benefit (excluding one-off)</td> <td style="padding: 2px;">£</td> </tr> </table>	Average Annual Benefit (excluding one-off)	£				
Average Annual Benefit (excluding one-off)	£					
Total Benefit (PV)		£ Unquantified				
Other key non-monetised benefits by 'main affected groups' Employers and universities will also benefit. Their input to new qualifications' design should ensure they are better understood, held in higher esteem and better meet the needs of workplaces and the demands of higher level learning. This should contribute to improving economic growth and international competitiveness.						

Key Assumptions/Sensitivities/Risks

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
-----------------	-------------------	----------------------------------	--

What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?	Consulting re timing				
Which organisation(s) will enforce the policy?	DCSF				
What is the total annual cost of enforcement for these organisations?	£ Unquantified				
Does enforcement comply with Hampton principles?	N/A				
Will implementation go beyond minimum EU requirements?	N/A				
What is the value of the proposed offsetting measure per year?	£ N/A				
What is the value of changes in greenhouse gas emissions?	£ N/A				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ N/A	Decrease of	£ N/A
Net Impact		£ N/A	

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Strategic Overview

1. This evidence base sets out the likely impacts of the proposed changes to the qualifications system for young people in England. It accompanies the Government's consultation document, *Promoting achievement, valuing success: a strategy for 14-19 qualifications* published on 31 March 2008.
2. At present we have only gathered limited data to quantify and in some areas, monetise, the impacts of these policy changes. This document sets out anticipated impacts in narrative format. We will continue to develop this Impact Assessment as we move through the consultation phase.

Objectives

3. In our 2005 White Paper *14-19 Education and Skills*, we set out our plans to reform education and training for teenagers. Our ambition was then, and remains now, to create a system in which every young person can prepare themselves through education and training to make a success of their life.
4. At the centre of these plans was the reform of curriculum and qualifications. We said that we would create a qualifications system in which every young person can learn the right subject for them, at the right level for them, learning in a style that suits them – no matter where they are in the country – and achieve a valuable qualification if they succeed. Putting that in place, together with the right information, advice and guidance and the right personal and financial support arrangements, is a key part of our drive to raise participation in learning post-16 and attainment by 19.
5. In the White Paper, we also said that we needed to create a qualifications system which was much more comprehensive, where every qualification that young people take is well understood by employers, Higher Education (HE) and the general public. The key function of qualifications is to act as a passport to further learning and to work, through demonstrating what someone knows and can do. Qualifications which are not well understood cannot serve that purpose - and therefore we should create a simple system based on a few routes. In the White Paper we said that in future, as Diplomas become a national entitlement, public funding should be directed to just four routes: the general (GCSEs and A levels), the new Diplomas, Apprenticeships and the Foundation Learning Tier.
6. In the consultation document, we set out how we will move to achieve that vision.

Relevant PSAs

- To raise the educational achievement of all children and young people (PSA 10)
- To narrow the gap in educational achievement between children in disadvantaged groups and their peers (PSA 11)
- To increase the number of children and young people on the path to success (PSA 14)
- For young people aged 14–19, these will be measured in the following ways:
 - PSA 10: increasing the proportion of young people achieving level 5 in both English and mathematics at Key Stage 3, increasing the proportion of young people achieving five A*–C GCSEs (or equivalent) including GCSEs in both English and mathematics, and increasing the proportion of young people achieving level 2 and level 3 at 19;

- PSA 11: the proportion of pupils progressing by two levels in English and mathematics at Key Stages 3 and 4, and closing the gap between the initial participation in full-time higher education rates for young people aged 18, 19 and 20 from the top three and bottom four socio-economic classes; and
 - PSA 14: reducing the percentage of 16–18-year-olds not in education, employment or training (NEET).
- In the longer term, as set out in *the Green Paper Raising Expectations: Staying in education and training post-16*, by 2013 young people will stay in education and training until the end of the academic year in which they turn 17, and by 2015 until their 18th birthday.

Sectors and Groups Affected

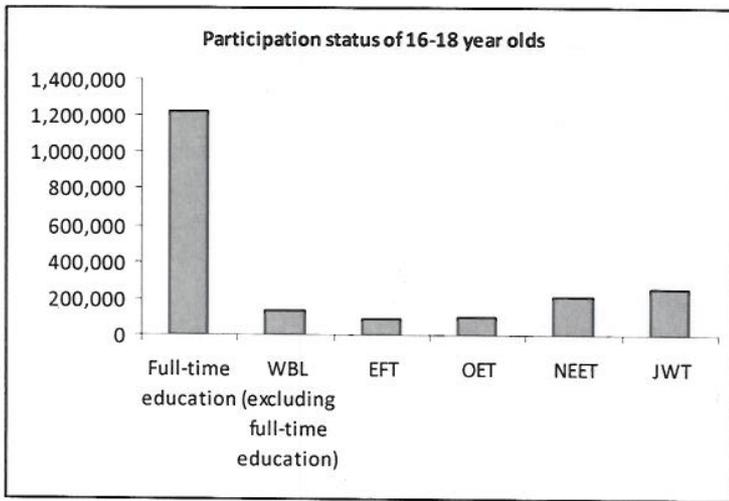
7. **Learners.** There were approximately 1.3 million learners in the last two years of compulsory education in 2005/06 [source: SFR 01/08] and approximately 1.5 million 16-18 year olds in some kind of education or training [source: SFR 22/07]. By 2015 all young people will be required to participate in education or training until their 18th birthday. Learners make choices about which qualifications to follow based on the availability of courses in their local area. The choice of qualifications on offer is usually made by exam centres.
8. **Providers** – these include schools, colleges and other training providers. They teach learners programmes of study and put them forward for assessment to secure a qualification. They pay fees to awarding bodies to allow their learners to sit qualifications. Providers are a mixture of publicly funded and private centres (the vast majority are publicly funded). There are around 6,000 registered centres that enter candidates for qualifications. Providers make decisions about what qualifications to offer based on a range of factors but the key driver is typically funding. Other factors include fitness for purpose, learner progression and currency of qualification [source: PWC, 2005].
9. **Awarding bodies** – organisations that develop qualifications for learners to pursue; some, but not all, awarding bodies are regulated by QCA which recognises the organisation and accredits specific qualifications. Awarding bodies are a mixture of private companies and organisations with charitable status. There are currently around 120 recognised and 400-500 unrecognised awarding bodies in the UK. 104 recognised awarding bodies currently have qualifications approved for use for young people, under Section 96 of the Learning and Skills Act 2000.
10. **Practitioners** – teach the qualifications on offer to young people. There are approximately 218,000 secondary teachers, 125,000 (full and part-time) FE teaching staff and approximately 239,000 (full and part-time) FE teaching, support and other staff.
11. **Employers.** Employers use qualifications as part of the recruitment process for new employees, and to up-skill existing employees. Sector Skills Councils (SSCs) help to articulate employers' skills needs and demand for qualifications. Many employers are already involved with supporting young people to learn. It is believed that as many as 300,000 are involved in Work-Related Learning of one form or another in any given year [source: DCSF estimates].
12. **Higher Education Institutions (HEIs).** HEIs currently use qualifications to assess the ability of university applicants. There are approximately 325 Higher Education Institutions and Further Education Institutions delivering higher education.
13. **The QCA (the new development agency for curriculum, assessment and qualifications)**
The new agency is responsible for developing curriculum, delivering national curriculum

tests (through the National Assessment Agency), and supporting the development of qualifications.

14. **The new Office of the Qualifications and Examinations Regulator (Ofqual)** – The new agency is responsible for regulating qualifications and tests.
15. **The Learning and Skills Council** (and subsequently the Young People's Learning Agency) – A planning and funding agency for 16+ learners.
16. **Local Authorities** - Delivery of the new qualification offer will require local authorities, area by area, to ensure that the full range of programmes is made available to young people to meet the needs of all learners. The recent consultation document on funding transfer, *Raising Expectations: enabling the system to deliver* set out further detail on the enhanced role of local authorities, from 2010, in commissioning and managing provision for 16-18 year old learners.

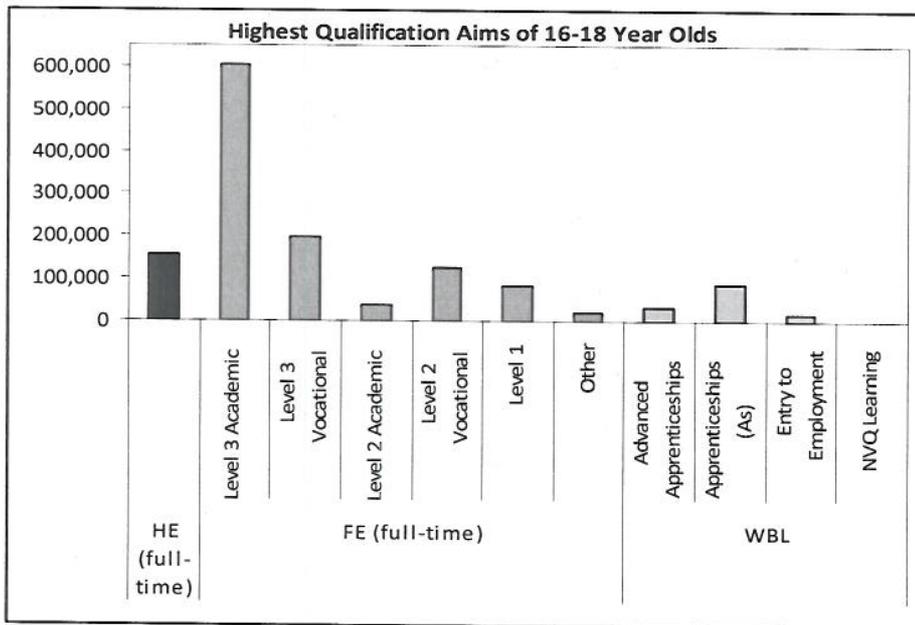
The Current System

17. There are currently a large number and range of qualifications available for young people to take. All qualifications used by pupils in maintained schools, and for under 19-year-olds in further and work-based education and training are required to be approved under Section 96 of the Learning and Skills Act 2000. The Secretary of State for Children, Schools and Families makes decisions about which qualifications will be approved for use. There are published criteria to underpin the decisions that the Secretary of State makes. These include a requirement that all qualifications have received prior accreditation by a regulator.
18. Currently there are nearly 6,500 qualifications approved for use on section 96 for young people. Vocational qualifications make up nearly 50% of these qualifications (over 3,000 qualifications). Over 100 Awarding Bodies currently offer qualifications that are approved on Section 96. Five awarding bodies account for over half of the qualifications listed. Over 50 awarding bodies offer fewer than 10 qualifications approved for use for under-19s [source: section 96 list].
19. At Key Stage 4, GCSEs remain the predominant qualification route for young people, but vocational alternatives are becoming increasingly used. In 2006/07, the vast majority of those who reached level 2 (over 60% of the 656,000 16 year olds in England) did so through standard GCSEs (52% of the cohort), as opposed to short or vocational GCSEs (2% of the cohort) or other vocational qualifications (7%) [source: SFR 01/08]. However much of the growth in level 2 attainment among 16 year olds in recent years has been driven by alternative qualifications to standard GCSEs.
20. At Key Stage 4 the national picture of provision of vocational qualifications is varied. QCA data showed that in 2004 while 23.9% of the student cohort achieved at least one vocational qualification, 40% of all schools had no students achieving vocational qualifications [source: QCA, Key Stage 4 Engagement programme report, 2006].
21. Turning to the current post-compulsory phase, over 77% of the 2 million 16-18 year olds in England participate in education or training, totalling 1.55m individuals. The majority of those young people who participate, participate in full-time education, numbering 1.22m individuals. However, other routes are available: 7% enter Work-Based Learning (and within this, predominantly Apprenticeships at level 2), 5% receive Employer Funded Training (EFT) and 5% receive Other Education and Training (OET). A minority (23%) of 16-18 year olds don't participate beyond compulsory schooling – some of these work in jobs without training (12%) and the rest are NEET (10%) [source: SFR 22/2007].



Source: SFR 22/2007

22. Of the 61% of 16-18 year olds who are participating full-time, 8% are studying at level 4 i.e. HE and 53% are in full-time Further Education (FE). And of those full-time in FE, most (32% of the total cohort) are taking broadly academic programmes at level 3 or level 2, some (16% of the total cohort) are taking broadly vocational programmes at level 3 or level 2 and a minority (5% of the total cohort) are taking level 1 or other programmes. In 2006/07, 73.9% of people aged 19 were qualified to at least level 2 and 48.0% of 19 year olds were qualified to level 3. An increasing proportion of young people achieving level 2 and level 3 are doing so via vocational qualifications [source: SFR04/2008].



Source: SFR 22/2007

Opportunities and Issues with the Current System

23. Currently, for those young people taking general qualifications, the recognised brands of GCSEs and A-levels are offered by a number of awarding bodies, and understood according to a recognised standard. They have strong attainment and progression rates, and represent a high quality, high status route which is well understood and respected by young people, parents and providers, as well as by employers and HEIs as part of the recruitment process. At both level 2 and level 3, the wage returns are strongest for academic qualifications. People with 5+ GCSEs A*-C earn around 9-11% more than similar people without these qualifications; people with 2 or more A-Levels earn on average around 14% more than similar people without these qualifications [Jenkins et al, 2007].

24. Apprenticeships - which represent broader programmes of learning (typically comprising an NVQ, Key Skills and Technical Certificate) – remain a valued and trusted route, providing a clear brand of learning programme for young people. The wage returns to Apprenticeships at level 2 tend to be higher than for other vocational qualifications, at around 16% compared to people with other qualifications at level 2 or below. There are also strong wage returns to Advanced Apprenticeships, at 22% for men and 14% for women, compared to those qualified to level 2 [McIntosh (2007)]. Although Apprenticeships have lower overall success rates for the complete framework than for single qualification aims, their success rates have improved significantly in recent years [source: ILR SFR 2005/06 Full Year Plus].
25. There are currently a large range of qualifications approved for use for young people, outside of GCSEs and A-levels: around 80% of qualifications approved for use across the 14-19 phase are vocational or other qualifications, such as key skills and Entry level qualifications.
26. When suitably designed and delivered, evidence shows that existing vocational qualifications can, and do, have wide-ranging benefits for young people. The Increased Flexibility Programme (IFP) was introduced in 2002 with the aim to 'create enhanced vocational and work-related learning opportunities for 14-16 year olds of all abilities who can benefit most'. The evaluation of the IFP has shown that curriculum choice and improved vocational options have had a positive effect on young people's outcomes particularly those at risk of disaffection or disengagement. It has had a positive effect on participation, attainment, behaviour and attendance, attitudes, social skills and future career choices [Golden, S et al., 2006]. And other evidence outside of IFP shows existing vocational qualifications have a key role in driving up level 2 attainment during compulsory education and, for those who don't manage this, getting to level 2 by age 19. [source: analysis of matched administrative dataset, age 19 in 2006 cohort].

Rationale for change

27. But there remain issues which mean that vocational education and training for young people continues to have lower status and credibility, and has failed to command the confidence of employers and the public at large. At present, it is hard to understand the different range of vocational qualifications that young people hold – what level they are, how long they take to complete, what content they cover, and how they compare to other qualifications. Although some have currency in some sectors of the economy, these qualifications have not typically enjoyed the same recognition and understanding as GCSEs and A levels. 'There is widespread acknowledgement that there are too many qualifications in the market, leading to huge overlap in provision. Learners and employers are confused by such immense provision which can result in uninformed choices being made' [source: PWC, 2005].
28. Recent evaluation of the IFP by Ofsted (2007) has demonstrated that significant barriers still exist to vocational provision for 14 year olds. These include the lack of esteem for vocational and work-related qualifications. For those entering vocational routes, there were fewer options available compared to those taking GCSEs.
29. Success rates for vocational qualifications are generally lower than for general qualifications [source: ILR SFR 2005/06 Full Year Plus]. However, the gap has closed considerably in recent years due to the marked improvement in success rates for vocational qualifications such as NVQs and Apprenticeships.
30. There is evidence that young people who attain level 2 via the academic as opposed to a vocational route, are more likely to go on and attain level 3 (i.e. a better 'conversion rate') [source: analysis of the matched administrative data for the 19 in 2004 cohort]. This difference is still apparent when the comparison is made across the same prior attainment group. This reflects in part the fact that young people are more likely to participate post-16 if

they have reached level 2 via the academic route as opposed to a route which includes vocational qualifications.

31. The ability to progress to HE is critical to the esteem in which learning programmes are held. There is better progression to HE for those following an academic route as opposed to a vocational one: (focusing on those with 5+ GCSEs A*-C by Y11), 84% of those with 2+ A-levels by 18 progress into HE by 19 compared to 51% of those with vocational qualifications [source: analysis of YCS cohort 11]. This is at least partly explained by the fact that within the 5+ GCSEs A*-C group, those who go on to do A-levels tend to have higher prior attainment than those who go on to do vocational qualifications. But there is range of evidence demonstrating a gap in HE admissions tutors' knowledge and understanding regarding vocational qualifications held by university applicants - what qualifications there are, what they involve and what they are equivalent to [Connor et al, 2006].
32. The various problems relating to the current design and delivery of vocational qualifications combine to adversely affect their labour market currency. Whilst there are some success stories (such as Apprenticeships and some BTECs), and there is evidence of particular qualifications performing well in certain sectors or occupations, in general the wage returns to vocational qualifications at level 2 are fairly low. The exception is for those who leave school with very low or no qualifications who seem to benefit most from acquiring level 2 vocational qualifications. The wage returns are generally stronger at level 3 than level 2 [Jenkins et al, 2007].
33. Across all routes, survey evidence shows employers have concerns about young people's basic skills and preparedness for entering the world of work. For example the National Employer Skills Survey 2005 found that whilst most employers (60%-81%) who had recruited young people direct from education thought they were well or very well prepared for work, significant minorities thought otherwise. The CBI's Employment Trends Survey 2007 showed that nearly half of surveyed CBI member employers are dissatisfied with the basic literacy and numeracy of school leavers. It suggested 86% of surveyed CBI member employers think improving maths and English skills should be the government's top priority. It found that 50% of surveyed CBI member employers are dissatisfied with young people's generic employability skills. This evidence suggests there is an employer need for more work experience and better preparation in school and colleges, especially in the basics.

Proposals

34. We propose to use specific levers and drivers to manage the qualifications offer to ensure national entitlements to a reformed qualifications system. In terms of this Impact Assessment, the key policy options recommended by the Strategy are:
 - a **Management of the qualifications offer through the following levers:**
 - We will simplify the system, with a new process to bring in the best of existing qualifications, while building towards the more streamlined offer;
 - We will establish a step-by-step process through which we can be assured that in simplifying the qualifications available, we are continuing to meet the full range of learner needs. This will ensure that we can bring in the best of what currently exists, while managing a process of transition to the future simplified system;
 - This will include the development of a set of criteria against which we will assess whether qualifications will be approved for use for young people in the future;
 - The appointment of an expert body of external advisers – the Joint Advisory Committee on Qualifications Approval – to advise on how these principles should be applied.

b Other measures to deliver the reformed qualifications system:

- As we are developing new qualification options, we will make sure they are made as comprehensive as possible, to better meet the needs of all young people through:
 - The extended Diploma, which will recognise a wider range of achievement within the Diploma framework;
 - Plans to make the Extended Project an option for all young people who study A Levels;
 - An extension of the Diploma entitlement from the first 14 to all 17 Diplomas post-16 from 2013.

Cost / Benefit Analysis

Impact on the Demand Side

Young People

35. The new process to manage transition to the new offer should ensure that the qualification offer of the future is shaped by a strong evidence base, bringing together views from providers, employers and HEIs. This should mean that the fullest attention is paid to meeting **learner needs** and will better encourage attainment and progression for all groups. To the extent that qualifications which no longer support learner needs cease to be funded in the future, young people may be offered fewer choices, but this should be balanced by stronger new choices coming forward.
36. Under the new rationalised qualification offer, it will be easier for young people to make **better choices**. Young people will be **more engaged** as their learning is better tailored to their needs and preferred learning styles, and more relevant to the world of work with clear and flexible progression routes. This should lead to **higher learner satisfaction** rates.
37. Greater transparency in the qualification offer will support **better recognition** for young people of the qualifications that they have achieved. The stronger coherence between qualification levels and across qualification types will support **improved progression** rates to higher levels of qualifications, including to HE.
38. Through raising the profile of work-related learning, the new offer should encourage a **more varied take-up of work-related qualifications** in a wide range of sectors and occupations, including increasing equality of access for all, regardless of gender, ethnicity or disability status.
39. The improved offer available to 14-19 year olds should **drive up attainment** at Level 2 and Level 3 by age 19 particularly among those who have achieved less well earlier in the system, and thereby should help **close the gap** between more advantaged and disadvantaged learners. This would help contribute to two of our PSA targets: PSA10 (raising educational achievement) and PSA11 (narrowing the gap). It would also mean young people are in a much stronger position on entering the labour market – see paragraph 46.
40. Because attainment is a key driver of participation, **staying-on rates post-16 should increase** in the lead-up to raising the participation age to 18 in 2015.

Employers and HEIs

41. The new process to manage transition to the new offer should ensure that employers are able to **articulate their needs**, and that the qualification offer of the future is fully responsive to the skills needs of today and into the future.
42. Because the qualifications routes will be rationalised and are more comprehensible to end-users, HE admissions tutors will be able to compare across applicants with more ease and consistency, such that **HE places are offered to the most suitable applicants**. Similarly employers should know the national standards that apply and be able to recruit employees confidently on that basis, making the **recruitment process more efficient**.
43. The new qualifications being designed by the new development agency and awarding bodies have substantial input from employers (via SSCs) and HEIs to meet their respective needs. This should ensure learners benefit from a **stronger nationalised brand** of qualifications that builds upon the strengths of the current offer.
44. Whichever qualification suite learners undertake, young people will be equipped with functional skills in literacy and numeracy - skills which employers and HEIs have repeatedly voiced concerns over. By having a good grounding in the basics, learners will be in a much stronger position to **meet the needs of the workplace** and have a **stronger foundation for future learning**.
45. Through better meeting the needs of employers, the new qualifications will help young people's training **make a larger contribution to firms' 'bottom-line'**. This will particularly be the case if new qualifications are marketed successfully and centres tailor delivery to meet employers' needs.

Wider Economy

46. The improved offer should ultimately mean qualifications achieved by 14-19 year olds will have a stronger labour market currency. This will benefit young people in terms of their **improved earnings and employment prospects**, benefit employers in terms of **raising workplace productivity and profitability** and ultimately contribute towards **raising economic growth and competitiveness**. For example, if one more learner achieves a level 2 or level 3 qualification by age 19 as a result of our qualification reforms, it could improve their lifetime earnings considerably: it is estimated that the lifetime earnings benefits to 5 or more GCSEs A*-C are around £100,000 on average, and to 2 or more A-levels around an additional £85,000 on average [source: DCSF internal estimates].

Impact on the Supply Side

Providers

47. Providers across the country will be clear about how the new qualifications system will affect their responsibilities and be able to **plan accordingly**. The new process to manage transition to the new offer should ensure that providers are able to articulate their views so that the proposed approach will take full account of factors such as time factors in implementing change and the training and development required.
48. Post-16 education and training centres should face **increased demand** from learners and employers for their provision, as the new offer better meets their needs. This may bring benefits to centres in the form of **economies of scale** in teaching and assessing a more streamlined curriculum to a greater volume of learners. These efficiencies could be re-invested to help **drive up the quality of provision**.
49. However centres are likely to have to cater for a **more challenging learner base**, as learners who have traditionally not participated are attracted by the offer. This will

particularly be the case from 2015 when the participation age is raised to 18. This may impose **additional teaching costs** on centres.

50. In managing the transition to the new qualification offer for young people we will need to pay particular attention to delivery of the new offer in **rural areas**. In designing the delivery model for Diplomas we have been conscious about the need to pay attention to rural issues. We are doing specific work with rural practitioners to aid their delivery of Diplomas.

Awarding bodies

51. The new process to manage transition to the new offer should ensure that awarding bodies are able to continue to innovate in developing new content, and are able to articulate their views. In carrying out its functions, the Joint Advisory Committee on Qualifications Approval will be particularly mindful of the need to **minimise burdens on the system**, whilst retaining clear oversight of the qualification offer available to young people. Those qualifications that fall within the national suites will generally be approved. In providing advice to the Secretary of State on how the new Section 96 criteria should be applied, the Committee will therefore focus on those qualifications that fall outside the national suites, and in the short-term on low uptake qualifications.

52. Awarding bodies whose business focus is on 14-19 learners will build on their existing portfolios to develop Diplomas and Apprenticeship and Foundation Learning Tier qualifications, **developing new qualifications** as needed. They will continue to invest in developing GCSEs and A levels. As awarding bodies expect to review and develop qualifications on a regular basis as part of their normal course of business, this should not be expected to impose significant additional burdens.

53. Recalibrating existing qualifications into compatible qualifications for Diplomas may involve additional burdens for awarding bodies in some cases. Any new qualification development is likely to involve a **sizeable fixed cost in terms of 'knowledge investment'** which would be borne more easily by larger awarding bodies than smaller ones. This would mean that the market shares of different awarding bodies may change, with those that are able to diversify into Diploma provision potentially expanding their share of the qualifications market.

54. However the increased cost of developing new qualifications would be countered by the increased (derived) demand by centres on behalf of end-users for the new 14-19 qualifications. This may result in opportunities for *existing* awarding bodies to **increase their revenues** from assessing and awarding a larger volume of qualifications and /or **new entrants to the awarding body market**.

55. To the extent that qualifications which no longer support the needs of young people cease to exist in the future, awarding bodies which provide these qualifications could potentially suffer from a **withdrawal of funding**. However in the short-term, this would only affect qualifications with low uptake among 14-19 learners and even then, awarding bodies may still face a (derived) demand for these qualifications from adult learners.

56. Because there will be less scope for awarding bodies to compete with respect to their qualification range, this may mean **other types of competitive pressures increase**, around areas such as customer service and use of new technologies in assessments.

57. The Government, awarding bodies and centres will have a role in **marketing** the new offer to 14-19 learners and employers in the local area. Whilst this may impose short-term burdens on these institutions, they would not opt to undertake this activity unless it was outweighed in the longer-term by the benefits relating to increased demand for provision.

Joint Advisory Committee on Qualifications Approval

58. The new Joint Advisory Committee on Qualifications Approval will work with providers, awarding bodies, SSCs and HEIs as part of the **regular review** to analyse the 14-19 qualification landscape. This review process is likely to impose **some additional burdens** on providers, awarding bodies and HEIs, who will be asked to input into the process. However, this is not expected to be significant as they will be making assessments of the qualifications on offer as part of their normal course of business.

Sector Skills Councils

59. Similarly SSCs on behalf of employers will undertake specific strands of work in their Sector Qualifications Strategies to consider how well 14-19 qualifications meet employers' needs. However as this work will be subsumed within existing qualification strategy work, it is unlikely to impose significant additional burden on SSCs.

The new development agency and the Learning and Skills Council (subsequently the Young People's Funding Agency)

60. There will be additional burdens placed on the new qualifications and development agency and the LSC (The new Young People's Funding Agency) to convene and manage the work of the Joint Committee. However as this work builds on existing advisory work and funding decisions, it is unlikely to impose significant additional burdens.

Ofqual

61. The new regulator will be required to judge how best to ensure that all qualifications remain of the highest standard, based on risk. This should enable the regulator to focus on where risk is highest. It will have a new role in monitoring the overall efficiency of the qualifications system. This could result in **increased value for money** for the public funds invested into the qualifications system. These impacts were discussed further in the Impact Assessment for the consultation document *Confidence in Standards*:
<http://www.dfes.gov.uk/consultations/downloadableDocs/Confidence%20in%20Standards%20-%20Impact%20Assessment.pdf>

Quantification of Costs

62. In terms of direct costs to government, the costs of Diploma development are already committed. We expect that the additional costs of developing the Extended Diploma will be £150,000. We already have a significant programme of work in place to support the workforce to deliver Diplomas.

63. We expect that establishing the Joint Committee and its work will cost approximately £300,000 pa. We expect that asking SSCs to undertake a strategy for 14-19 learners will incur additional costs of approximately £500,000 pa.

64. There will be costs associated with putting all 14-19 qualifications onto a credit-framework. We will consider these costs further. Further work will cost approximately £300,000.

65. Because only the direct costs to government have been quantified, and these will only constitute a proportion of the total costs, a Present Value calculation for the total cost figure has not been undertaken at this stage.

66. These costs will be met from within the available resources for DCSF over the CSR 07 spending review period, and future resources will be determined in the normal way.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	Yes	No

Annex A

BIBLIOGRAPHY

Connor, H., Sinclair, E. and Banerji, N. [February 2006] 'Progressing to higher education: Vocational qualifications and admissions'.

DCSF Statistical First Release 01/2008 [January 2008] 'GCSE and Equivalent Examination Results in England 2006/07 (Revised)'.

DfES Statistical First Release 22/2007 [June 2007] 'Participation in Education, Training and Employment by 16-18 Year Olds in England: 2005 and 2006 and Participation in Education and Training by 16 and 17 Year olds in each local area in England: 2004 and 2005'.

DfES Statistical First Release 06/2007 [February 2007] 'Level 2 and Level 3 Attainment by Young People in England measured using Matched Administrative data: Attainment by age 19 in 2006 (Provisional)'.

Employment Trends Survey [2007] CBI / Pertemps

Golden, S et al (2006) Evaluation of Increased Flexibility for 14 to 16 year olds Programme: Outcomes for the second cohort. DCSF Research.

ILR Statistical First Release [April 2007] 'Further Education and work-based learning for young people – learner outcomes in England 2005/06'.

Jenkins, A., Greenwood, C. and Vignoles, A. [2007] 'The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications', CEE Discussion Paper 89.

McIntosh, S. [2007] 'A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications', DfES Research Report 834.

National Employers Skills Survey [2005] LSC research.

Ofsted (2007) The Key Stage 4 curriculum: Increased flexibility and workrelated options, Ofsted report 070113, London.

PriceWaterhouseCoopers [April 2005] 'The Market for Qualifications in the UK', Qualifications and Curriculum Authority research.

Qualifications and Curriculum Authority [January 2006] 'Report on vocational learning provision at key stage 4'

Annex B

EQUALITY IMPACT ASSESSMENT FOR A STRATEGY FOR 14-19 QUALIFICATIONS

Title

Promoting achievement, valuing success: a strategy for 14-19 qualifications

Description of the policy

In our 2005 White Paper *14-19 Education and Skills*, we set out our plans to reform education and training for teenagers. Our ambition was then, and remains now, to create a system in which every young person can prepare themselves through education and training to make a success of their life. In the White Paper, we also said that we needed to create a qualifications system which was much more comprehensive, where every qualification that young people take is well understood by employers, Higher Education (HE) and the general public. The key function of qualifications is to act as a passport to further learning and to work, through demonstrating what someone knows and can do. Qualifications which are not well understood cannot serve that purpose - and therefore we should create a simple system based on a few routes. In the White Paper we said that in future, as Diplomas become a national entitlement, public funding should be directed to just four routes: the general (GCSEs and A levels), the new Diplomas, Apprenticeships and the Foundation Learning Tier.

In the consultation document, we set out how we will move to achieve that vision through:

a Management of the qualifications offer through the following levers:

- We will simplify the system, with a new process to bring in the best of existing qualifications, while building towards the more streamlined offer;
- We will establish a step-by-step process through which we can be assured that in simplifying the qualifications available, we are continuing to meet the full range of learner needs. This will ensure that we can bring in the best of what currently exists, while managing a process of transition to the future simplified system;
- This will include the development of a set of criteria against which we will assess whether qualifications will be approved for use for young people in the future;
- And the appointment of an expert body of external advisers – the Joint Advisory Committee on Qualifications Approval – to advise on how these principles should be applied.

b Other measures to deliver the reformed qualifications system:

- As we are developing new qualification options, we will make sure they are made as comprehensive as possible, to better meet the needs of all young people through:
 - The extended Diploma, which will recognise a wider range of achievement within the Diploma framework;
 - Plans to make the Extended Project an option for all young people who study A Levels;
 - An extension of the Diploma entitlement from the first 14 to all 17 Diplomas post-16 from 2013.

The evidence base

The main sources of information on evidence of existing inequalities likely to be affected by the changes in these proposals are outlined below.

- Administrative data collected by the Department for Children, Schools and Families and the Learning and Skills Council (LSC);
- Regular surveys such as the Youth Cohort Study (YCS), the National Learner Satisfaction Survey (NLSS), the work of the Office for National Statistics (ONS), and the Longitudinal Study of Young People in England (Next Steps);
- Specially commissioned surveys, studies, focus groups and consultation exercises:
 - Ofsted (2007) The Key Stage 4 curriculum: Increased flexibility and work related options, Ofsted report 070113, London. Ofsted (2005) Increased Flexibility Programme at Key Stage 4: the first two years. HMI report 2361.
 - Report on the Evaluation of the Vocational Specialism Programme: Jeremy Higham and David Yeomans 2006.
 - Ofsted 2006 Evaluation of the Young Apprenticeships Programme, HMI report 2653
 - Young Apprenticeships: Equal Opportunities, B Newton, L Miller, R Page, K Ackroyd, S Tuohy, IES, 2006 and Building on Young Apprenticeships: Equal Opportunities, B Newton, L Miller, R Page, K Ackroyd, S Tuohy, IES, 2007
 - House of Lords Select Committee for Economic Affairs, Fifth Report of Session 2006-2007, Apprenticeships: A key route to skill, Volume 2, Evidence, (HL138-II), 2007, esp. TUC report, pp. 73 – 76
 - Daring to be Different. The business case for diversity on apprenticeships. AAN and EHRC, 2007
 - Evaluations of specific projects and programmes, usually carried out by academic institutions e.g. studies by Payne (2003) and Hillage et al (2006);

What the evidence shows – key facts

Disability

- In 2006 and 2007, the Disability Rights Commission published studies conducted at the University of Birmingham on the educational experiences of young disabled people and their families. The main issues which emerged were around autonomy; choice and empowerment; inclusion and support; and personal identity. For older students in further education settings, the availability of good quality academic and personal support seems to be particularly significant in enabling young people to develop personal autonomy.
- In 2006, 8.7 per cent of pupils with a special educational needs statement gained 5 or more GCSE grades A*-C compared to 66.2 per cent without any special educational needs. (SFR 04/2007)
- At age 16, 68 per cent of disabled young people are in full time education, compared with 72 per cent of those who are not disabled, and 15 per cent of disabled young people are not in education, employment or training (NEET) compared with seven per cent of those who are not disabled. (YCS SFR04/2005)
- In 2005, by age 19, only 59 per cent of disabled people had reached at least level 2, compared with 77 per cent of those without a disability. (YCS SFR 49/2005)
- Twenty-one per cent of disabled people aged 16-24 have no qualifications, compared with nine per cent of non-disabled people of the same age.
- Although the scope and level of aspirations among disabled 16 year olds are similar to those

of their non-disabled counterparts, at age 26 years disabled people are nearly four times as likely to be unemployed as non-disabled people. (The education and employment of disabled young people, Joseph Rowntree Foundation, November 2005)

Ethnicity

- There is an attainment gap between different ethnic groups at GCSE in Year 11. In 2006, 48.1 per cent of Black students achieved 5 GCSE grades A*-C compared to 57.5 per cent of White pupils and 61.0 per cent of Asian pupils. (SFR 04/2007)
- There are attitudinal differences towards school from different ethnic groups. Data from the first wave of the Longitudinal Study of Young People in England shows that on the whole, White British and Mixed Heritage pupils appear to have the least positive attitudes towards school, school work and lessons whilst Asian pupils have the most positive attitudes. (DCSF RR002)
- Differences in attainment are reflected in NEET rates. Amongst 16-19 year olds in 2006, 12 per cent of Black Caribbean people were NEET compared to 8 per cent of White and 3 per cent of Indian. (Connexions CCIS data Dec 2006)
- Black young people are nonetheless more likely to stay on (83 per cent stay on in full-time education at 16, compared to 70 per cent of White young people) – although they are much more likely to be in FE than in school, and only small percentages of Black young people go into work-based learning (WBL) (3 per cent of Black young people compared to 10 per cent of White); (YCS SFR 04/2005)
- The level 2 attainment gap narrows by age 18. In 2006 71 per cent of 18 year old Black young people had achieved level 2, this compares to 73 per cent of White 18 year olds. (YCS SFR 47/2006)
- Black students have lower FE success rates: in 2004/05 the FE success rate for Black students was 67 per cent compared to 71 per cent for Asian people and 75 per cent for White students. (ILR SFR 10)

Gender

- The level 2 attainment rate for girls is higher than for boys. In 2007, 66.0 per cent of girls achieved 5 or more GCSE grades A*-C compared to 57.1 per cent of boys. (SFR 34/2007) In 2006, 76.6 per cent of girls had achieved level 2 at aged 19, compared to 66.5 per cent of boys. (SFR 06/2007)
- Girls are more likely to stay on in post-16 full-time education than boys. At end 2006, 66 per cent of girls aged 16-18 were in full-time education compared to 57 per cent of boys. This is partly explained by the higher attainment of girls at 16, as attainment at this level forms a good predictor of whether a young person stays on.
- Whilst girls are more likely to participate in post-16 full-time education, boys are much more likely to undertake work-based learning (WBL). Only 37% of WBL learners aged 16-18 were female in 2006 - the same proportion as in the previous year. However this masks large gender-variations by sector: female apprentices dominate a handful of sectors such as health, public services and care; retail and commercial enterprise; business, administration and law. (WBL SFR (ILR/SFR12).
- More young men than young women are NEET. At end 2006, 11.4 per cent of male 16-18 year olds were NEET compared to 9.1 per cent of girls. (SFR 22/2007)
- Boys and girls currently make gender stereotypical choices both at 14 and 16 years of age, in terms of the programmes of study they follow. Miller and Hayward (2006) found that both

boys and girls believed the majority of jobs to be gender segregated, that is, actually performed mainly or just by one sex or the other. They also found that both young women and young men preferred jobs that they saw as mainly performed by their own sex.

- The Report on the Evaluation of the Vocational Specialism Programme (2006) found that several areas of the vocational curriculum continue to be strongly gendered – particularly Health & Social Care, Engineering and most occupational provision. Business, ICT, Leisure & Tourism and Travel & Tourism attract roughly equal numbers of boys and girls.
- The Ofsted evaluation of the Increased Flexibility Programme showed that the IFP was being taken up by pupils with special educational needs, and those from the most disadvantaged backgrounds. However, in common with the pattern seen in Apprenticeships, it had achieved little by way of encouraging young women and men to make atypical subject choices.

Challenges and opportunities

- The proposals in the Strategy will contribute towards reducing inequalities in participation, attainment and progression. The changes are aimed at making sure that the needs of all learners are well provided for in the 14-19 phase, not just those who do well in the current system. The evidence in the previous section suggest that there is particular scope to improve the experiences and outcomes of disabled young people, young people from ethnic minority groups and boys / girls, and so it would follow that these proposals should reduce inequalities. The managed process of transition from current provision will ensure that a focused and explicit attention is paid to equalities issues in the transition process.
- Clearer learning pathways and qualifications, underpinned by high-quality Information, Advice and Guidance (IAG) will ensure that pathways into specific careers and/or further learning are transparent. Good information and guidance will challenge traditional gender or racial stereotypes or stereotypes of disabled people attached to particular types and levels of learning, enabling learners and potential learners to make more informed choices rooted in their own individual strengths and aspirations. Ensuring that Diplomas and Apprenticeships give both girls and boys an opportunity to expand their horizons by trying out non-traditional work should have a positive impact.
- Raising the profile of applied learning through the introduction of Diplomas, and clarifying the entry and progression routes for sectors and occupations which have traditionally been stereotyped should reduce inequalities.
- We might expect positive impacts in terms of closing the gender attainment gap during compulsory education. With better routes to success we should see an improvement in attainment amongst boys. This in turn would also help to close the gender gap in terms of post-16 full-time education.
- The introduction of Diplomas and the expansion of Apprenticeships should help to address the under-representation of women in science (including computer science), technology and engineering (STEM).
- The development of the Foundation Learning Tier should have a positive impact on reducing inequalities for those learners with learning disabilities and difficulties, giving them a better route to attain and progress.
- Requiring learners on all learning programmes to demonstrate achievement of the basics may exclude some learners who are most disengaged and not yet ready to achieve. These learners may fall disproportionately within these three groups. Close monitoring will be necessary to guard against this.

- There is a risk that in expanding opportunities for applied learning and Apprenticeships, the patterns of inequality that currently exist may be repeated. Close attention must be paid to ensure the benefits above are realised.

Equality impact assessment

An adverse impact is unlikely, and on the contrary the policies have the clear potential to have a positive impact by reducing and removing barriers and inequalities that currently exist. Careful monitoring, however, will be necessary in order to ascertain whether this expectation is correct, with a view to taking action to improve the situation if it proves not to be. The expectation is more likely to prove correct if the measures in the Strategy, and those in the wider 14-19 programme of reform, are accompanied by focused and explicit attention to equality issues, whenever appropriate.

Next steps

- Equality and diversity are being actively promoted throughout the qualification development, accreditation and review phases for Diplomas to ensure that the qualification design is non-discriminatory. In delivering Diplomas, particular attention is being paid to ensuring that equality and diversity (E&D) issues are being addressed. The Gateway process to define which institutions will deliver Diplomas as they are introduced, pays particular attention to equalities issues. In developing the functional skills qualifications, we are paying particular attention to ensuring they are accessible to the widest possible range of students.
- Within proposals to expand the availability of Apprenticeships, a package of measures aims to address the inequalities currently found in Apprenticeship participation.
- We are developing better information, advice and guidance (IAG) for all groups of young people, so that they are fully aware of opportunities available to them. We are making learning routes more open and transparent through the 14-19 Prospectus.
- Strong E&D input on 14-19 Work Related Learning 'Vision', and upcoming QCA / DCSF guidance on Work Related Learning, in line with IAG 'standard 5' and schools' equality promotion duties. General E&D team input into schools based IAG, to fulfil standard 5.
- Ensuring we have the right information base about which Diplomas and Apprenticeships groups of learners are taking and applying for, to identify particular areas of under-representation.
- Ensuring that evaluations of Diplomas take account of the concerns and discussions outlined in this assessment.
- Making arrangements for ensuring that equalities issues are embedded in the overall action plan for the Department for Children, Schools and Families in relation to the 14-19 reform programme.

Annex C – Competition Assessment and Small Firms Impact Assessment

1. This annex considers the implications of these proposals on competition and the impact on small firms.

COMPETITION ASSESSMENT

Description of the markets affected

2. The market in accredited qualifications (qualifications regulated by QCA and on the NQF/NDAQ) will be directly affected by these proposals. This is primarily an English market as QCA is responsible for regulating qualifications in England. However, under the three-country framework, QCA works with the regulators of qualifications in Wales and Northern Ireland to standard principles. As a result, qualifications accredited by QCA are accepted as accredited in Wales and Northern Ireland and qualifications accredited by the other regulators are accepted in England. The majority of recognised awarding bodies also operate in overseas markets.

Current state of competition in these markets

3. Awarding bodies compete with each other to design and develop qualifications which centres then pay for their end-users to sit the associated examinations and assessments. There are approximately 100 awarding bodies operating in the accredited qualifications market that currently offer qualifications which are approved for use by young people in the maintained sector.

4. Competition in the approved 14-19 qualifications market is currently dominated by a small number of large recognised awarding bodies. Only 5 awarding bodies offer 'public' qualifications (e.g. GCSEs and 'A' levels and Diplomas), although 35 awarding bodies are registered to offer Diploma component parts. The market is fairly stable with relatively few new entrants since 2002. The vast majority of awarding bodies offer vocational or occupational qualifications and do not compete in the 'public' qualification market.

5. The market in education qualifications is different from a conventional market in traded goods for a range of reasons. These include the fact that few qualifications act as direct substitutes and choice of qualification is rarely based on price. The end user (learner) is often unaware of the price of a qualification as they are not the buyer. The decision makers among buyers (e.g. heads of department in a subject) do not base their decision on price, rather factors relating to curriculum, customer service and speed of accreditation. Once buyers have chosen a supplier of qualifications they tend to only consider changing suppliers after between 3 and 5 years.

Assessment of impacts

6. The key impact will be on the number and type of 14-19 qualifications demanded by and supplied to end-users, rather than directly limiting the number or range of qualifications suppliers. However there are likely to be knock-on impacts on the supply-side of the qualifications market.

7. The largest impact will be in terms of an expanded 14-19 learner base undertaking the new Diploma qualifications and Foundation Learning Tier provision (and an expansion of the qualifications within Apprenticeship frameworks). Consequently it is awarding bodies whose business strategy is geared towards this provision that will face the greatest opportunities from potentially increasing their market share.

8. However any design and development of Diplomas is likely to require substantial 'knowledge investment' which will favour (a) existing awarding bodies that already provide vocational

qualifications for young learners (b) large awarding bodies that can spread this large fixed cost over a large volume of qualification units.

9. Therefore it is likely that the larger awarding bodies that already focus on vocational qualifications for young learners are in the strongest position to expand their market share, whilst there may be pressure on smaller awarding bodies to either merge with other bodies, or perhaps specialise in more niche qualifications outside of those aimed at 14-19 year olds. There is not expected to be significant numbers of new entrants to the awarding body market because of the large fixed costs of entry (associated with the knowledge required to develop new qualifications).

10. Qualifications which do not adequately support learner needs will cease to be funded in future. Therefore awarding bodies whose qualifications are determined inadequate could potentially suffer from reduced funding and a smaller share of the qualifications market.

11. In the longer-term once the Diplomas have been designed, the range of vocational provision outside of this suite is expected to be rationalised. This may mean awarding bodies do not compete to the same extent with respect to range of qualifications. Therefore competition in other areas may intensify such as level of customer service and speed of accreditation.

SMALL FIRMS IMPACT TEST

Does the regulation apply to small businesses?

12. This regulation will apply to small businesses. There are a small number of large suppliers that dominate the market in approved qualifications for 14-19 year olds. The majority of recognised awarding bodies in the UK have fewer than 50 staff, more than a third of awarding bodies have less than 10 staff [PWC, 2005].

Will small firms be disproportionately affected?

13. As discussed above, any development of new qualifications which involves a substantial 'knowledge investment' will favour larger awarding bodies which can spread this cost over a larger volume of qualification units. There may also be an additional cost in the form of becoming a registered Diploma component awarding body, although this is minimal. Together these might mean small suppliers of qualifications could be disproportionately affected by these proposals because the unit cost per qualification is likely to be higher, relative to larger suppliers. However smaller suppliers may adapt by merging with other suppliers or perhaps specialising in qualifications outside of the Diploma market.

Are exemptions appropriate for SMEs?

14. No. The policy objective is to have a more streamlined offer of national qualification suites for the 14-19 phase which better meet the needs of young people, employers and universities. As a result, all approved qualifications for 14-19 year olds, and the awarding bodies that supply them, must meet consistent standards.