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Witness: Claire Keane

USE OF THE TRANSCRIPT

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Members present

Baroness Corston (Chairman)
Baroness Blood
Lord Farmer
Lord Holmes of Richmond
Baroness Howells of St Davids
Lord Patel
Baroness Sharp of Guildford
Baroness Stedman-Scott

Examination of Witness

Claire Keane, Economist, Directorate for Employment, Labour and Social Affairs, OECD

Q150 The Chairman: Good morning and welcome to this meeting of the House of Lords Select Committee on Social Mobility. I confirm that this session is open to the public. A webcast of the session goes out live and is subsequently accessible via the parliamentary website. A verbatim transcript will be taken of your evidence and also be put on the parliamentary website. Shortly afterwards you will receive a copy of the transcript. We ask you to check it for accuracy and let us know as soon as possible of any corrections that you would wish to make. If, at the end of the session, anything occurs to you that you would like to clarify or amplify, you are very welcome to send us supplementary written evidence. Perhaps you could introduce yourself for the record and then we will get going.

Claire Keane: First of all, thank you very much for having me. My name is Claire Keane. I work as an economist at the OECD. I specialise in the area of youth, particularly focusing on the more disadvantaged youth and the NEET group, which a lot of people probably know as the group not in education, employment or training. Currently, at the OECD, we are focusing on this group and examining the kinds of issues you are interested in: the transitions from school on to further education and into employment; links between vocational training, apprenticeships and more academic routes; the routes young people are taking; and the routes that are less accessible for young people. Currently we are conducting more in-depth country reviews. We go out to a number of different OECD countries, visiting schools, employment centres and lots of different places, and talking to young people and teachers. Shall I start by giving a bit of an introduction as to how the UK is doing in a comparative sense?

Q151 The Chairman: We will start with the questions and I am sure that evidence will emerge during the session. If you wish to add anything subsequently, you are very welcome to do so.

I am not saying that we are not interested in the people who are called NEETs, but we have been particularly concerned about the people who are sometimes called the “overlooked majority”, or middle-attainers, who do not follow academic routes into higher education. What does your research show to be the key components of effective and high-quality education, training and skills development which would be valued by employers and young people? Does the UK have any of these features and, if not, which are lacking?

Claire Keane: If I may mention a few values, first of all, as I said, I focus mainly on the NEETs. What is interesting in the UK and across the OECD countries is that the drop-outs—those who do not attain upper secondary education¹—are more at risk of being NEET, but in the UK and across the OECD, as education levels are rising, this middle- attaining group—those who have an upper secondary qualification but do not go on to this third level—form the major part of this NEET group, as the numbers with secondary education below the upper secondary level start to decrease.

One thing you can point to in the UK as being favourable is that the UK has successfully managed to reduce its drop-out rate of young people leaving school before finishing upper secondary education. That has more than halved from around 30% down to 16% since 2000-01. That is one success story in the UK and those drops have been much sharper than across the OECD on average.

If we are talking about this group of middle-attainers—those who do not go on to third-level education—the apprenticeship and VET systems are very important. There are some people who do not want to go on to the third level, those who perhaps cannot fund it or who want to have some employment income, and they are often more likely to come from poorer backgrounds or have parents with lower educational attainment themselves.

In the UK we see that engagement in apprenticeships and apprenticeships are very useful. Countries that use apprenticeships well and are very successful for this middle-attainer

¹ Ms Keane subsequently confirmed that “the official OECD definition categorises upper secondary as education that:

- prepares students for university-level education
- prepares students for entry to vocationally oriented tertiary education
- prepares students for workforce or for post-secondary non tertiary education

group—Germany, Austria, Norway and some of the other Nordic countries—have a very high proportion of young people who are engaged in them. In Germany, for example, around 16% of 15 to 20 year-olds are engaged in apprenticeships. In the UK, it is less, at around 2%, so in the UK the numbers who actually follow these routes are very low.

These routes also need to be quality routes. They need to have some kind of incentive for young people to engage in them, some kind of payment for young people, particularly for young people who are facing the need to try to earn some income for themselves and their families.

A recent Ofsted report looked at apprenticeships in the UK. There has been an increase in the numbers engaged in apprenticeships since 2010, but a lot of this increase has been in lower-skilled areas, for example in the service industry, which are not really building on skills and human capital for these young people.

It is quite promising that some apprenticeships in the longer term in the UK have been shown to have higher returns than getting a university qualification. Some of the modern apprenticeships—engineering and finance—have a better pay-off, and they have the advantage of the young person working and getting this balance. Often when we go to different OECD countries we see this issue of young people not being prepared for the workforce. They are in academic education and they are learning academic subjects, but when they go out into the workforce, it is a bit of a shock because they do not have all the skills that they need.

The UK in particular has quite a low proportion of young people in education who are working as well. Only around 10% of young people are engaged in both employment and education. In countries such as Australia and Germany it is a much higher percentage. This can be part-time work or it can be work that is related to the area of study the young person is doing. It helps to build on soft skills that are often very hard to put your finger on. We were in Sweden recently, and a lot of employers said that young people were not able to arrive at work on time and that maybe the work ethic was not there, and it is very difficult to know how you teach those things. Simply being in a work environment and having interaction with employers can help young people try to improve those skills.

There have been mixed reviews on the vocational system in the UK. It is a typical economist's answer of "on the one hand/on the other hand"—you will get lots of those. Some vocational routes have been shown to have pay-offs further down the line, so people

are more likely to be in employment and more likely to be earning higher wages, and some of them do not seem to be paying off. It is a bit like apprenticeships; it depends on what the young person is doing and the skills the young person is learning. This building of human capital and educating young people while they are learning both academic subjects and work skills is extremely important.

The Chairman: What do we know about other countries in the transition from school to work for these middle-attainers?

Claire Keane: The big thing in the countries that are very successful in getting this group into work is this balance between academic skills and work skills. Sweden has an issue with the apprenticeship system in that there are not enough people taking up apprenticeships and there is no involvement by the employers. The entire syllabus is dictated by educators and the employers do not have much of an input into it. The employers are reporting that they are having difficulty in getting the skills that they want. One thing they are doing in Sweden is using technical colleges. These are upper-education VET routes where companies have taken it on themselves to get involved with vocational training. The funding comes from the Government but additional top-up funding is available from companies that are involved, and they work with local-level government to dictate what goes on to the courses. We do not want to close off pathways. If there is too much involvement by employers, the risk is that you close off the pathways for a young person, and perhaps they cannot go on to the third level if their skills are very specific. The Swedish Government specify a range of skills that have to be taught and attained as part of the course, and they are funding it so they have that right. The employer gets an input and young people spend time out on work experience and interacting with employers. Employers often top up the funding that the schools provide by providing extra machinery, or whatever it might be, to try to train young people in the skills. This mismatch between the skills that young people are getting and the skills that are demanded in the workforce can be closed by closer involvement of employers with schools.

In Germany, they are very successful at this. A very high proportion of people go on to vocational training or apprenticeships and much less stigma is attached. In some countries it can be seen as a negative route to go down: that you go down this VET route or apprenticeship route because you do not have the ability to go on to third-level education. Germany has been very successful in reducing the stigma, mainly because such a large

number of young people engage in this and their options are not closed off, so if they go the vocational route they can still go on to third-level education.

Baroness Blood: Could I take you back to what you said previously about the international experience? You said that the UK is reducing the number of drop-outs. How do you assess that, because we have had other people give us evidence that there is no way of quantifying that group of young people? How do you do it?

Claire Keane: We do that using the Labour Force Survey. We look to see what proportion of 25 to 34 year-olds do not have a minimum of upper secondary-level education. This is a standard approach used by the *Education at a Glance* publication, which is the big OECD publication in this area. That is simply from the Labour Force Survey, where people are asked for their highest level of educational attainment. There have been quite sharp reductions in that in the UK. That is one piece of good news.

Baroness Blood: Is there a reason for it in the United Kingdom as opposed to internationally?

Claire Keane: There is a general trend across countries that is hard to distinguish. There is a general trend of a reduction in drop-outs from school. The UK seems to—I am going to use the word “punish”, which might be a bit strong—punish its low-attainers more. The percentage of the NEET group that I was talking about, the group who are out of employment who do not have an upper secondary-level education is 58%. That is much higher than across the OECD. They are around five times more likely to be out of work and out of education compared to somebody who has a third-level qualification. It can also be a recognition that you have to have this as a minimum standard. The UK has been successful—and I cannot tell you exactly why, because I am not an expert in the UK area—in retaining more people past 16 to at least get their upper secondary-level education. It is a general trend across the OECD that we see fewer and fewer people leaving school early.

Q152 Lord Farmer: Following along that line, we have reduced the drop-out rate, but how do we compare percentage-wise with other European countries on the drop-out? I guess in 2001 we were pretty high. How do we compare now?

Claire Keane: In 2001, you were around the OECD average and now you are slightly better than the OECD average. The OECD average is around 18% of young people in that 25-to-34 age group of people who do not have upper secondary, and it is around 15% or 16% in the

UK. You are doing slightly better than the OECD average but are behind countries such as the Nordic countries, where there is an extremely strong push to remain in education.

What is important in these countries as well is not only remaining in education but giving young people a way back if they have already left. In the Nordic countries—I have Sweden in my mind because I have just been there—they have what they call introductory programmes. These are to catch people who do not have even the basic or primary level skills to go on to upper secondary. Often it is immigrants who have arrived in the country at an older age and who do not have skills. That programme is part of upper secondary education. You go to an upper secondary school, but you take this introductory programme, which then allows you to transfer on.

What is also very important is second-chance programmes for adults. You have to remember that you cannot treat younger adults the same way you treat teenagers. If you have a 20, 21 or 22 year-old with basic literacy and numeracy problems who does not have their upper secondary qualification, you need to have an option for them to go back to education. That may be different for a 17 or 18 year-old. The Nordic countries do this quite well. They have what they call folk high schools, where older young people of 20 or 21 can go back and take an introductory programme over the summer if they have a problem with basic literacy and numeracy, and perhaps over a longer time period can get an upper secondary educational qualification. What has been found to be quite important with these programmes is that often they offer accommodation, so for very disadvantaged youths, who may not have family support, or are not able to live with their parents or who, in extreme cases, may be homeless, they offer accommodation. Having somewhere to live is a very basic requirement, so a lot of these schools offer accommodation. The Job Corps programme in the US is very successful at targeting disadvantaged students to get them up to this basic level of skills. They have what is called a pre-apprenticeship programme. In the Ofsted report on apprenticeships in the UK, some employers reported problems with basic literacy and numeracy skills. These pre-apprenticeship programmes allow young people to get up to a certain standard and then perhaps go on to an apprenticeship, VET or further education.

Lord Farmer: Coming back to the original question, would you say that the UK is lacking in giving these older people in their 20s opportunities to further their education?

Claire Keane: Yes, there can be a lack there. Often people need financial support as well. The UK has the Foyer model of accommodation, which seems to work, particularly for young

people who want to engage in certain education programmes, where they are at least offered accommodation. That has been rolled out in other countries as well and has been quite successful. I think the whole adult education system could be looked at. I am not an expert in the UK adult education system, but I have not found a huge amount of evidence that it is very strong here.

The Chairman: Could I clarify something? You referred just now to upper secondary attainment. Does that mean attainment of an outcome or that they just stayed in the system?

Claire Keane: When I say drop-outs, I mean those who have not attained an upper secondary qualification at the end. They could have stayed on in upper secondary, but they have not successfully received a qualification that would allow them to go on to further education.

The Chairman: Thank you for that.

Q153 Baroness Sharp of Guildford: Can I pick up some of the issues that we have already discussed? I was very interested in what you said about the proportion of those who combine earning and learning—those who are in part-time schooling and part-time work—being rather low in the UK as compared to other countries. Again, as you mentioned, the UK has relatively few young people who go on into apprenticeships. You said 2%. We reckon that something like 6% of the 16-to-19 cohort go on to apprenticeships, and most of the apprenticeships are in the older age groups; a surprising number are over 25. The problem is that the growth has been in relatively low-level apprenticeships. We are particularly worried about those who are not going on to university and do not go into apprenticeships. That is about 50% of that age cohort. They look to vocational education and training, in both the 16-to-18 period and of course as young adults, because if they have attained their qualifications, many of them stay on in further education colleges to take English and maths at GCSE, which one might regard as the appropriate qualification for going on to work, but then look to some form of further vocational training of one sort or another and do not go down the golden route of education. We would be very interested in how what we provide for these young people compares with other countries. You have talked about Australia, but which are the really successful countries in taking that group who do not go to university or into apprenticeships?

Claire Keane: First, it is important to rethink vocational education, because this golden route to university is often seen as key and vocational education is seen as second rate. The really successful countries do not make that distinction. Across the OECD, on average around 50% of students take the vocational route. In the UK it is only 30%. The UK has one of the lowest rates across the OECD of those engaged in vocational training. In Germany, it is closer to 75%. I was surprised when I saw that. I know that in Ireland vocational education is certainly seen as a second-class route, and you would never be advised to go there if you had done well in school and had an option to go on to university.

There are an awful lot of middle-attainers—we call them middle-attainers but they can do quite well—who are not picking these routes. University is not desirable for everybody. It is a large investment and tuition fees have been increasing in the UK. The UK is coming out as one of the more expensive countries to go on to university in, and of course that is going to have an impact, because you want to know that if you are going to spend however long being in education and paying fees you are going to have a positive outcome. It is important to point out that a lot of those vocational routes have positive outcomes as well. It is important to monitor the ones that are doing well and the ones that are not doing so well. I do not have it here, but some of the BTEC City & Guilds qualifications, for example, are shown in the longer run to have a good pay-off for people, and some are not.

The German system has a really good system of constant revision of the qualifications that it gives at vocational and apprenticeship level and the skills that are taught, and it gets there by working with a wide variety of groups. The department of education is in charge of it, you have the Government funding it, you have employers who feed in, and there are frequent meetings and constant feedback among the groups. This is important as well. There has been evidence that younger people are pushed slightly into VET by careers guidance counsellors. Sometimes there is bias in the UK and other countries towards more academic routes and away from vocational training. Careers guidance counsellors also need to be involved in knowing what skills are required and what jobs are out there, and the research says that the VET programmes work for people. Again, you need this feedback between careers guidance counsellors and companies. Other countries have careers guidance counsellors who are external to the schools. They bring in companies, go to jobs fairs and employ a wide variety of techniques to show people where the jobs are and where the skills are needed. The technical colleges in Sweden that I talked about have a 95% employment

rate once the person finishes, because they have a really strong link with the workplace. They are certainly not looked down on. In fact, they get a higher-calibre student. You have to have quite good lower-secondary results to get into these, so it is not looked down on in any way.

With this push for university education, unfortunately, the UK has come out across the OECD as the country with the biggest field-of-study mismatch—the overskilling of workers. On the one hand, you have problems with literacy and numeracy, as they do in other countries, and on the other hand you have around half of young workers in the UK working in areas that are not their fields of study. This may be choice, but we are also seeing that the majority of those people are overqualified. People have received university degrees and they are working in areas that are not using them, which is impacting generally on the wages they get because they are overskilled. They are not always doing this by choice; it is simply that the education they are getting and the skills that are needed out there are not matched up. It is quite difficult to predict what skills will be needed. The European Commission has a strategy at the moment to try to predict what skills will be needed and where the jobs will be, and to try and feed that back into careers guidance and education and to teachers, who have such a large role to play in helping to guide students.

Baroness Sharp of Guildford: We are aware of that and we are aware of some of the failures that we have. We are interested in the countries that are very successful in these areas. Obviously Germany is a model that many of us have looked at and studied for some time. You mentioned Australia, and what you are saying about Sweden is also very interesting.

Claire Keane: Austria does this quite well. We always think of Sweden as one of the golden children of Europe, but the apprenticeship system there is not actually working. There are these skills mismatches, mainly because the content is pretty much entirely decided by the educators and not by the employers. The funding issue is important here. It comes back to the fact that it is fully funded by the Government. Employers do not actually pay young people to engage in this training. Employers may not want to pay. I suppose it depends on the tax levels in those countries. However, by paying, they get to have a say and they get to encourage young people to take this route, so the young people are getting a financial benefit, and they get to have an input into exactly what skills will be needed. The focus in Sweden relates to the fear of blocking people off from the third level. If you go down the vocational route you can go on to third level with no problem in Sweden, but you lack the

practical skills because the employers have not been involved and there is no substantive component where you actually go out into a company. That is true of Austria, Germany and Australia.

Interestingly, Australia has a new apprenticeship programme that is not based around a fixed time period; rather, it is based around a certain skill level being attained. This has been quite popular for young people and it has worked quite well. If the young person comes in and is very good and can get to a certain level of skill within an occupation, they are certified as qualified. There is no time limit on it. Some young people may fear signing up to a two or three-year contract, and workers may also fear taking people on for a fixed amount of time, whereas this programme is quite flexible, and once a person gets to that skill level they are qualified.

The Chairman: Is the implication of what you are saying that you would recommend that we did not have private awarding bodies that compete and instead had government and social partners having control of qualifications?

Claire Keane: Private bodies are not necessarily bad. Australia has a similar system to the Work Programme in the UK, which has a combination of private and public funders. I am talking now about employment services, which are different; if somebody comes in who is out of work, they may go on to a private sector company to help them find a job. If I am right, the Work Programme in the UK is going down this route as well. It has not been shown that private is necessarily bad. Private can be quite good, because the private companies sometimes have a stronger incentive.

In Australia, there is a higher premium in getting more of these middle-attainers and disadvantaged young people into employment than there is in other countries. Are you asking more about the involvement of the private sector in vocational training and apprenticeships?

The Chairman: Yes.

Claire Keane: I think you have to have that; you have to have the companies involved as well. If it is purely public and the department of education is mandating what is on different courses, you have the problem that you are not preparing young people with the skills that employers actually need. We keep coming back to this idea of a skills mismatch at the OECD. In some areas employers are reporting that they cannot get people to work, and in other areas we have this overskilling of the workforce. There is that lack of connection. I think it is

essential to have the private sector and private companies involved in the decision as well, and, importantly, they are there to help provide work experience, so the person is not only in a school setting but is also out getting practical work experience.

Q154 Baroness Stedman-Scott: How do other countries involve employers, educational institutions, employer representatives and third-sector bodies in the preparation of young people for the workplace? Who is responsible for it? Is it effective, in your view? What would work in the context of the United Kingdom?

Claire Keane: I wrote these down so I would not forget. I know I keep coming back to Germany, but Germany and Austria are known for their strong apprenticeship and vocational training routes, and a large proportion of young people engage in them. Part of the reason why they are so successful is this combination of groups. In the German apprenticeship system, for example, there is a wide variety of different employment options. When I first started thinking about apprenticeships, I thought of construction or hairdressing and certain narrow routes. There are quite a lot of different employment areas. The Government are in charge and funding the majority of it, but there is also involvement at a local level—in the municipalities in local government. A country-wide approach is not going to work because different regions have different skill needs. That is when you need to bring in local players. Local companies get involved, and generally, as I said, particularly in apprenticeships, they pay the young people, and in a way this gives them buy-in to try and match the skills that are needed. It is also important that the Government remain in control of the programme, because we do not want a scenario where the programme is used to train young people in very narrow skill sets and then blocks off their future options. We want a basic agenda where certain subjects have to be studied and certain levels have to be attained.

In Germany, around 50% of the time in apprenticeships is spent in a school setting and at least 40% is spent out in the workforce. I think that combination is essential. They also frequently revise the skills that will qualify you as an apprenticeship, which goes back to this link with the employer. The employer gets to feed into this, so as skills needs change this can be built in. It is important to realise that it does not stop at a certain age. The adult education system and the continual building of skills help countries to adapt. As we move towards more skilled and technological jobs, there is a need for older workers to reskill as well. In Ireland and Spain, we have seen a massive drop in the construction sector, and it is

essential that those mainly younger male workers are able to reskill into something that is going to give them a future career.

The Chairman: I asked you just now about awarding bodies. I think it is important to point out that we have private qualifications bodies such as Pearson, AQA and C&G. Is that effective? Is that common across the OECD?

Claire Keane: I do not know a huge amount about this, but it is important to look at the outcomes for these different bodies. That is the only way we really know: through constant analysis of how people fare further down the line. As I said, I am not sure whether City & Guilds, the ones that seem to fare quite well, are awarded privately or publicly or how they are actually awarded. There is a need for constant analysis of how people are doing out of these and whether the programmes are working. I do not think that private sector accreditation is a particular problem. If the outcomes further down the line are that these people are not getting jobs or are finding themselves stuck with not being able to do further education if they want it, that is an issue, but I do not think public/private itself is a particular problem.

Lord Farmer: On apprenticeships and Governments working with employers, et cetera, I am curious. A lot of employers are in the SME class, so the jobs are specific and need specific skills which may not be general. How does Germany, for instance, cope with that? There seems to be this wonderful working together in Germany, which produces very successful apprenticeships, but do they get fed into the SMEs as well? Are they involved in it, because that is a large part of the economy?

Claire Keane: The Ofsted report on apprenticeships in the UK highlights as an issue that small companies were finding it difficult to get apprentices and that the larger companies were more successful. One reason for that is that skills can be very specific. That is where you fall back on the requirement to have at least a certain skill level in all apprenticeships. In other countries, a certain proportion has to be dedicated to the basic skills of language and maths, and companies are allowed to be involved in on-the-job training. As a young person I guess it can be slightly risky to go down a very, very specialised route if you feel that the employment options will not be there. I think that is why it is important that the awarding bodies monitor to see that a person, who has certain skills but the apprenticeship does not work out, is able to go on to other apprenticeships or to third level, so long as a certain proportion is reserved for generic, basic skills.

Lord Farmer: Do they get fed into the SMEs in Germany?

Claire Keane: In Germany, they are not necessarily restricted to a particular company. Apprentices can move around between different companies. You do not have to go with one company and stay with them for the entire period and you learn different skills. In Sweden the technical colleges do this as well. You work with different companies so that you are not pigeonholed into a certain area.

Baroness Sharp of Guildford: I was interested in what you were saying about how in Germany the apprenticeship system also opens up opportunities for the upskilling and reskilling of older workers, because this is one of the problems that we face in Britain. Once you have completed an apprenticeship, unless your company is prepared to pay to train you further—and they are not always—this route is blocked for quite a number of people.

Claire Keane: Yes. You need to be careful because some countries actually require a certain proportion of apprentices to be taken on with a company. It has backfired in some countries because employers are reluctant to take on apprentices in the first place if they feel they are going to be forced to take on a certain number of people.

I keep coming back to the need for more generic skills in apprenticeships as well as the more specialised skills, which should allow apprentices, if they are not kept on by the particular company, as long as the skills are recognised and there is a description of what the apprenticeship means and what skill level you have attained, to be valued by other employers as well. It should not be simply about one employer and if they do not get taken on they are lost.

Q155 Lord Patel: I would like to explore the relationship between education levels, particularly in secondary education, as that is the one we are concentrating on, and subsequent employability and earning potential, within the United Kingdom. I would also like to compare the United Kingdom with other OECD countries. Would you go beyond that and explain the reasons for the difference?

Claire Keane: I can attempt to say why. First, I can tell you the numbers. In the UK if we compare somebody who has completed an upper secondary qualification with somebody below that level, the person below that level earns around 30% less than the person with upper secondary. That is one of the largest gaps across the OECD. The OECD average is 20% to 22%. On both the wage side and the probability of not being in employment, as I was saying, those with low education—and when I say low education I mean those who have not

completed upper secondary—are five or six times more likely not to be in education and training compared to someone who has a third-level qualification. Again, the UK has one of the larger gaps. In the UK, somebody who has completed a qualification in third-level education earns a premium of around 55% compared to someone who has not completed an upper secondary qualification, and that is pretty much the same as the OECD average at 55%.

It is very difficult to say why there are these differences, but in some countries there is a bias against lower levels of education. I am Irish, as you can probably tell by my accent, and Ireland has one of the highest wage inequalities across the OECD. There can be this really strong bias towards below upper secondary. It becomes the minimum that you have upper secondary level education. If you do not have that, there must be something wrong as to why you have not reached this level, and you are less employable. I guess employers are taking the information they have available to them and saying, “If you could not complete upper secondary, I am not going to employ you”, or you are going to get paid a lot less.

It is really difficult in some countries where there is this bias towards higher education. We saw it on our trip to Sweden. Young people who were not able to get employment, or those who had upper secondary education, were going for jobs that 10, 20 or 30 years ago they did not need a third-level qualification for, and they would get on-the-job training. Now there is a push, and as the whole population improves its educational attainment there is more and more bias against those with very low levels of education. Years ago, if you did not have upper secondary level or third-level qualifications, there were lots of other people like you, whereas now, as the proportion of those with lower levels of education and who do not have lower secondary falls, the bias is becoming stronger against this group of people. That is why introductory programmes that allow people to go back and at least get to this minimum standard of upper secondary are very, very important.

Lord Patel: So you are going to make a guess as to the reasons?

Claire Keane: Yes. We do not know why in some countries there is a very large wage premium. Of course, we have to have wage premiums. It is normal across the OECD that this happens. As a young person, especially in the UK, where fees are high, why would I pay for a three or four-year third-level programme if I am not going to earn a wage premium? I have taken three or four years out of my life, I have invested in my education, financially and timewise, so I need this kind of premium. There need to be incentives. As a young person, I

know that if I do not at least stay on to get my upper secondary qualification and get this basic level—and this can be quite important because it can often open up further avenues—in a lot of countries I cannot go on to third level. In Sweden you will not get into an apprenticeship if you do not have an upper secondary qualification. So this group of those who do not get upper secondary, who fall behind, are one of the most disadvantaged, and we see it in NEET rates. They have much higher NEET rates, and those people find it harder and harder to get employment. Again, it differs in different countries, because depending on where the jobs are, as countries build more skilled jobs, there are fewer and fewer low-skilled jobs available for those with lower education levels.

Lord Patel: You are saying that if you compare the reason why those in the UK who have not reached secondary education have a higher premium in that the wages they get are much lower compared to, say, Germany, it relates purely to the attitude towards education levels.

Claire Keane: Yes, I think a large part of it is related to the attitude of employers. Also, I am not sure of the skill demand here, but it may be that, as the economy is trying to grow, there is a squeeze on these lower skilled jobs, less of them are available than before, and it becomes a minimum requirement to have at least an upper secondary qualification. I am not sure whether in the UK you have to have an upper secondary qualification to get into an apprenticeship, but I think it is important to not let people fall behind if that is the case, as in some other countries, and to have pre-apprenticeship programmes. With employers reporting lacks in basic numeracy and literacy skills, it is important that there is some way of tackling this so that people are allowed to go on an apprenticeship if they want to, and it is not blocked off to them.

The Chairman: Given what you have just said, if more people were to achieve a level 2 qualification, would that mean that the inherent bias would just be pushed higher up the scale?

Claire Keane: What generally happens if you have this increase in education in a country is that the premium falls. In countries where more and more people have third-level education, the premium commanded by third-level education falls because employers now have more of a choice in the workers that they have, and if a larger chunk of young people have third-level education they are going to command slightly lower wages than they did before. I had a look at the UK and across the OECD, and these premiums, at least in the last 15 years since 2000, have not changed very much. The gap between lower secondary, upper

secondary, and upper secondary/third level has been constant. There has not been a massive change there, but over the longer period the premium certainly has changed, as I said, as more people get third-level education. It used to be that there was a wage premium if you had at least achieved upper secondary level. Now there is a push to go even further than that.

Q156 Lord Holmes of Richmond: What has your research shown are the differences in participation in education and training in groups that may be considered to be disadvantaged due to socioeconomic, ethnicity, gender, disability, and how does this compare across the OECD?

Claire Keane: Obviously the education system can be helped to level some of the socioeconomic gaps that young people face. What is hard, as somebody who works with young people, mainly 15 and over, is that we know that an awful lot about how you fare as a teenager is set down at quite an early age, at pre-school age, so investment there is very important. I will get to your point about the differences between different groups, but what we have seen and what is promising is that the UK has been quite successful in increasing enrolment in pre-school education. Forty-five per cent of 0 to 3 year-olds are engaged in formal childcare; it is only around 30% across the OECD, so that is quite good news. Also, over 90% of the 3 to 5-year age group are now involved in a formal pre-school programme, and that is still only around 80% in the OECD. That is quite good news, especially for the current generation of young children.

A major issue with socioeconomic background is its impact on outcomes, mainly in literacy and numeracy, and that follows young people throughout the education system. I had a look to see how the UK fared, and if we look at the performance in basic numeracy and literacy skills, if you are from a low socioeconomic background you are 2.3 times more likely to have low literacy skills, and this, as I said, will follow you throughout the education system. That is around the OECD average. Where the UK is doing quite well is in parental education, which is better than the OECD average. If your parent has had lower secondary education, compared to someone who has third level, you are twice as likely to have low literacy skills. That is better than the OECD average, even though it is still tough. It is in immigrant status and gender where the UK is doing quite well. If I am a 15 year-old in the UK who has an immigrant parent or parents, I am around 1.4 times more likely to have low literacy. It is more than double that across the OECD, so that is quite good news. Also, we know there is a

gender gap in performance. In the UK boys are around 1.6 times more likely to have low literacy; it is 2.2 across the OECD. So on the immigrant side and the gender side, the UK is doing quite well. There have been improvements as well in parental education.

If we look at the PISA study, the OECD study following 15 year-olds, we see there is a strong link between basic literacy and numeracy skills at primary school level and how you perform later on. If you do not get these skills early on, it is very hard to catch up. It is promising that the UK is doing quite well in some of those areas and some of those gender gaps. What is really important as well for young people from more disadvantaged backgrounds is often something that is really difficult to quantify. We visited a school in Sweden and you could see that there was much stronger interaction between teachers and students. It is often very hard for people from disadvantaged backgrounds, if their parents did not achieve at third-level education, to guide their children to the best route. This could be done by teachers, careers guidance counsellors and mentors. The US has the Big Brothers Big Sisters mentoring programme, people who volunteer to work with younger people, and even just to know that there is someone there who you can talk to, maybe outside your family if they are not able to offer that guidance, is really, really important.

The Chairman: I think our literacy levels are helped by the fact that English is becoming such a common language worldwide.

Baroness Howells of St Davids: May I just ask one question before I ask my main question? I looked at the composition of the OECD—you may not be able to answer this—and I have not seen one African country listed. Is that by design or is there something I do not know?

Claire Keane: Basically, countries apply for membership². The OECD was until recent years seen to be more of a rich countries' club, but we have been trying to address that, so there are more poor countries, but from different continents. For example, Mexico and Chile are now members. I cannot say why there is no African country, but I know that there are countries trying to gain membership, and the push in the OECD is certainly towards trying to expand so that we do not focus just on richer, maybe European or American, countries. I know that there is a process, that formal applications have to be made and analysis done, et cetera, but it is certainly expanding. I agree with you, and I certainly hope that it expands further in future.

² Ms Keane subsequently confirmed that “the OECD was originally established in 1948 to implement the US-financed Marshall Plan to help reconstruct a Europe negatively affected by World War II, hence the strong European/US focus, originally at least.”

Q157 Baroness Howells of St Davids: Now for my main question: how does the United Kingdom compare with other OECD countries in funding for intermediate or technician-level vocational education and training? Does more funding equate to better, more sustainable employment outcomes and increased participation in the labour market from those most distant from it? Does funding come from national Governments, regional governments, employers or individuals?

Claire Keane: I might not be able to answer your second question fully. I looked at the breakdown in spending, and for some reason, out of the 34 OECD countries, only 19 are able to provide a spending breakdown by vocational training. Unfortunately, the UK is not one of them, so I was not able to find those statistics, but I was able to see the spending at least at primary, secondary, upper/lower secondary and tertiary level.

The first thing is that the UK has increased its spending on education by 10% since 2008. This has bucked the trend in a lot of countries, because with the recession a lot of countries cut back or kept it stable. Spending at primary level is the equivalent of around \$10,000 per student in the UK; across the OECD it is only around \$8,000, so the UK spends slightly more on primary. I should also mention that the UK is spending a larger amount on pre-school attendance as well. That might help to explain part of the rise in pre-school attendance. If we look at the secondary level, spending is around \$9,500 per student in the UK and around \$14,000 for third level, which is pretty much the same as the OECD average. As I said, unfortunately I was not able to get at the spending at vocational level, but across the OECD, for the 19 countries for which the information is available, the countries with larger enrolments in this dual system, so with a larger proportion of people engaged in vocational training or apprenticeships, spend slightly more than those who have lower levels of engagement. I am not sure what is driving that gap. I cannot say that more spending necessarily means better outcomes, but I do not think it is a coincidence that countries like Austria, Finland and Germany spend more on their vocational students than they do on the more general upper secondary level education. However, as I said, I was not able to find that for the UK.

Baroness Sharp of Guildford: Am I right that the figures are in dollars, or are they in euros?

Claire Keane: They are in dollars. Sorry. Very well spotted. They put it in dollars so it takes account of purchasing—

Baroness Sharp of Guildford: It seemed a bit high.

Baroness Howells of St Davids: Does funding come from national Governments, regional governments, employers or individuals throughout the OECD?

Claire Keane: Across the OECD, again, there is a mix. Primary, and certainly lower secondary, are usually funded by national Governments, but in other countries municipalities or local governments will also have an input. I noticed that even though spending in the UK at tertiary level is the same as the OECD average, the largest proportion of funding at the third level actually comes from individuals, driven by these quite high fees. So there is quite a lot of spending at the third level that is not taken into account in these figures because it is not spending by government, but it varies depending on the size of the country. In Sweden, for example, the municipal governments are pretty much responsible; they fully fund education, with some top-ups from the national Government. Then, of course, you have different fees at third level, with the UK coming out as one of the highest, up there with the US. In other countries you have a free third level, with no contributions by individuals. That, of course, causes its own issues, in that if fees are not charged in the third-level sector, either the Government have to pay quite a lot more or there is not as much funding available for students.

Q158 Lord Farmer: I think you have touched on this, but what is the balance in other countries in their policy focus on vocational and academic routes throughout secondary education and on to tertiary education? Does this make a difference as to how academic and vocational routes are valued?

Claire Keane: Certainly in the UK, in Ireland, and in other countries the vocational route is a lot less valued. It is hard to say why that is, but we know that careers guidance has often been biased towards pushing people to the academic route and not into vocational routes in these countries. In the UK you have less than a third of students on the vocational route, and they tend to be lower-performing, more disadvantaged students; they have a lower performance going in, and they come out with a lower skill set, so either the poorer students are being pushed in that direction or the vocational training is not providing them with the skills they need, or both. In countries such as Germany and Austria, where three-quarters of students are taking the vocational route, a substantial component provides generic skills and generic training, and I think you then get away from the stigmatisation. In Ireland, if you went the vocational route it would immediately be thought that you did that because you did not have the ability to go on the more academic, upper secondary route. In terms of

numbers, there is a pattern that when larger proportions of young people take these vocational routes, less stigma is attached to them.

Lord Farmer: You said that before, but what about the policy focus? In Germany the apprenticeship scheme, et cetera, has historically always been strong. Does the policy focus of the Government affect this?

Claire Keane: I suppose it affects the range of programmes that are on offer. If at government level there is a desire not to have the vocational route as the key focus, that is going to feed through. For example, in the UK, if people were more aware that the vocational route can have quite positive outcomes for young people, that you can earn more when you go on certain apprenticeship routes than if you go to the third level, I think it would start to feed down. The careers guidance aspect would also then be important. If as a careers guidance counsellor I see that we are trying to push people to have more of the skills that are required in the workforce, that will feed through, especially if the curriculum or the way careers guidance counsellors are trained is set at a government level. As you say, in some countries there is this recognition at the policy level. A lot of OECD countries have people who are unemployed who do not have the skills that are necessary for employment, and there is overskilling in certain areas. The Government need to get involved in what kind of skills are needed, what kinds of places will be available at third level, and what kind of vocational routes will be taken. The German system of constant revision works very well.

Q159 Baroness Blood: Given your experience looking at other countries, what approach should our Government be taking to improve upward mobility and opportunities for school leavers who do not follow an academic pathway?

Claire Keane: It has been found that apprenticeships can be particularly good for those who are from a more disadvantaged background, and there are different reasons for that. One may be that these younger people do not have someone in their family or in their wider circle with third-level qualifications, and they do not have that aspiration, that person to look up to. Also, there may be a financial necessity; they need to earn an income while they are engaged in education, particularly when fees are so high. In Canada a premium of \$1,000 a month is paid to people from disadvantaged backgrounds, so they have actually targeted this group to try to attract them in. They have also provided tax incentives to employers, so the employers receive tax breaks for taking on people who may not have completed upper secondary or are from disadvantaged backgrounds, or have an illness or disability that may

make it more difficult to work but they can still contribute. France has done something similar; it has offered financial incentives to employers and to workers from more disadvantaged backgrounds to try to increase their take-up of apprenticeships. That is something that could perhaps work in the UK.

The Chairman: What you have said gives the impression that it is accepted that an apprenticeship is of a lower order, but yesterday we visited Rolls-Royce in Derby, and getting on to a Rolls-Royce apprenticeship is as difficult as getting into a Russell group university. Is not part of the problem the impression you have just given that having an apprenticeship is not really as good as going on to university? Is not the view in Germany an indication of why they are so much more successful?

Claire Keane: Yes, certainly. The technical colleges in Sweden that I mentioned are heavily oversubscribed. These are vocational routes; you will generally go on to work in a skilled company, usually manufacturing, and they are not looked down on at all. In fact, as I said, they are highly sought after; there is a waiting list to get in, and you have to have a very high performance even to get into these, so you have to have done well at primary and lower secondary level. As I was saying, that is where attention needs to be drawn: to the programmes that are working, the modern apprenticeships where the outcomes are better than going on to third level. It is going to take time to shift that. In Germany, it is accepted that you may do lower-skilled jobs or you will move around different companies, and it is not frowned upon. Also, if you finish upper secondary, you do this for a while, so you are a bit older when you finish, say, a third-level qualification or an apprenticeship.

It is a matter of adequate research. Often programmes are brought in and they are not adequately examined to see whether or not they have actually had a positive outcome. As a researcher, I am always going to ask for more research, but we need to follow the apprenticeships that work and feed that back to the careers guidance counsellors and those working with young people.

I would never have dreamt of doing an apprenticeship when I was leaving school. It was not one of the options that would have been set out for me. Careers guidance counsellors need to be informed about the benefits of apprenticeships and vocational training, and that needs to be fed back to the students. It will take time, but we have seen the expansion of apprenticeships and the different types of apprenticeships that you can do. It is not focused

in very narrow areas. I think more focus on what it is that works and feeding that back to the students and counsellors is important.

The Chairman: Thank you very much for coming here today and sharing your knowledge and enthusiasm with us.