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Walking the line: Does crossing a high stakes exam threshold matter for labour market outcomes?

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This paper offers new insight into the link between success in high stakes exams and subsequent education and labour market outcomes. It is the first study to look holistically at the impact of crossing an important high stakes threshold on both academic *and* vocational education choices and ultimately labour market outcomes. It does so by comparing those either side of a formerly important threshold in the English education system at the end of compulsory schooling (achieving five general certificate of secondary education A* to C passes) which was commonly regarded as the minimum benchmark for continuing into post-compulsory education. I find that crossing this threshold led to an 6.3-6.7 percentage point increase in the proportion of men and women (respectively) going on to take academic qualifications, with little change in the proportion taking vocational qualifications, leading to a net increase in those staying on after compulsory schooling. Women's daily earnings in 2017-18 (11-13 years after leaving compulsory schooling) were 3.1 percentage points higher for those just crossing the threshold, but men's early labour market outcomes were unchanged. The results for men can be explained by low returns to academic qualifications for marginal learners. The findings for women do not disappear after accounting for subsequent education choices, suggesting that crossing the threshold may play a signalling role for employers as well as education institutions.

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Highlights

- There is a small amount of literature on the effect of crossing important compulsory high stakes exams thresholds on labour market outcomes. This literature shows mixed results.
- Using English administrative data, I examine crossing an important threshold in the English education system at the end of compulsory education on early career labour market outcomes. I am able to link crossing the threshold with post compulsory education, including both academic and vocational pathways, and ultimately labour market outcomes.
- I show that crossing the five GCSEs A* to C threshold (the one I focus on) leads to an increase in academic education for both men and women, and an increase in women's early career earnings, but not for men.
- The results are explained by returns to higher levels of academic education being positive and sizeable for the marginal female learner, but returns for the male marginal learner being smaller.
- These results show for women show that whilst crossing the threshold leads to higher early career earnings due to the increased uptake of academic education, this only explains some of the differences. Therefore, crossing the threshold may send some sort of signal to employers (in addition to education institutions).

Why does this matter?

Understanding the long-term consequences of just passing or achieving a certain grade/mark, just failing to pass or not achieving certain grade/mark in high stakes tests, is crucial for understanding the economic and social consequences of how we design education systems.

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