

Raising Expectations: Initial Regulatory Impact Assessment

Initial Regulatory Impact Assessment for *Raising Expectations: staying in education and training post-16*.

PURPOSE AND INTENDED EFFECT

These proposals relate to England only.

Objective

1. In England we propose to raise to 18 the minimum age at which a young person could leave education or training. This will be done in two stages: to 17 from September 2013; and to 18 from September 2015.
2. This would mean that every young person would continue to pursue a course of education or training, at least until their 18th birthday, leading to improvements in attainment which will benefit young people and develop their skills as future members of the workforce.
3. A young person could study or train in a school or college, or with a work-based learning provider or with an employer. This would be full-time (at least 16 hours per week) unless they are working when they would need to be in education or training for at least 280 hours per year. They would be working towards an accredited qualification, including general qualifications, one of the new Diplomas, or an Apprenticeship.

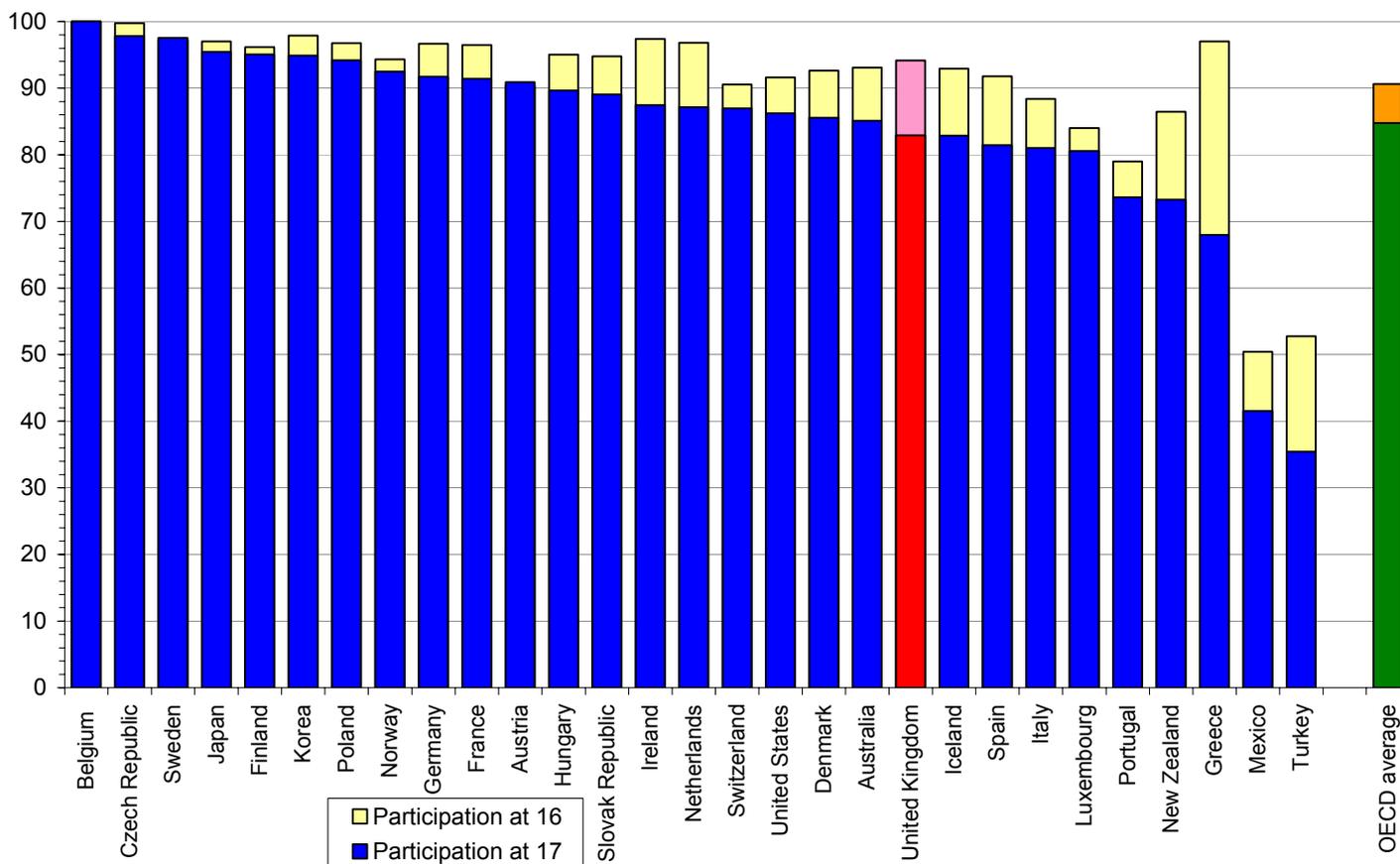
Background

4. There is currently no legal requirement to remain in education beyond the end of the academic year in which the individual turns 16. Latest figures show that in England 87 per cent of 16 year olds participate (the first year after compulsory education) and that 76 per cent of 17 year olds do (2005 figures).¹ The UK is only 20th out of 30 in terms of participation at 17 years old amongst OECD countries.²

¹ Data from SFR21/06, *Participation in Education, Training, and Employment by 16-18 year olds in England:2004 and 2005*, released June 2006

² OECD, *Education at a Glance 2006*

Raising Expectations: Initial Regulatory Impact Assessment



5. Around 11 per cent of young people aged 16-18 are currently not in education, employment, or training (NEET)³, but this does not mean they are NEET for the whole of this period. In fact, only 1 per cent are NEET at all three snapshot points at 16, 17, and 18, and some of these will enter education or employment between these snapshot points.⁴ Young People who are NEET are likely to be unqualified, with only 28 per cent having at least level 2 (that is 5 or more GCSEs at A*-C, or equivalent).⁵

6. Around 79,000 of 16 and 17 year olds (around 6 per cent of the age group) are not in education or training (NET) but are in a job without training (JWT).⁶ This compares to around 519,000 who are employed and in education or training – around 40 per cent of the age group. We estimate that a maximum of 5 per cent of young people who are in work might be undertaking non-accredited training.⁷

7. Government has an existing aspiration that by 2015 90 per cent of 17 year olds should be participating. This will be achieved through a combination of reforms, including:

- reforms to the 14-19 curriculum and the introduction of new qualifications young people can choose at 14 and 16, with more applied and practical learning to engage and motivate a wide range of young people;
- changes to Key Stage 3 to free up time in the curriculum to allow for greater

³ SFR21/06

⁴ Taken from Youth Cohort Study

⁵ Annual Population Survey, Jan-Dec 2005 (note, information is UK-wide, not England only)

⁶ SFR21/06

⁷ SFR21/06

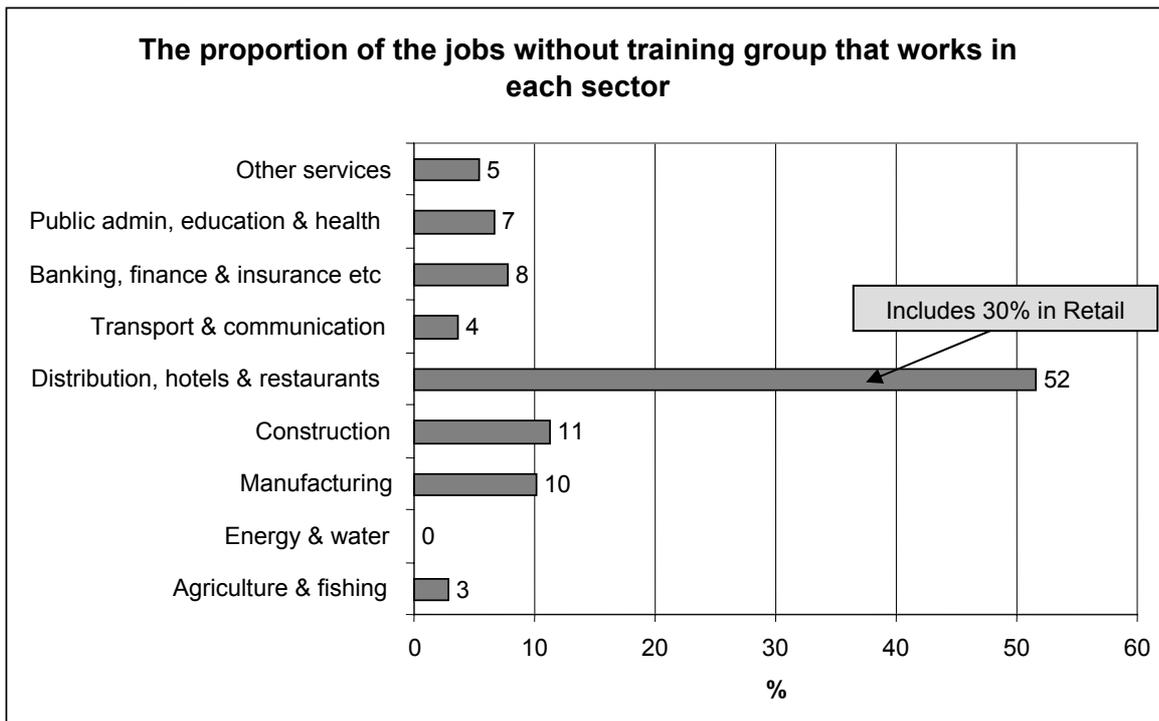
Raising Expectations: Initial Regulatory Impact Assessment

personalisation, including allowing more time for young people who fell behind at primary school to catch up, and more time for young people to develop their interests and to be stretched;

- a major expansion of capacity in work-based learning to ensure that every young person who wants to follow this route can get a place;
- a 'September Guarantee' of an offer of an appropriate learning place for every young person leaving Year 11 who wants one - in place in every local authority area from this September;
- improvements to Information, Advice and Guidance for young people to ensure they receive support to make good choices; and
- improved financial support arrangements for young people through the introduction of EMAs, now being built on in Learning Agreement Pilots in 8 areas aiming to motivate young people without level 2 in jobs without training to participate in education or training.

Sectoral distribution of NEETs, NETs, and JWT

8. Retail is the largest single employment sector of 16 and 17 year olds: 30 per cent of those in JWT work in retail; 11 per cent in building, demolition, earthmoving; 43 per cent are spread in small numbers across over 200 sectors.⁸



9. In comparison, 54 per cent of those in full-time education and who also work are employed in the retail sector, with 13 per cent in restaurants. 29 per cent of those in part-time education and who work are in retail.⁹

⁸ Annual Population Survey, Jan-Dec 2005 (note, information is UK-wide, not England only)

⁹ Annual Population Survey

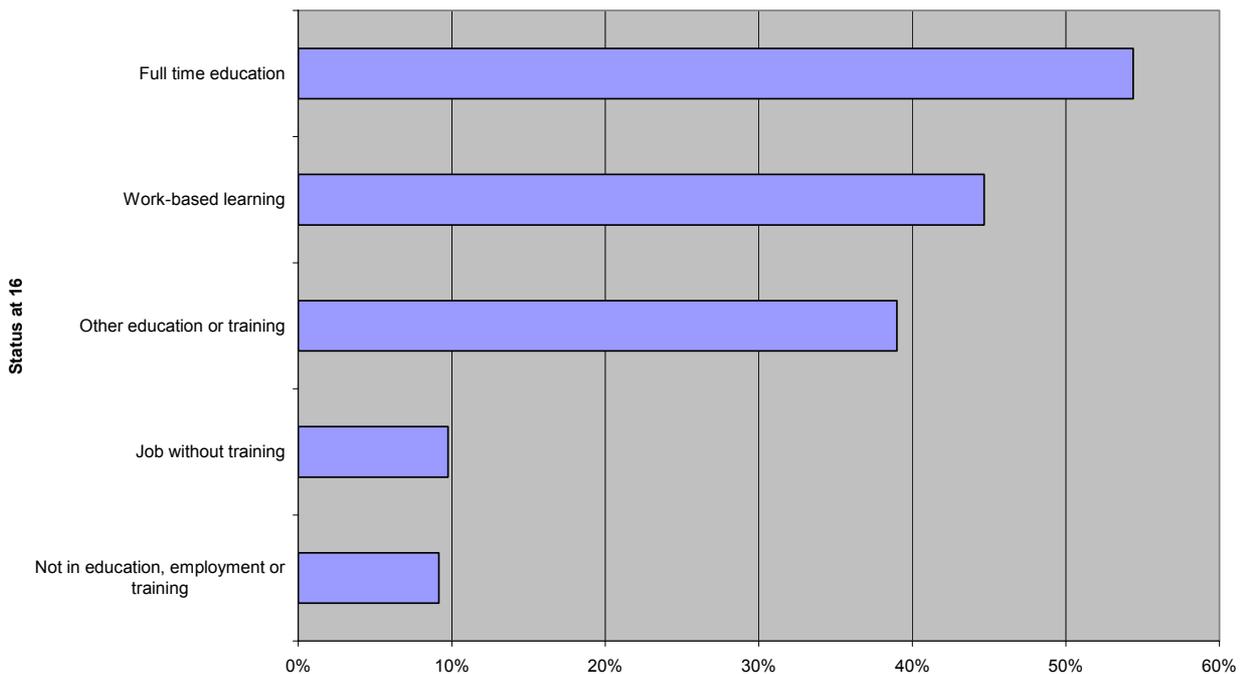
Raising Expectations: Initial Regulatory Impact Assessment

The proportion of each group in each industrial sector

	Job Without Training	Full-time education + Job	Part-time education + Job	Job including training
Retail Trade	30%	54%	29%	36%
Building, demolition, earth moving	11%	1%	3%	5%
Licensed, Unlicensed Restaurants	6%	13%	7%	7%
Wholesale	3%	1%	0%	4%
Public houses, bars	3%	7%	7%	0%
Motor vehicle repair	2%	0%	0%	3%
Total Shown	57%	75%	47%	55%
Other 200 sectors	43%	25%	53%	45%

10. Those in JWT are generally better educated than the NEET group, with 48 per cent having at least level 2.¹⁰ However, the outcomes are similar for those without level 2. Around 10 per cent of those without level 2 who are in JWT at 16 and 11 per cent of those without level 2 who are NEET at 16 progress onto level 2 by 18. This compares with nearly 60 per cent of those who are without level 2 at 16 and went into full-time education.¹¹

Percentage of those below level 2 at 16 reaching level 2 by 18, by activity at 16



11. Over time, significant numbers of young people move between the JWT and NEET categories – taking and leaving unskilled work, but making little progress in learning. Between two quarters, 13 per cent of the NEET group who leave go into the JWT group. This accounts for 45 per cent of all those who leave the NEET group between quarters. At the same time, 12 per cent of the JWT group will have joined the NEET group. This accounts for 53 per cent of those leaving the JWT group between quarters.¹²

¹⁰ Annual Population Survey

¹¹ Taken from Youth Cohort Study

¹² Taken from Youth Cohort Study

Raising Expectations: Initial Regulatory Impact Assessment

12. When young people are not in education or training (NET – this is made up of young people in the NEET and JWT categories) this represents a substantial cost to the economy. This cost is dominated by the lost productivity potential from young people not participating and consequently not attaining.
13. The costs of not participating do not stop at under-attainment. There is a wide range of social costs associated with young people who are not in education, employment or training (NEET). These include costs associated with poor health, teenage parenthood, substance abuse, crime, social and welfare advice. Establishing the magnitude of these wider social costs is problematic because it is difficult to establish causality, but it is clear that they are substantial.

RATIONALE FOR GOVERNMENT INTERVENTION

14. The quantity and quality of skilled labour available in an economy is an important determinant of economic performance and productivity growth. Higher levels of skills raise productivity, employment, and living standards, as well as contributing towards social objectives such as allowing everybody to benefit from increasing economic prosperity. Evidence suggests that up to one fifth of the UK's output per hour productivity gap with Germany and an eighth of the gap with France results from the UK's relatively poor skills.¹³
15. Raising the skills profile of the workforce, especially those who currently have the lowest skills, will also contribute towards the Government's social inclusion and social justice objectives. People with higher skills are better placed to participate in the labour market and improve their outcomes.
16. There is a role for Government to encourage improvement of skills levels in the economy and to ensure sufficient and appropriate provision to meet the demands of business. This role becomes ever more important given the rate of change in the global economy, with emerging economies such as India and China growing dramatically and affecting UK competitiveness. The UK needs to build upon reforms in the education sector to make its skills base a genuine strength and ensure UK businesses can compete in a global economy.
17. For the individual, the economic benefits of longer participation are potentially great. We know that individuals with qualifications earn more than those without. Achieving at least a level 2 qualification is particularly important as this is widely regarded as the minimum threshold for employability.
18. We have extensive evidence on the wage returns for existing qualifications. Wage returns tend to be larger for higher level qualifications and also for academic qualifications. A young person with A Levels (equivalent to level 3) is likely to earn around 15 per cent more compared to a young person without, whilst the return to a young person with five good GCSEs (level 2) is around 25 per cent more in comparison to a young person with no qualifications.
19. In the future, many young people will take Diplomas. Of course, as these are yet to be introduced (available from September 2008) there is no firm evidence about the wage returns for these qualifications. We are confident, however, that their mixture of

¹³ O'Mahoney and de Boer, *Britain's Relative Productivity Performance: Update 1999*, (2002), as cited in *Productivity in the UK 6: Progress and New Evidence*, (2006), HM Treasury

Raising Expectations: Initial Regulatory Impact Assessment

theoretical and applied training, and the involvement of employers and HE in their development, will mean they are well placed to secure the currency with employers that will ensure positive wage returns.

20. The returns to level 2 vocational qualifications are more mixed, depending upon the particular qualification type, where it is achieved, and where the young person works.

Wage returns to level 2 vocational qualifications	Men	Women
NVQ2	n/s	3%*
NVQ2 when delivered through the employer	7%**	6%**
BTEC 1 st Diploma	23%**	n/s
City & Guild Craft	20%**	5%**
RSA 1 st Diploma	n/s	22%**

** significant at 1% level; * significant at 5% level; n/s not significant¹⁴

21. In addition to higher wages, better qualified individuals enjoy improved employment prospects and an improved likelihood of receiving further training in the workplace. They are more likely to get promoted. There are also wider benefits associated with higher qualification levels such as individuals enjoying better health and developing improved social skills.

22. The Leitch Review of Skills¹⁵ projects there will be a sharp decline in low-skilled jobs up to 2020 whilst the importance of high-tech jobs will increase – by 2020 there will only be around 0.6m jobs undertaken by those without qualifications, compared to around 3.2m such jobs now. This compares to an increase in the number of jobs taken by those with graduate level qualifications from around 30 per cent now, to 40 per cent by 2020. The report also shows the challenges facing the British economy from globalisation (and the rise of India and China) and increased competitiveness. These factors demand that the British workforce is as highly skilled as possible.

23. Those who participate are less likely to be involved in crime or behave anti-socially. A study looking at Offender Index data between 1984 and 2001 showed that an additional year of compulsory schooling decreases property crime conviction rates, and it has also been estimated that compulsory schooling lowers the likelihood of committing crime or going to prison.¹⁶ Those who participate are more likely to be healthier, and to develop good social skills, which makes it easier for them to find work and succeed in life.¹⁷ These social benefits to increased participation improve people's lives, and mean that the Government needs to spend less.

24. We think that the Government's existing aspiration of 90 per cent participation by 17 year olds by 2015 may be close to the maximum that can be achieved without compulsion. This would still mean that a significant proportion of the future workforce

¹⁴ Dearden, L., McGranahan, M., and Sainesi, B, *An In-depth Analysis of the Returns to National Qualifications Obtained at Level 2*, CEE Discussion Paper No. 46, 2004

¹⁵ Lord Leitch (2005), *Review of Skills: Prosperity for all in the global economy - world class skills*

¹⁶ WBL research report 5 and 14 [Feinstein et al (2002) Quantitative estimates of the social benefits of learning 1: Crime; 5 and Feinstein et al (2005) Education and youth crime: effects of introducing the Education Maintenance Allowance programme]

¹⁷ WBL research report 3, 8 and 12 [Schuller et al (2002) Learning, Continuity and Change in Adult Life; Feinstein et al (2003) Contribution of Adult Learning to Health and Social Capital; and Sabates et al (2004) Education, Training and the Take-up of Preventative Health Care.]

Raising Expectations: Initial Regulatory Impact Assessment

may lack the basic skills necessary to succeed in the workplace, and that society and the economy will not feel the associated benefits with these people being employed.

25. Therefore, by compelling young people to remain in education or training to 18, we will be giving maximum opportunity for them to attain and achieve, reducing the costs associated with being NEET, and training the workforce for the future.

CONSULTATION

26. We will fully consult on our proposals with all key stakeholder groups.

27. Currently, within government:

- there have been extensive conversations with other government departments, including: DTI; DCLG; DCA; Home Office; MoD; DWP; Cabinet Office, including the Better Regulation Executive; DfT; and, HMT; and
- conversations with Devolved Administrations have taken place.

28. Public consultation:

- a full public consultation will be carried out through this Green Paper;
- we are seeking the views of young people, through panels; and
- we will be speaking to key stakeholders, including business groups.

OPTIONS

29. Two main options have been identified, with the second option containing areas of particular interest for consultation:

- Option 1 - Do nothing – existing policy should deliver 90 per cent participation of 17 year olds by 2015. This is through incentives for young people, improving the curriculum offer, and incentives for employers, as well as actions for some specific groups. Participation is unlikely to increase beyond 90 per cent without legislating to raise the participation age.
- Option 2 - Legislation to raise to 18 the minimum age at which a young person could leave education or training including a minimum duty on the employer –

Employers should either:

- Provide accredited training for their employees¹⁸; or if they do not intend to provide training
- Be required to release any 16-17 year olds they employ for accredited education or training elsewhere.

Under this option Government will consider what the best incentives are, alongside enforcement, to encourage young people who wish to work to also be in education or training. There are a number of different options open to Government, including making a young person's appointment conditional on engagement in education or training, for example by requiring employers to check that 16-17 year olds are engaged in training before hiring them.

¹⁸ Government will work with employers to ensure that all high quality and substantial training is recognised, including, for example, good quality 'contracts of apprenticeship'

Raising Expectations: Initial Regulatory Impact Assessment

Local authorities could be required to operate a registration system which includes information on what education or training each 16-17 year old is undertaking. Employers could request this information from the local authority, who would be responsible for letting the employer know whether the young person is engaging, and therefore whether they are eligible for employment. Alternatively, employers could require young people to bring proof that they are participating before appointing them.

BENEFITS AND COSTS

Sectors and groups affected

30. The following groups would be affected by these proposals:

- All 16-17 year olds;
- Parents or legal guardians of 16-17 year olds ;
- All businesses employing a 16-17 year old:
 - 2005 figures show 598,000 16-17 year olds in some kind of employment;¹⁹
 - Retail, Building and Hotel and Catering sectors are the biggest employers of 16-17 year olds;
- Local authorities - principally through managing a 16 and 17 year old; registration and enforcement process as well as the costs to education sector;
- Providers of education and training;
- The court and legal systems; and
- Central Government.

31. These proposals relate to England only. So, the groups and sectors affected are principally within England, although we will continue to consult with the Devolved Administrations.

Benefits

Option 1 - Do nothing

32. The do nothing option means that we will continue to work towards achieving 90 per cent participation of 17 year olds by 2015, but that we do not think it possible to move beyond this 90 per cent figure. Therefore, although we will see an increase in participation and subsequently ensure that more young people are gaining higher qualifications and becoming more productive, we will still be falling short of achieving a participation rate that compares with the best in the world.

33. It is worth noting the programme of 14-19 reform currently underway, notably the creation of the new Diploma qualification, the introduction of the Foundation Learning Tier, and the introduction of functional maths, English, and ICT. More information on these reforms can be found in the *14-19 Education and Skills White Paper* and the *14-19 Education and Skills Implementation Plan*. The reforms outlined in the *Youth Matters Green Paper*, for example in improvements to information, advice and guidance, will also have a profound effect on this age group. The costs of all of these

¹⁹ SFR21/06

Raising Expectations: Initial Regulatory Impact Assessment

reforms would still be incurred.

Option 2 - Legislation to raise to 18 the minimum age at which a young person could leave education or training

34. We know that there are benefits to the individual and society from continued participation in education and training where it leads to increased attainment. With every young person participating until 18, we expect more young people to attain and subsequently earn more in the future, reflecting their higher productivity. Our initial estimate suggest an additional benefit to the economy of around £1,400m for a single cohort of young people (discounted over their lifetime) once a steady state scenario has been reached. Therefore, for every year in a steady state that a new cohort emerges, this will yield additional economic benefits of around £1,400m over and above the 90 per cent scenario.
35. This figure is arrived at by taking into account the increased wage returns and better job prospects from higher levels of qualifications and skills. As the Leitch Review estimates, by 2020 there will be only around 0.6m jobs undertaken by those without qualifications, compared to around 3.2m such jobs now. This compares to an increase in the number of jobs taken by those with graduate level qualifications from around 30 per cent now, to 40 per cent by 2020.
36. Currently the Labour Force Survey suggests that 120,000 16 and 17 year olds are NEET, about 9.3 per cent of the age group. It is assumed that the proportion of young people who are NEET will decline up to 2013 as we move towards our 90 per cent participation aspiration, so that no more than around 22,500 16 year olds and around 45,000 17 year olds will be in this group leading up to implementation. A key objective of this proposal is to stop 16 and 17 year olds from being in the NEET group.
37. This will lead to significant benefits to the business and the economy of the UK as a whole. For example, Sianesi and Van Reenen's (2003)²⁰ review of returns to education concludes that there is compelling evidence that at the macro-economic level human capital increases productivity. A recent paper²¹ found that if a country's literacy scores rise by 1 per cent relative to the international average, we can eventually expect to see a 2.5 per cent relative rise in labour productivity, and a 1.5 per cent rise in GDP per head.
38. More training for workers has significant benefits at an industry level. Dearden²² *et al* found that raising the proportion of workers trained in an industry by 5 percentage points (say from an average of 10 per cent to 15 per cent) is associated with a 4 per cent increase in value added per worker, compared to a 1.6 per cent increase in wages.
39. Under this option, Government will also be considering incentives to encourage those young people who wish to work to also engage in education or training. An incentive could reduce cases of non-compliance. The additional benefit of such an incentive is yet to be quantified.

²⁰ Sianesi, B. and Van Reenen, J. (2003) "The Returns to Education: Macroeconomics." Journal of Economic Surveys Vol 17, No. 2.

²¹ Serge Coulombe, François Tremblay, and Sylvie Marchand (2004) "Literacy scores, human capital and growth across fourteen OECD countries" Statistics Canada

²² Dearden, L, *et al*, *Who Gains ...*

Raising Expectations: Initial Regulatory Impact Assessment

Costs

Option 1 - Do nothing

40. Although there are no additional costs to the exchequer over current projections of the 'do nothing' option, without raising the participating age, employers and the economy as a whole will have to face the costs of a significant proportion of young people not having the skills needed by employers in the future. These are not easy to quantify, but the Leitch Review of Skills makes clear the importance of improving the skills of UK workers. It shows that the UK's skills base remains mediocre by international standards. In OECD comparisons of 30 countries, the UK is 18th on low skills, 20th on intermediate and 11th on high skills²³.

41. Even if current targets are met, as the Leitch Review highlighted, the UK will still fail to improve its relative position by 2020, lagging behind key comparator nations with deficits across all skill levels:

- Four million people will still lack functional literacy skills, and over 6 million will lack functional numeracy skills;
- The UK will be 15th out of 30 OECD countries in low skills, with 11 per cent of those aged 25 still lacking the equivalent of a basic school leaving qualification, treble that of the best performing OECD countries...²⁴

42. Government has an aspiration to reach 90 per cent participation by 17 year olds by 2015. Reaching this target will still only move us from 20th to 10th in terms of participation at 17 in comparison with other OECD countries, and that assuming that others remain the same.

43. If young people do not increase their levels of qualification and improve their skills, it will make the UK a less attractive place to do business than it otherwise would be.

Option 2 - Legislation to raise to 18 the minimum age at which a young person could leave education or training

44. In this section the following elements of cost are considered:

- Costs to employers:
 - costs associated with training;
 - adjusting work patterns;
 - other costs;
- Potential costs of an incentive to encourage young people who wish to work to participate in education or training;
- Costs to Government:
 - participation costs;
 - cost of the registration and enforcement system;
 - financial support costs;
 - capacity building costs; and
 - other costs.

²³ Leitch, pp.10

²⁴ Leitch, pp.13

Raising Expectations: Initial Regulatory Impact Assessment

Costs are additional to those incurred in order to reach the 90 percent aspiration contained in Option 1, which form part of existing funding commitments.

Costs to employers

Costs to employers – costs associated with training

45. Within option 2, employers would have two options:

- Provide accredited training for their employees²⁵; or
- If the employer does not provide training they must release any 16-17 year old employees to undertake accredited education or training elsewhere.

46. Government will continue to fund training for 16-17 year olds where this leads to an accredited qualification.

47. We want to see as many employers as possible offering training to the young people they employ. A job with training is a powerful and effective way to engage many young people, helping them to develop skills that relate directly to their chosen career. Many employers already recognise this, and are already offering training.

48. We propose to build on the existing Train to Gain brokerage service to help employers to do this. Train to Gain brokers work with an employer to understand the business needs, identify training in the local area that meets these needs, and arrange for this to be delivered in a way that suits the employer. 16 and 17 year olds are not currently excluded from the service, but we would propose that it should take a more systematic approach to brokering training for this age group if compulsory participation was introduced. We estimate that an additional 15,000 16-17 year olds will benefit from this service, with an estimated cost of around £1.7m.

49. Some employers will currently be offering good quality training that does not count towards a qualification and so is not currently accredited, but that does improve the skills of a young person and help to prepare them for life. Where a programme of training meets national standards we will help an employer to turn that training into a nationally recognised qualification. There are costs involved with seeking accreditation, and Government will seek to ensure that that this process is as efficient and effective as possible.

Costs to employers – adjusting work patterns

50. There are currently 79,000 16-17 year olds in the JWT group (around 6 per cent of the total number of 16-17 year olds).²⁶ We estimate that, with participation already increasing along the 90 per cent trajectory, the number of 16-17 year olds in the JWT group in 2013 will fall to around 22,500.²⁷ The proposals to require employers of this group to release the young person the equivalent of one day a week to attend education or training would lead to costs in changing workforce patterns. This would

²⁵ Government will work with employers to ensure that all high quality and substantial training is recognised, including, for example, good quality 'contracts of apprenticeship'

²⁶ SFR21/06

²⁷ This assumes that by 2013 around 90,000 16-17 year olds will be Not in Education or Training (NET), with 67,500 of these being Not in Education, Employment, or Training (NEET)

Raising Expectations: Initial Regulatory Impact Assessment

reduce the flexibility of the workforce for some businesses.

51. Those 16-17 year olds in JWT currently represent around 0.3 per cent of employed people. Although sectors that employ a greater proportion of young people will be more affected, in even the largest sector (distribution, hotels, and restaurants) only 0.7 per cent of the total number of employees are 16-17 year olds who are not in education or training elsewhere.²⁸
52. It is important to note that, given that the proposal will not raise the participation age to 17 until 2013 and 18 until 2015, employers will have time to adapt to the new arrangements, and no current employees will be affected. Therefore, the case need never arise where a business is forced to stop employing a young person for five days a week, and needs to arrange cover for the day the employee spends receiving education or training elsewhere. Rather, employers will have time to adapt their employment patterns so that they employ 16-17 year olds on a four-day a week basis in the first place.

Costs to employer - other

53. Initial analysis of labour market impacts suggests there may be some impact on wages as a result of this policy. This would result from a combination of the compulsory reduction in hours, potential disincentives for young people to work as a result of lower income from the reduced hours, and potential disincentives on employers to hire 16-17 year olds. The current average wage for 16-17 year olds is £4.84 per hour, whereas for 18-21 year olds it is £5.99 per hour. Therefore, if employers respond by hiring an 18-21 year old worker instead of a 16-17 year old worker, this would result in an increase of around £1.00 per hour in their wage bill. It is likely that this cost would fall disproportionately on SMEs that choose to follow this route and on those businesses currently paying the lowest rates.²⁹ This impact may be mitigated as progress is made towards the existing aspiration of 90 per cent participation by 2015. This progress may mean that some of the labour market adjustment may already be complete before this policy is implemented in 2013.
54. Migrants will not be treated differently. Where a migrant is 16-17, they will be subject to the same duties to engage in education and training as a UK national in England. The Government is considering whether very short terms of employment would be exempted from the duty to release young people to attend training. If so, it could apply, for example, to those undertaking short-term seasonal work, such as for those working in agriculture during the summer holidays.
55. There are around 5,000 16-17 year olds who are self-employed.³⁰ These young people will be under the same duty to participate as any other, and will have to find a suitable route of education or training to follow, working around their business commitments as necessary. Although this is a small group of young people, they may face particular issues.

Potential costs of an incentive to encourage young people who wish to work to participate in education or training

²⁸ Labour Force Survey data

²⁹ LPC research shows that currently only 25 per cent of 16-17 year olds in employment are actually paid the youth National Minimum Wage.

³⁰ 2001 Census Commissioned Table. DTI reference D07/147483.

Raising Expectations: Initial Regulatory Impact Assessment

56. Government will consider how to introduce incentives to encourage young people who wish to work to engage in education and training. A potential way of doing this would be to require young people to demonstrate they are in training before they start a job. This could be achieved by asking employers, who are not providing accredited training, to check with a local authority whether their prospective 16-17 year old employee is in education or training, before they agree to hire the young person. Under such a system employers could register all 16-17 year olds who they employ on a central database, held by the local authority. The local authority could then confirm whether the young person is in education or training, and could therefore be hired. Comparing this with similar registration processes gives us an estimated cost to businesses in England of £3m- £6m.³¹
57. Such a check should be introduced in a proportionate way. It may only apply to 16-17 year old employees who are working for a certain number of hours, over a certain period – for example, to employees who work more than, say, 10 –15 hours a week, and working for a an employer for more than a short period of, say, two weeks to three months. There could also be an exemption for seasonal work during school and college holidays.
58. If an incentive on young people who wish to work were introduced, agencies finding temporary work for 16-17 year olds would need to perform any check in the same way as other employers. In this case agencies could make an initial check with the local authority that an employee is in training. This will negate the need for a check to be made every time the young person moves to a different temporary job.

Cost to Government

Costs to Government - participation costs

59. The additional participation costs on top of the 90 per cent scenario will be £593m once we reach steady state. This includes ongoing staffing and running costs.

Costs to Government – costs of the registration and enforcement systems

60. Local Authorities would be required to maintain the register of all 16-17 year olds in employment in their area and would need to help support and engage young people find a suitable education or training route. This registration system will build upon existing work, and the ongoing development linked to achieving the 90 per cent aspiration target, so no costs on top of this are forecast, although Government will keep its development under review. The additional resource costs across local authorities linked to the process of tracking, attempting to engage, and enforcing the duty (including bringing prosecutions) could be up to £50m. Government will consider how we could best use the intervening time before introducing any new requirement to test out in more detail how this model will work in practice.
61. A local authority will be able to issue an Attendance Order to young people who fail to participate even after being given support and guidance, either directly or by applying

³¹ Assuming that the check takes around 10 minutes to complete, at an owner-manager wage rate of £30 per hour, this means around £5 per check. There are currently around 600,000 16-17 year olds in some kind of employment, so if each of them changed jobs once a year, the total cost would be £3m, or £6m if they changed jobs twice a year.

Raising Expectations: Initial Regulatory Impact Assessment

to the court. This will be a civil process. We estimate that the cost of issuing these via a judicial proceeding will be £6.7m. If a young person breaches an Attendance Order, they could be liable for prosecution. This will only ever affect a very small number of young people, with a legal aid cost of between £0.25m and £0.7m. In addition, we estimate the total court costs to reach a maximum of £2.5m

62. In addition to the direct legal costs, as there will be an increase in the numbers of young people participating, there may be a proportionate increase in the number of matters started in the education category of civil law. These would cover issues such as discrimination claims or admissions disputes. We estimate that this could incur an additional cost of £0.18m to cover advice given and increases in civil representation.

Costs to Government - financial support costs

63. Child Benefit and Child Tax Credit are currently payable to the parents of young people in full-time education and unwaged training, and we expect this to continue to be the case. We would expect some additional costs as a result of participation rates in 2013-14 being somewhat higher than those previously projected. However, we expect additional costs to be small. Partly this is due to the staged introduction of the proposal (raising the participation age to 17 in 2013, and 18 in 2015), and partly the existing projected increases in participation which are already in line with the 90 per cent aspiration.

64. The Green Paper explores how Educational Maintenance Allowances could change in the light of the proposals, and Government will consider this as part of the consultation. Raising the statutory participation age will remove the need for an incentive payment to encourage participation. However, there will still be a need to ensure that support is given to young people from low-income backgrounds. How this can best work will be considered as part of the Green Paper consultation process, including how we can provide support for transport costs, and support for groups with particular needs.

Costs to Government – capacity building costs

65. Increasing the number of young people in education and training will require us to ensure that there are sufficient teaching staff and suitable facilities. We anticipate that an additional £121.1million will be need to cover the costs of training new staff over three years, and an additional £81million to build the new facilities necessary over the years leading up to implementation.

Costs to Government – other costs

66. Currently, local authorities must publish a transport policy statement in respect of people of sixth form age – this means people over compulsory school age but under 19, or over 19 if they are still on a course they began before reaching 19 – which sets out the transport arrangements considered necessary to facilitate attendance at schools and Further Education institutions. Government will consider whether changes to this post-16 transport policy would be required, including meeting the cost of any new burdens on local authorities.

67. Government will ensure that there is appropriate provision and support in place to enable those with Special Educational Needs (SEN) to participate. The LSC-led

Raising Expectations: Initial Regulatory Impact Assessment

review *Delivering World-class Skills in a Demand-led System* is consulting on changes to SEN provision in FE and work-based learning. In relation to schools, Her Majesty's Chief Inspector of Schools has been asked to conduct a review of school SEN provision in 2009. Government will consider the recommendations of both of these reviews, and asks that they take into account these proposals. We estimate that the costs of extending the current support arrangements to the extra numbers participating will be up to an additional £90m on top of the cost for 90 per cent participation.

Small Firms Impact Test

68. We expect that the costs associated with these proposals will have an impact on micro, small and medium sized enterprises (SME's). In comparison to large business, we can assume that SME's will incur a slightly higher cost to carry out actions such as any requirement to ensure that the young person is in accredited education or training. Only around 8,000 of the 1.3m employers in the UK are large firms with more than 250 staff.³² We will explore further whether 16-17 year olds are more likely than average to work for SMEs or large employers, to better assess the impact upon the different types of employer.
69. Government recognises that micro and small businesses in niche industries often provide high quality training that is not currently accredited. Government will work with employers to ensure that all training that is substantial and high quality is recognised, for example, good quality 'contracts of apprenticeship'.
70. We are looking to develop incentives to encourage businesses to offer training alongside employment. These will include focussing the existing Train to Gain brokerage service more closely on the 16 and 17 year old age group. This service gives businesses access to a professional and impartial broker who will help an employer to find a course that will help to fulfil a business need whilst also helping a young person to achieve a recognised qualification.

COMPETITION ASSESSMENT

71. Initial analysis of the market suggests that this proposal will have little or no effect on competition. All sectors would be affected by the proposed changes, though this will have a larger effect on sectors employing a greater proportion of 16-17 year olds, and on SMEs. At a sector level, 16-17 year olds are a small proportion of employees (maximum of 0.8 per cent of any sector workforce). Small businesses may be less able than large businesses to employ their 16-17 year olds with the flexibility that the new rules would require. This could have an adverse impact on the competitive position of small firms in comparison to larger firms.

ENFORCEMENT, SANCTIONS AND MONITORING

72. For young people there will be a legal obligation to attend some form of education or training for a minimum amount of time, roughly equivalent to one day a week. Where a young person fails to engage, even after support, and after they have had their legal responsibilities made clear, the enforcement process would begin.
73. The enforcement process would require Local Authorities or Civil Courts to issue

³² DTI Small Business Service SME Statistics

Raising Expectations: Initial Regulatory Impact Assessment

Attendance Orders to any young person who fails to attend some form of training or education. If a 16-17 year old were to breach an Attendance Order, this would result in some kind of sanction, such as a further civil penalty, a Fixed Penalty Notice or a Referral Order for the Young Person. The estimated costs for this process are described above.

IMPLEMENTATION AND DELIVERY PLAN

74. We propose that these changes would be implemented from September 2013. This would require legislation in the next Parliamentary session to give the education sector time to plan for the additional participation, and for employers to adjust to the new arrangements. This would mean that the first cohort affected will enter Year 7 in September 2008 – the first September after the anticipated completion of the legislative phase.
75. This RIA is accompanied by a separate Equality Impact Assessment which considers the impact of the policy in terms of gender, ethnicity, and disability.

Raising Expectations: Initial Regulatory Impact Assessment

76. Summary costs and benefits table (costs and benefits on top of 90 per cent aspiration)

Option	One off benefits		One off costs	
	To the state	To business	To the state	To business
1	0	0	0	0
2	0	0	£202m	Negligible

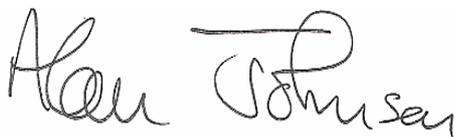
Option	Recurring annual benefits	Recurring annual costs	
		To the state	To business
1	0	0	0
2	around £1,400m*	£733m	up to £3-6m

- This figure represents the additional lifetimes earning per cohort, and as such only includes the direct additional earnings that we can expect from higher participation and attainment. Less direct benefits (including health, crime, and other social benefits) are not included in this figure.
- The 'Do Nothing' figures do not consider that if young people do not increase their levels of qualifications and improve their skills, it will make the UK a less attractive place to do business than it otherwise would be.

1. Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed



Date 22 March 2007

Alan Johnson, Secretary of State for Education and Skills

Contact point for enquiries and comments: name, address, telephone number and email address.

Gareth Conyard
 Department for Education and Skills
 1P Sanctuary Buildings
 Great Smith Street
 London, SW1P 3BT
 0207 925 3750 gareth.conyard@dfes.gsi.gov.uk

Amy Collins
 Department for Education and Skills
 1P Sanctuary Buildings
 Great Smith Street
 London, SW1P 3BT
 0207 925 5768 amy.collins@dfes.gsi.gov.uk