

Research brief

An Analysis of the Benefit of NVQ2 Qualifications Acquired at Age 26-34

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Research Aims:

The purpose of this report is to determine the extent to which qualifications, when acquired in a person's late twenties and early thirties, lead to beneficial changes in a person's wages or employment prospects; and / or encourage progression on to other learning. In particular, the focus is on the benefits of NVQ2 qualifications acquired at this time.

Methodology:

This analysis uses the 1996, 2000, and 2004 waves of the British Cohort Survey (BCS): a survey that follows all those born in a particular week in 1970. This data allows the authors to isolate the effect of gaining a qualification on earnings in the following ways. Firstly, it collects information on a wide variety of background characteristics - including test scores at age 10 - allowing the authors to control for the innate prior ability of respondents. Also, because the same individuals are tracked through time - both before and after they gain qualifications - the authors can control for any fixed unobserved characteristics that might otherwise distort the results.

Key findings:

Earnings

The report finds a positive effect on wages for this cohort from undertaking lifelong learning. **Acquiring a NVQ2 between the ages of 26 and 34 has, on average, a strong, positive effect on wages of around 20%.** When broken down by gender, the research finds this strong effect for women but the results for men were not statistically significant. For men, the effect could be positive, but larger sample sizes are needed to be able to say for certain what the effect on earnings might be.

With low sample sizes in mind, the authors explore the extent to which gaining qualifications in mid-career was particularly beneficial for lower ability individuals, defined as those who scored in the bottom half of the mathematical ability test at age 10.

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On average, **lower ability individuals benefit more from gaining a qualification** in mid-career than those of higher ability. For NVQ2, the average return is around 33%. As with the full sample, the authors find a strong positive effect for women, but larger sample sizes are needed to be able to say for certain what the effect on earnings of low ability men might be.

Employment prospects

Because many of those who studied for a NVQ2 during the period did so whilst already in work, it was not possible to identify any effect on employment status.

Further learning

The authors find that gaining a qualification before age 30 is positively associated with gaining an accredited qualification between the ages of 30-34.

For NVQ2, the authors find that individuals who gained this qualification in the early period were **40 percentage points more likely to gain another qualification** between the ages of 30-34.

Conclusion

The report indicates that there are positive effects on wage growth from lifelong learning for some learners. This contrasts with previous evidence that has suggested that lifelong learning does not generally enhance wages. The contrasting evidence may be due to better data and methods; however, it is also likely to reflect a genuine difference between the labour market in previous years and the 2004 labour market.

The report also finds strong positive average earnings returns for NVQ2 qualifications. Again, this contrasts with previous evidence based on cross-sectional data that has found average earnings returns to NVQ2 to be negligible. This may be because the longitudinal nature of the data allows the researchers to better control for the unobservable characteristics of individuals gaining qualifications.

The report shows that those who take NVQ2 are not significantly less able than other workers, meaning that this cannot, therefore, be an explanation for the low returns found by some authors. The contrasting evidence may be due to better data and methods; however, it is also likely to reflect a genuine difference between the labour market in previous years and the 2004 labour market.

The finding of a strong association between gaining a NVQ2 and further accredited learning indicates that NVQ2 may be used as a stepping stone to further learning, which in turn, yields high wage and employment returns. Thus, a NVQ2 could be an important route back into learning for those who otherwise wouldn't have the chance to progress.

Additional Information

The full report can be accessed via the Centre for the Economics of Education's website at: <http://cee.lse.ac.uk/cee%20dps/ceedp106.pdf>

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Innovation, Universities and Skills.