Objective analysis of economic policy is more important now than it has ever been. Please support our work and help us to improve public debate and government policy by becoming a member: [www ifs org uk/about/membership](http://www.ifs.org.uk/about/membership)

Wi-Fi Network: Ri-Public
Password: Cavendish
A transformation in levels of education

Source: Labour Force Survey

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And yet, just last week

According to the Industrial Strategy Council:

- Productivity held back by significant skills gaps
- 28% of workers underqualified for their job
- Increasing gaps in digital skills as well as in management, communication and analytical skills
- Half have primary school numeracy levels

IFS at 50: The Future of Education
Uniquely basic skills of young people no better than old.

England unique in lack of progress in literacy (and numeracy) across generations.
And yet, just last week

According to the Industrial Strategy Council:

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Outcomes at age 16
(cohort taking GCSEs in 2003)

Source: A comparison of earnings related to higher level vocational/technical and academic education*, Espinoza and Speckesser, CVER 2019
Some progress by 18
Even by age 22, 40% still not beyond level 2
With almost no additional progress by 28
We shut doors

Opportunities for those who haven’t done well by 16 are complex and limited

Source: Machin, McNally, Ruiz-Valenzuela, CVER 2018
We shut doors

Opportunities for those who haven’t done well by 16 are complex and limited

*Just* missing a grade C at GCSE English at age 16

Reduces probability of enrolling in a higher level qualification by 9 percentage points

Similarly reduces probability of attaining A levels or equivalent

Increases probability of not being in education at all at 18 by 4 percentage points

Source: Machin, McNally, Ruiz-Valenzuela, CVRE 2018
The doors shut early on some
KS2 results are strong predictors of GCSE results

Share getting 5 good GCSEs, including maths and English

Below expected in English and Maths at age 11
Expected level
Above expected level in English and Maths at age 11

Source: National Pupil Database; 2010 GCSE cohort.
The doors shut early on some KS2 results are strong predictors of GCSE results

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The doors shut early on some
KS2 results are strong predictors of GCSE results

Source: National Pupil Database; 2010 GCSE cohort.
The door to HE is closed to many from poorer backgrounds

Fraction going to HE by parental social class

While the majority from higher social classes go on to university

Fraction going to HE by parental social class

% of pupils at HE age 18/19

Overall
High-status HEI

Lowest SES

Highest SES

This matters enormously

Median real hourly wage (employees aged 25-34)

GCSEs or below

Source: Labour Force Survey

IFS at 50: The Future of Education © Institute for Fiscal Studies
This matters enormously

Median real hourly wage (employees aged 25-34)

Source: Labour Force Survey

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And matters more over time

Look again at that graduate earnings line.

Median real hourly wage (employees aged 25-34)

- Degree
- GCSEs or below

Source: Labour Force Survey
Returns to degrees are hugely variable by subject

Source: the impact of undergraduate degrees on early career earnings, Belfield et al https://www.ifs.org.uk/publications/13731
Returns to degrees are hugely variable by subject

We spend £1.2bn a year on 37,000 creative arts students

Source: where is the money going? Estimating government spending on different university degrees, Britton et al https://www.ifs.org.uk/publications/13944
Returns to degrees are hugely variable by subject

We spend £1,2bn a year on 37,000 creative arts students

And £500m a year on 19,000 engineering students
Those from better off backgrounds doing much better

Earnings premia for graduates from better off backgrounds

Those from better off backgrounds doing much better

Earnings premia for graduates from better off backgrounds

So lessons for the future?

1) Just getting more and more through qualifications is not enough
2) Better routes up for those not getting 5 good GCSEs vital
3) Don’t just focus on A level to university route
4) Provide appropriate framework for levels 4 and 5
5) Clarity and stability for the vocational route
6) A rethink of the role of GCSEs and A levels
7) Universities to focus more on skills for the labour market
8) And all the things I haven’t mentioned...
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