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ELECTION ANALYSES SERIES

A series of background briefings on the policy issues in the June 2017 UK General Election

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Education and Skills: The UK Policy Agenda

Sandra McNally and Gill Wyness

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CEP ELECTION ANALYSIS

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- The UK's overall school budget has been protected in real terms but does not provide for funding per pupil to increase in line with inflation. Because pupil numbers are increasing, large falls in expenditure per pupil are expected over the next few years unless more funding is allocated. The situation facing post-16 education is a lot worse.
- A more widespread adoption of grammar schools is very likely to increase socio-economic segregation by school type and is unlikely to lead to any increase in average educational attainment in the country.
- Although increasing intermediate skills among young people and adults is needed, many concerns have been raised about the how apprenticeship policy is being implemented. This includes an emphasis on quantity over quality and differences in the provision of training opportunities for large employers compared with small and medium-sized enterprises.
- Despite an increase in the number of apprentices, there has been a fall in the overall number of post-16 and adult learners receiving publicly funded provision outside schools and universities.
- Despite the near trebling of tuition fees in 2012, higher education participation continues to grow. Moreover, participation among disadvantaged groups has risen at a faster rate than those from more advantaged backgrounds in recent years, with this trend continuing in 2016.
- But the steep decline in enrolments from part-time students – which began in 2012 when the government raised the cap on part-time fees to £6,750 a year – continues unabated. The number of part-time students has fallen by 53% since 2011.
- Brexit represents a further threat to the sector. The number of students from the European Union is likely to fall as their fees rise and their access to loans is taken away. On the other hand, UK degrees have become cheaper as a result of the falling pound, which may potentially offset some of the decline.

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Education expenditure

The UK's overall school budget has been protected in real terms but it does not provide for funding per pupil to increase in line with inflation (NAO, 2016a). As the number of pupils has been projected to increase in the next few years (by 3.9% and 10.3% in primary and secondary schools, respectively), funding per pupil is projected to fall.

The Conservatives' manifesto promises an additional £4 billion for the schools budget to 2022. This is estimated to translate into a fall in per pupil expenditure of 2.8% between 2017/18 and 2021/22 (Belfield and Sibieta, 2017). The same authors estimate that the implication of the Labour manifesto is that per pupil spending would be around 6% higher by 2021/22, while it would remain about the same as it is today under the Liberal Democrats' plans.

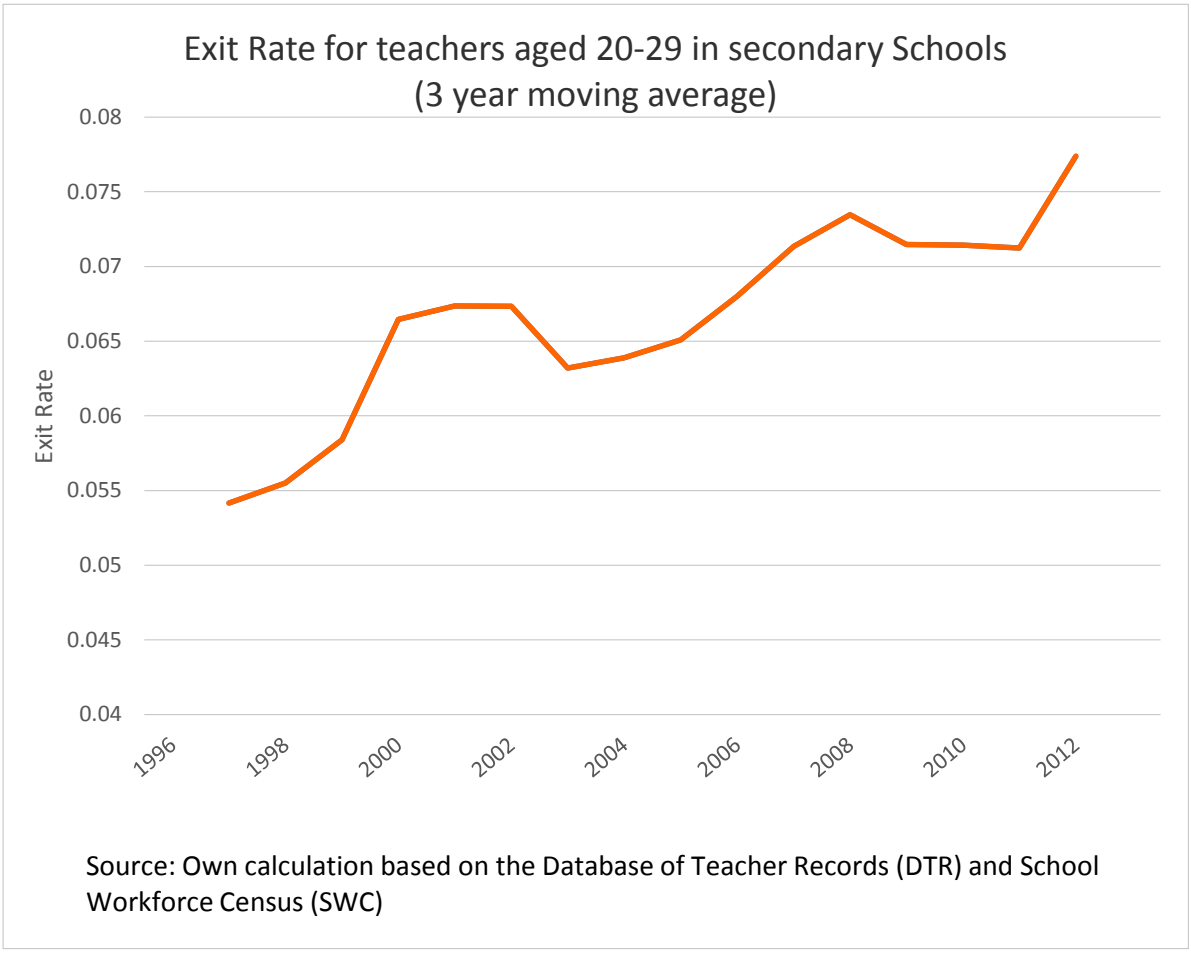
The outlook for young people aged between 16 and 18 is much worse. Belfield et al (2017) project that funding is likely to fall by around 13%. The Labour manifesto says that it would bring funding for 16-18 year olds into line with key stage 4 baselines and restore the education maintenance allowance for 16-18 year olds. The Conservative and Liberal Democrat manifestos do not make specific commitments on funding for this age group.

Changes to education expenditure matter because there is good evidence that they have a causal influence on pupil performance (Gibbons and McNally, 2013). Education and skills have an important role in generating improved productivity and growth (LSE Growth Commission, 2017). Given that this is acknowledged in the government's own industrial strategy (HM Government, 2017), it makes no sense actually to reduce investment in a 'key pillar' of that strategy.

Teacher shortages

Teachers are the key input to education. But teacher shortages are a big problem. For example, the National Audit Office (NAO, 2016b) finds that over a ten-year period, 12% of newly qualified teachers left state schools within one year of joining while 28% left within five years. There are also indications that this problem has become worse over time, rising from 5.5% to 8.3% since 1996 (see Figure 1). Teacher turnover has a negative relationship with pupil performance and more vulnerable young people are the worst affected by it (Gibbons et al, 2017).

Figure 1: Exit rates of secondary school teachers aged 20-29 between 1996 and 2014



Source: Own calculation based on the Database of Teacher Records (DTR) and School Workforce Census (SWC)

Grammar schools

If the Conservatives are re-elected, their manifesto says that the ban on the establishment of selective schools will be lifted. In other words, they would allow new grammar schools, which have the distinguishing feature of selecting children according to their performance in a test at age 11.

This change is purported to make the education system more meritocratic, but it goes against a substantial body of research showing that academic achievement is strongly related to family income – as illustrated, for example, in analysis by the Department for Education (DfE, 2017a). Thus, it should come as no surprise that those from disadvantaged backgrounds rarely get into grammar schools: the same DfE report shows that under one in ten pupils in selective schools are from disadvantaged backgrounds and more than half are from the most affluent groups.

There will be conditions attached to this reform, allowing children to enter grammar schools at age groups other than 11. While there is research suggesting that flexibility in this respect matters (for example, Dustmann et al, 2017, for Germany), it does not overcome the basic concern: that socio-economic background is strongly related to academic achievement at any age.

The reasons why academic achievement is so strongly related to family income are linked to earlier childhood investments (for example, in health, education, housing, etc.), which affect how children perform academically. Parents with a higher family income are also in a position to pay for tutoring if their child is to sit a high stakes exam at age 11.

A more widespread adoption of grammar schools will therefore lead to a school system that is more segregated along the lines of socio-economic background. Given that only about 35-40% of a typical cohort go to university, one would worry that if a selective system is adopted widely enough, many more children will go to schools where no one applies to university. This could have very negative effects on aspirations and social mobility.

A number of studies consider the effect of whole countries changing from a selective system to a comprehensive system: Aakvik et al (2010) for Norway; Meghir and Palme (2005) for Sweden; and Pekkala et al (2013), for Finland. All these studies use data on cohorts born before and after the reforms and make use of the fact that they were introduced at different times across different regions. They all find beneficial effects from the move to a comprehensive system on average educational attainment and that effects were stronger for lower socio-economic groups. This suggests that going back to a more selective system (in England) would not improve educational outcomes.

Improving the skills base

It is well known and acknowledged in the government's industrial strategy that the UK has a skills problem: 'We have a shortage of technical-level skills and rank 16th out of 20 countries for the proportion of people with technical qualifications'. As the Green Paper also says, 'a bewildering complex array of qualifications, some of which are poor quality, makes the system hard to use for students and employers.'

This shortage of 'technical level skills' is important because it has an impact on economic growth, inequality and social mobility. It also affects a lot of people. Well over half of young people do not do A-levels each year. Furthermore, only about 35-40% of a typical cohort finishing their GCSEs can expect to go to university. The Sainsbury report and post-16 plan set out a coherent framework for technical education after the age of 16 (DfE, 2016). If properly implemented, it would be a vast improvement on the current system, which is overly complex and fails to help many young people to progress, particularly if they do not do well in their GCSEs (Hupkau et al, 2016).

The other major reform in this area has been around apprenticeships. After the 2015 election, the Conservative government committed to three million apprenticeship starts in England in the five years from 2015 to 2020. An 'apprenticeship levy' has just been implemented, which is a 0.5% tax on employers' wage bills over £3 million per year. This affects about 2% of employers. In exchange for this tax, they get credits that they can use to cover the direct costs of training their own apprentices. But the other 98% of employers need to rely on what the government allocates to a separate budget, which goes directly to training providers. There are concerns that providers will not be able to meet the needs of small and medium-sized enterprises because of very severe cuts to non-levy funding allocations.

There is no obvious rationale for generously supporting large employers to provide skills but not smaller employers. Indeed, one might expect more 'deadweight' to come from subsidising training for the former because they are more likely to have both the capacity and incentive to fund more of their own training.

There are continuing concerns about the quality of apprenticeships (Ofsted, 2015). An apprenticeship certainly means something very different in England than it does in other countries. For example, in most countries, apprenticeships are targeted at young people whereas in England, the main growth in new apprentices has been for those older than 25, currently accounting for well over half of new apprentices (see Hupkau and Ventura 2017). Also, in other countries, the minimum legal duration is at least two years whereas in England, it is only 12 months (Unwin, 2017).

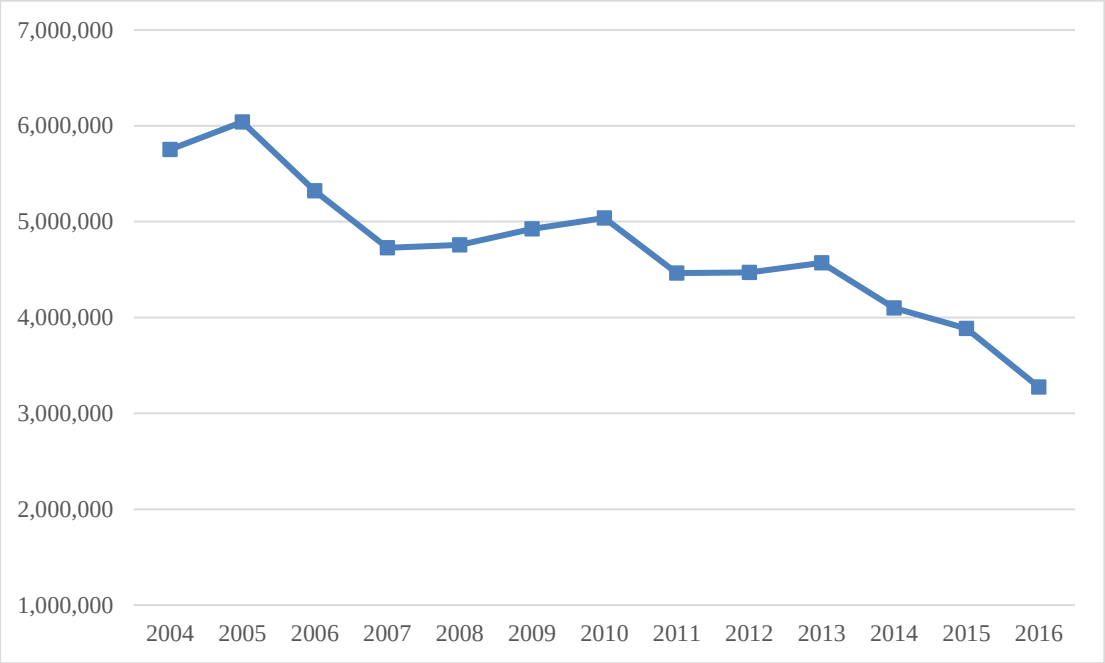
There are concerns over new apprenticeship standards. According to the NAO (2016c), 'some employers and industry representative groups are concerned that the approach is leading to a large number of narrow and overlapping standards which restrict the extent to which apprentices gain transferable skills.' It is also of concern that there is no longer a requirement for all apprenticeships to lead to the attainment of specified vocational qualifications, as this will weaken the extent to which people can signal their learning to other employers.

An even broader issue is why apprenticeships need to be the focal point of skills policy in the first place. This is a suitable model for training a person new to a job but not for enabling a person to become better at his/her existing job or for short-term training. The LSE Growth Commission has recommended that there should be a generalised tax break for 'skills investment' in the same way as there is in plant and machinery. This would broaden policy to consider skills beyond apprenticeships.

It is hard to get figures on expenditure for adult education. But we can get numbers on the total number of learners receiving public funding in the Individual Learner Record (which covers educational provision outside schools and universities). This covers those from age 16 onwards who attend general further education and tertiary colleges, sixth form colleges, private training providers and other publicly funded providers. The evolution of this educational provision is discussed in Hupkau and Ventura (2017).

Figure 2 shows a dramatic fall in the number of publicly funded learners over the last few years and is driven by a fall in post-19 learners (DfE, 2017b). This is the net effect of increasing apprenticeships and reductions in other forms of provision. It is not clear what has driven this, although the change in how further education is funded (with more costs being passed to students through the loans system) is certainly a strong contender. Unless the fall in the number of learners has been compensated for by an increase in the quality of learning provision, it would appear that public investment in post-16 and adult provision has fallen sharply over the last few years.

Figure 2: Total number of post-16 and adult learners receiving public funding in education institutions outside schools and universities



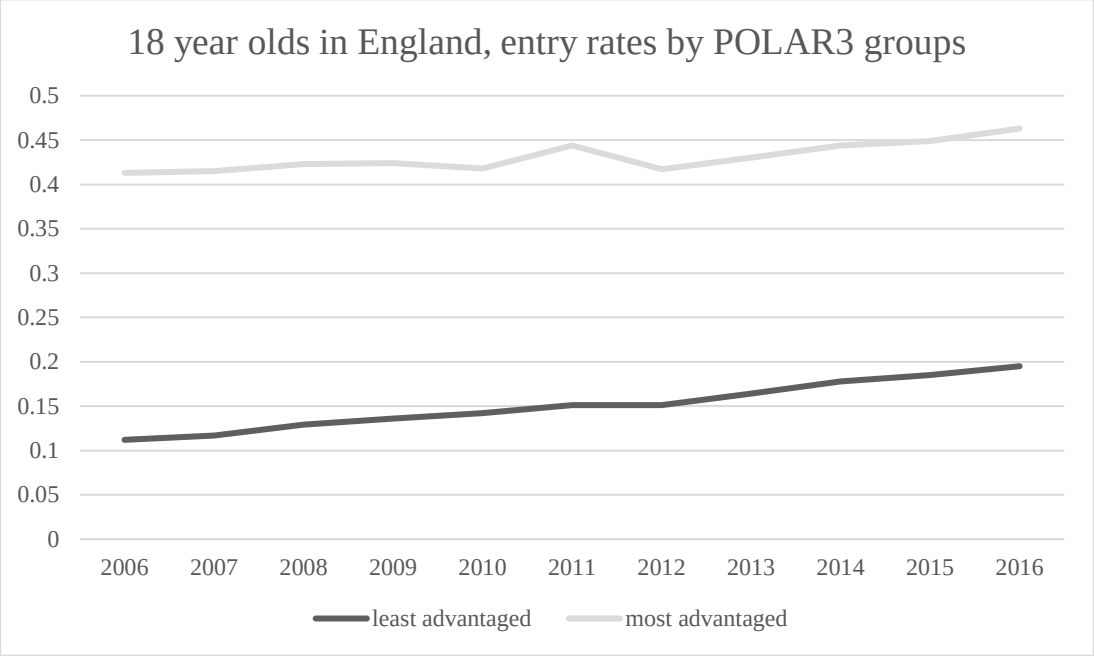
Source: derived from the Individual Learner Record (Hupkau and Ventura, 2017)

Higher education: the growth in participation since 2012

The tuition fee cap increased from £3,375 to £9,000 per year in 2012, with the majority of universities deciding to charge the full £9,000, and the average fee standing at £8,891 in 2016/17 (OFFA, 2015).

Students can apply for an income-contingent loan to cover the whole fee, as well as generous maintenance loans, and until recently poor students were also eligible for maintenance grants. The generosity of the system may have protected participation from disadvantaged students: Figure 3 shows that while participation among all groups has risen since 2012, it has been fastest among those from poorer backgrounds.

Figure 3: Student enrolment in higher education by level of advantage



Source: UCAS, 2016

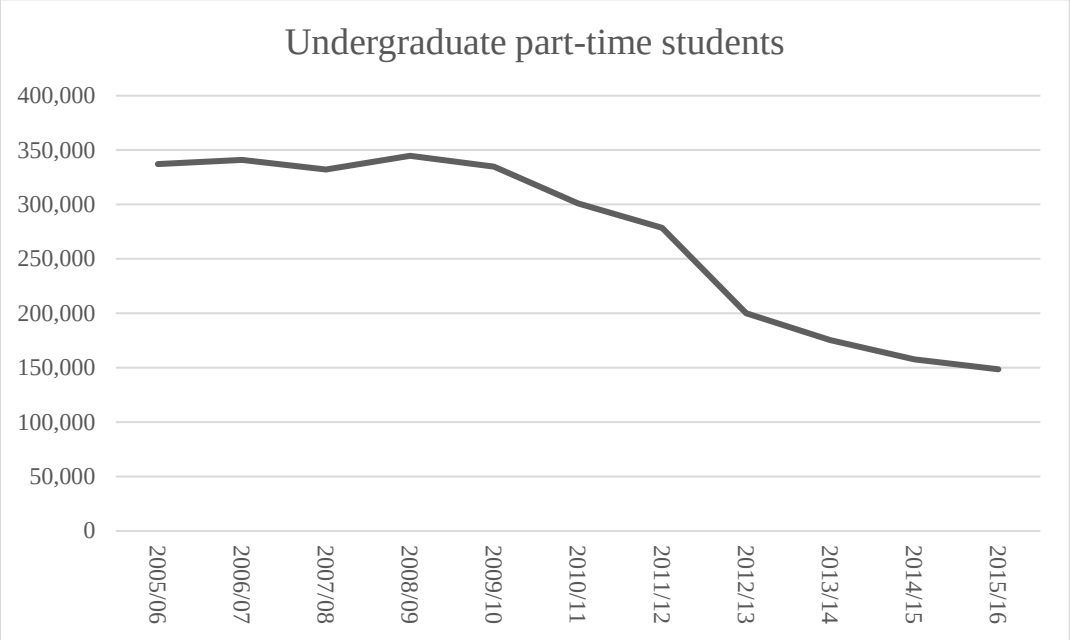
Maintenance grants for poor students were abolished in 2016 and replaced by bigger loans. It is not yet clear how these changes might affect enrolment from poor students, but research (Dearden et al, 2014) implies that the abolition of grants may have a negative effect.

Further price increases are also planned. The fee cap has already been raised to £9,250 for students beginning their courses in 2017/18. Future increases will be linked to evidence of high quality teaching, which will be decided by a new mechanism called the 'teaching excellence framework' (TEF), in which universities are judged on their teaching quality using metrics that include student satisfaction and degree completion. It is not clear how these increases may affect demand.

Part-time students

While the continued upward trend in enrolments is cause for optimism, the steep decline in part-time students, which began in 2012, has continued unabated. As Figure 4 shows, the number of part-time undergraduate students has fallen from 278,530 in 2011 to 148,570 in 2015, a fall of 53%.

Figure 4: Enrolment numbers of part-time students



Source: HESA, 2017a

The fall in part-time students came as the government raised the cap on part-time fees as part of the 2012 overhaul. The government hoped to protect part-time enrolments by extending tuition fee loans to this group, but strict requirements (that the student must not already have a degree, and that the 'course intensity' must be 25% or more) mean that many are not eligible for this support (HEPI, 2015). The government has since announced that from 2018 it would offer maintenance loans to part-time learners, but again with strict requirements.

Brexit and higher education

Brexit also represents a threat to student numbers, though opinions vary on the potential impact on the sector. It is probable that numbers of students from the European Union (EU) will decline, since they are likely to face fee increases (as they lose their right to be charged cheaper 'home' fee rates) and will lose the right to access fee loans.

The damage to the UK's reputation as a place that welcomes foreign students could also result in further declines in student numbers from both the EU and elsewhere in the world. Speculation that the prime minister might agree to remove foreign students from immigration targets were quashed despite pressure from university vice-chancellors and MPs.

But the damage may not be as bad as some fear. EU students make up just 5.5% of the student population in the UK (Universities UK, 2016) and demand for higher education in the UK is still very high. Universities could potentially offset any decline in overseas demand with that from UK students (whose numbers are no longer constrained by numbers caps) and non-EU overseas students. Moreover, the fall in the value of the pound has made UK courses cheaper, which again may counteract falling demand.

In addition to the impact on student demand is the effect that Brexit may have on staff in higher education institutions. The post-Brexit rights of EU citizens, including university employees, are still unclear. Around 33,000 non-British EU academics are currently employed at UK universities (HESA, 2017b), and there are fears that these academics may start to look elsewhere, potentially threatening university quality. Moreover, this uncertainty could result in a fall in job applications to UK universities from EU academics, reducing the pool of applicants and again having adverse effects on quality.

The election context for higher education

The Conservatives are likely to continue their aims to 'marketise' the higher education sector. Their Higher Education and Research Act (2017) aims to increase competition in the sector through relaxing legislation on new entrants. It will also reform how the system is monitored, introducing a new watchdog called the Office for Students.

New institutes of technology will also be established, which will provide courses at degree level and will be linked to leading universities. This will increase student choice, but may also raise problems: the key to a marketised system is that consumers can make informed choices, but students already struggle to understand the differences in returns between providers (McGuigan et al, 2016). Introducing new ones may compound this problem.

Further fee increases are also on the cards. Universities participating in the TEF (and meeting minimum requirements) will be allowed to increase tuition fees annually with inflation until 2020, but beyond this, the plan is for caps to be allowed to vary according to how universities perform in the TEF.

Problems have already emerged here: the National Student Survey is a key element of the TEF, so performing well in this indicator of student satisfaction will help universities to increase their fees. In response, students at several universities are organising boycotts of the survey. Universities will also be required to become involved in academy sponsorship or the founding of free schools if they want to charge full tuition fees.

In contrast, Labour leader Jeremy Corbyn recently announced plans to abolish tuition fees entirely. This move would be regressive, given that middle class students are disproportionately represented in higher education. It would also be highly expensive for the taxpayer (estimated at £11 billion per year, including the costs of restoring maintenance grants, by Labour itself). Both Labour and the Liberal Democrats would also reinstate the recently abolished student maintenance grant.

The election context for primary, secondary and vocational education

The Labour and Liberal Democrat manifestos emphasise early years and school readiness. These issues are not raised specifically in the Conservative manifesto, which puts more emphasis on school structures (specifically, who can create new schools and school admissions).

Both Labour and the Liberal Democrats rule out allowing new grammar schools. This is in stark contrast to the Conservative manifesto, which commits to lifting the ban on selective schools and also reviewing the school admissions policy in general. Labour requires a 'joined-up' admissions policy across local schools. Both Labour and the Conservatives are unclear about precisely what they have in mind about implied reforms to school admissions.

The Conservatives, Labour and the Liberal Democrats all have something to say about school expenditure and addressing teacher recruitment and retention. All parties promise a change in total expenditure that is actually far more modest when put in the context of rising pupil numbers. Based on the manifestos, Labour would allocate more funding to schools than the Conservatives, with the Liberal Democrats somewhere in between. Labour and the Liberal Democrats both commit to ending the cap on pay rises for teachers, while the Conservatives offer 'forgiveness on student loan repayments' for teachers.

The Conservatives and Labour have much to say about post-16 technical education, whereas the Liberal Democrat manifesto has nothing to say about this issue (although the section on lifelong learning covers some of the same ground).

The Conservative manifesto mainly reiterates policies that are already in the public domain. But it misleadingly suggests that new apprenticeships are for the 200,000 young people who choose to enter full-time vocational study after their GCSEs each year. In fact, only a minority of these young people will obtain apprenticeships and the vast majority of new apprenticeships in recent years have been for adults.

The Conservatives and Labour seem to agree on the broad direction of reforms to technical education, although there are some important differences. The implication of the Labour manifesto is that more money would be spent on post-16 technical education and adult education – for example, the increase in funding for 16-18 year olds and the commitment to make further education courses free for the learner. Labour also commits to protecting apprenticeship funding for small and medium-sized employers who do not pay the levy.

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