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# **Career Development Loans: Survey of Successful and Unsuccessful Applicants**

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Diagnostics Social and Market Research*

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## **EXECUTIVE SUMMARY**

### **Introduction**

The Department for Education and Skills (DfES), formerly known as the Department for Education and Employment (DfEE), commissioned Diagnostics Social & Market Research to carry out a survey of people who applied for Career Development Loans (CDLs). Both successful and unsuccessful applicants were surveyed and total of 931 interviews were carried out, 676 interviews with successful applicants, and 255 with unsuccessful applicants. The small sample size for unsuccessful applicants means that all results should be taken as indicative only.

### **Key Findings**

- Successful CDL applicants are not typical of the population of working age and tend to be young, well-educated, well-qualified people – 41% are graduates. Unsuccessful applicants are also highly qualified, though less so than those who are successful. Both groups show a skew towards males;
- Two thirds of successful applicants were in employment when they applied for a CDL and tended to be in non-manual occupations (20% of successful applicants were unemployed). Conversely, unsuccessful applicants were more likely to be unemployed when they applied (40%);
- Most applicants (successful and unsuccessful) rely on learning providers as the main source of guidance when applying for a CDL. For successful applicants the main motivation for starting a CDL funded course was to start a new career (62%);
- Two thirds of all unsuccessful applicants proceeded to take some other form of further learning – over a half took their originally planned course;
- 41% of courses taken by successful applicants were with public sector learning providers and 53% with the private sector. Courses were for various qualifications: overall 30% were post graduate qualifications, 10% first degrees, 34% specific vocational qualifications;
- The research indicates that learning courses funded by CDLs may improve employment status and income. Between the time of application and the interview, the proportion of applicants in employment increased from 67% to 84%, however, *we cannot be sure that these individuals would not have found employment without completing a CDL funded course*;
- A small proportion of courses funded by CDLs do not benefit the applicant, either because they drop out of their course, or because it does not improve their prospects;

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- It is estimated that 52% to 55% of CDLs fund learning that would not otherwise take place. (This is a hypothetical estimate based on the successful applicants sample);
  - A number of recommendations were made, including; expanding the roster of lenders, improving the application process, and reviewing interest rates. However, a number of the recommendations have been addressed by the DfES since the research was carried out.

## **Background**

CDLs are unsecured deferred repayment bank loans intended to help people who wish to undertake vocational learning but who are unable to finance it themselves. The loans are offered through four banks, and the decision whether or not to grant a loan is taken by the bank.

Interest is paid by the Department for the duration of the course, and for a deferred period afterwards (the repayment “holiday”). The deferred period is one month after the course ends or up to six months if the applicant is registered as unemployed or receiving specific benefits after completing their course. Two further extensions of up to six months each can be applied for.

The main findings of the research are summarised below:

## **Characteristics of successful and unsuccessful applicants**

As has been found in surveys in previous years, successful CDL applicants are not typical of the population of working age. They tend to be young and already well-educated and well-qualified: 41% are graduates. There are more men than women (63% are male), and there is a high incidence of ethnic minorities (15%). The demographic profile of unsuccessful CDL applicants is similar to the successful applicants albeit slightly more male (73%), older, and with a slightly higher incidence of ethnic minorities (17%).

Two-thirds of successful applicants are in employment when they apply, 20% are unemployed and the remainder in full or part-time education. Those in employment tend to be in higher Socio-Economic Group occupations (i.e. non-manual). In comparison, unsuccessful applicants are more likely to be unemployed when they apply (40%), or to have been unemployed at some point in the past. Unsuccessful applicants are highly qualified though slightly less so than the successful applicants.

## **Expectations and Process**

Some 41% of courses funded by CDLs are with public sector Learning Providers, and 53% in the private sector (the remainder are mixed). There is a higher proportion of private sector learning than in previous years. Learning Providers, both public and private sector are the main source of guidance for successful applicants. Few applicants seek advice or information from professionals such as Careers Advisors.

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While CDLs fund a wide variety of different courses, in this survey there is a particularly high proportion of IT-related courses, especially in the private sector.

The courses applied for by unsuccessful applicants have a slightly different profile from those funded by CDLs. They include a higher proportion of specific vocational courses, and fewer post-graduate courses. They are shorter courses than those funded by CDLs but have the same public/ private sector mix.

The average value of the loan granted to successful applicants was £3,419. The loan value was higher for public sector learning. These are often longer, more expensive courses with additional expenses. The average value of the CDL unsuccessful applicants applied for was £3,284.

### **Outcomes of CDL- funded learning**

At the time of the interview, most successful applicants were still doing or had completed their course, but 9% had dropped out. Those dropping out of learning were more likely to be older men, taking private sector learning;

While most applicants were satisfied with their learning, a minority (10%) were not, and there is a high overlap between this group and those who dropped out of learning. Courses leading to low satisfaction were usually in the private sector, and include various forms of IT course and driving instruction training.

Overall, CDL-funded learning appears to have had a positive impact on those surveyed. Between the time of application and the interview, the proportion of applicants in employment increased from 67% to 84%. Median income increased by £68 per week. However, it should be borne in mind that we cannot be sure that those individuals who found employment would not have done so without completing a CDL funded course.

CDL outcomes are usually assessed by the applicants' status three months after completing learning. For those applicants where we could assess this, there was a net move out of education and into employment, but no change in the level of unemployment.

We should not however conclude that CDLs have no impact on unemployment levels. At the time of interview (i.e. longer than three months after the course had ended) unemployment had dropped and employment risen among this group. Furthermore there is an impact on quality of employment, with a move into higher status occupations among those employed.

The majority of those who took learning funded by a CDL felt that they now had better career prospects, but a minority (15%) did not think this was true.

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## Impact of being turned down for a CDL

Over half (53%) of unsuccessful applicants went on to take the learning course they had hoped to do, and a further 3% plan to do so. 11% took an alternative course, and the remaining 33% did not train at all. There are a number of differences between those who go on to take learning and those who do not. The key difference is that those who do not take any learning tend to be unemployed when they apply. They also tend to be older, with dependent children, and less well-qualified.

The learning they intended to take was usually in the private sector. Conversely those who take their course after being turned down for a CDL are younger, with better qualifications already, and either employed or students when they apply. In these respects, they are more similar to successful applicants than are the unsuccessful applicants who do not do any learning.

Those who went on to take their original course funded it in a variety of ways; the most common being from earnings, a different commercial loan, a loan from a friend or relative, or by saving the money.

Between the time of application for a CDL and the time of interview, there is a shift among unsuccessful applicants, away from unemployment and into employment and consequently a rise in their personal income. This is the case both for those who take the learning course they planned to fund with a CDL and those who do not.

However the proportion remaining unemployed is higher for those who do not take a learning course. Furthermore, there is a difference in the type of employment with high status occupations being much more commonly achieved among those who take a learning course than among those who do not.

## Additionality

“Additionality” means the proportion of learning funded by CDLs which could not have happened without the CDL being available. The converse of additionality is “deadweight” (i.e. learning funded by CDLs which would have taken place even if the CDL were not available).

Additionality has been estimated by two different routes:

The proportion of successful applicants who said they would have taken their course even in the absence of a CDL;

- The proportion of unsuccessful applicants who went on to take a learning course.
- The additionality estimate based on the successful applicants is 52% to 55%.

This is the proportion of actual learning courses funded by CDLs that would not otherwise have taken place. It thus includes CDLs which allow the applicant to upgrade to a more preferred form of learning course from an alternative course.

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The additionality estimate based on the unsuccessful applicants is 40% to 43%. **The small sample size for unsuccessful applicants means that this estimation should be taken as indicative only.**

## **Features of CDLs**

Opinions of the features of CDLs are mixed. They are felt to have a number of good points but various areas for improvement were identified.

Good points identified included:

- Education and learning that would not otherwise happen is made possible, giving opportunities to those who would not otherwise have had them;
- The deferred payments and the interest free period;
- Low interest rate.

As would be expected, the concerns of successful and unsuccessful applicants are different. The main issues for the latter, centre around being rejected and the rejection process. For the successful applicants the key concern is the interest rate being too high.

## **Recommendations**

On the basis of the findings of the survey, the authors made a number of recommendations for improvement, although since the research was carried out there have been a number of developments, detailed in brackets:

- Expansion of the roster of lenders (*DfES is currently operating a pilot with a Credit Union and talks are taking place with community based institutions, Post Offices and TUC*);
- Review of application process (*A Single Application Form was introduced by one bank in December 2000 and the other banks aim to follow in 2001*);
- Review of interest rate (*The major bank involved in CDLs substantially reduced their interest rate in December 2000*);
- In conjunction with DfES, the banks should introduce a more sympathetic system of rejecting unsuccessful CDL applicants;
- Review of repayment criteria;
- Marketing and communication (*a telephone helpline is currently available to all applicants for any general queries and DfES is planning to use Information, Advice and Guidance Partnerships in 2001 for learning information and advice for CDLs. There will also be improved promotion of literature for Learndirect, which provides a wide range of careers and learning information and advice*);
- Quality of some learning providers (*This is currently being addressed by DfES through the introduction of a set of principles that learning providers will sign up to and a Leaflet for Learners which will describe what a learner should be looking for when choosing a course and learning provider*).



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# **1. BACKGROUND AND OBJECTIVES**

## **1.1 Background**

The DfES regularly conducts research concerned with the evaluation and development of Career Development Loans (CDLs). The subject of this report is a survey of applicants, which forms part of this evaluation.

The main features of CDLs are as follows:

CDLs are intended to help people who wish to take vocational education or learning but who are unable to finance it themselves. Relevant courses can last from one week to two years.

They are subsidised unsecured bank loans offered through four banks (Barclays, the Co-operative Bank, the Clydesdale Bank and the Royal Bank of Scotland). Interest is paid by the Department for the duration of the course, and for a deferred period afterwards (the repayment “holiday”). The deferred period is one month after the course ends or up to six months if the applicant is registered as unemployed or receiving specific benefits after completing their course. Two further extensions of up to six months each can be applied for.

The loan can be for between £300 and £8000. Most applicants are required to contribute at least 20% of the course fees. The CDL covers up to 80% of course fees plus up to 100% of associated learning costs. The decision as to whether or not to grant a loan is taken by the bank.

Between April 1999 and March 2000 over 17,000 CDLs were taken out.

## **1.2 Objectives**

The broad objectives of the research were as follows:

- i) To identify who takes out a CDL and why;
- ii) To assess the impact of CDLs, including the amount of learning undertaken because of the CDL;
- iii) To identify characteristics of people who are turned down for a CDL;
- iv) To understand how much and what level and length of learning would have occurred if CDLs were not available;
- v) To find out what jobs people who take out a CDL move onto after learning, and whether they experience an improvement in job situation following the learning;
- vi) To identify key features of CDLs and suggested improvements to the scheme (this objective emerged as the research project was being developed).

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The DfES are concerned that CDLs should be taken up by the appropriate target, and that this type of funding should be as inclusive as possible.

### **1.3 Methodology in outline**

This report is based on 931 interviews conducted either face-to-face in home, or via telephone. 676 were with successful CDLs applicants, consisting of 606 in-home and 70 by telephone. 255 were with unsuccessful CDL applicants, consisting of 126 conducted face-to-face in home and 129 via telephone.

Fieldwork was conducted between 18<sup>th</sup> September and 15<sup>th</sup> December 2000. The majority of fieldwork took place during September/October 2000. Fieldwork was carried out by ACE Fieldwork Ltd.

The research used a stratified random sampling method as described in Appendix A. Different questionnaires were used for successful and unsuccessful applicants.

### **1.4 Reporting**

In this report, any differences reported between subgroups (e.g. between men and women) are significant at the 95% level. (This means that the chance of it being a true difference is 19 out of 20).

The significance tests used are T-test where two groups have been compared and Chi-squared where three or more groups have been compared.

Occasionally non-significant differences have been included where these are particularly interesting, but these have been indicated as not significant.

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## **2. CHARACTERISTICS OF SUCCESSFUL AND UNSUCCESSFUL APPLICANTS**

### **2.1 Introduction**

All interviews were conducted with **successful** applicants who had been granted a CDL between November 1998 and October 1999. However 43% of applicants originally applied for their CDL before this. The remaining applicants applied at various dates, evenly spread between November 1998 and October 1999.

At the time of interview 50% of respondents had completed their courses, 40% were still taking their course, and 10% had dropped out. We will look at the types of CDL courses applicants dropped out of later in this report (see page 18).

Of those completing their course, the majority (44% of the total sample) had completed it over three months ago. Among completers, 92% had passed and only 1% had not passed (the remainder did not know as yet).

**The small sample size for unsuccessful applicants (255) means that results should be taken as indicative only.**

All interviews were conducted with applicants who had been **refused a CDL** between November 1998 and October 1999. However 32% of applicants originally applied for a CDL before this. Among the remainder, date of application was evenly spread between November 1998 and October 1999.

This chapter includes some comparisons between unsuccessful applicants who went on to take their originally intended course, and those who did not. A full account of the extent to which unsuccessful applicants went on to take training is given in Chapter 3 (see page 20).

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## 2.2 Gender, age and ethnicity

The gender, age and ethnicity profile of CDL applicants and the general population is as follows:

**Table 1: Gender, age and ethnicity of successful applicants compared to unsuccessful applicants**

	<b>Successful CDL Applicants</b> (676) %	<b>Unsuccessful Applicants</b> (255) %	<b>General Population</b> (33,677,900) %
Male	63	73	53
Female	37	27	47
18-29	46	37	23
30-39	33	41	28
40+	21	23	48
White	85	80	94
Black	6	10	2
Asian	5	3	3
Other Non-White	4	6	1

(The figures for the general population are based on adults of working age (from the age of 18 up to retirement age). This profile includes more men who are included up to the age of 65, while women are only included up to the age of 60. Figures for gender and age are from “Mid-1999 population estimates” and for ethnicity from Labour Force Survey, both from National Statistical Office. Figures in the table may not add to exactly 100% due to rounding).

The sample for successful CDL applicants is skewed almost two to one in favour of male applicants. This is far greater than the marginal bias that already exists in the working population. This skew is less pronounced if applicants are students at time of application: (male 55%, female 45%) and if they take a course with a public Learning Provider. Compared to the general population successful CDL applicants are significantly younger.

(The original 1997 CDL survey also had more male and younger applicants, however in comparison, this current sample is even more skewed).

Compared to the sample of successful applicants, unsuccessful applicants are more likely to be male and slightly older. The profile of those taking and not taking courses is slightly different. Unsuccessful applicants who still went ahead and took their original or alternative course are younger than those who do not take any course.

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The profile of successful applicants also differs from the general population with regards to ethnicity; all three of these broad groups (black, Asian, and other non-white) are over-represented among successful CDL applicants compared with the population. Ethnic minorities account for 15% of all successful CDL applicants, this is despite ethnic minorities accounting for 6.5% of the population as a whole. This is similar to the previous survey carried out in 1997.

Successful white applicants are older than successful ethnic minority applicants. 38% (218/575) of white applicants are over 35 compared with 27% (27/101) of non-white applicants.

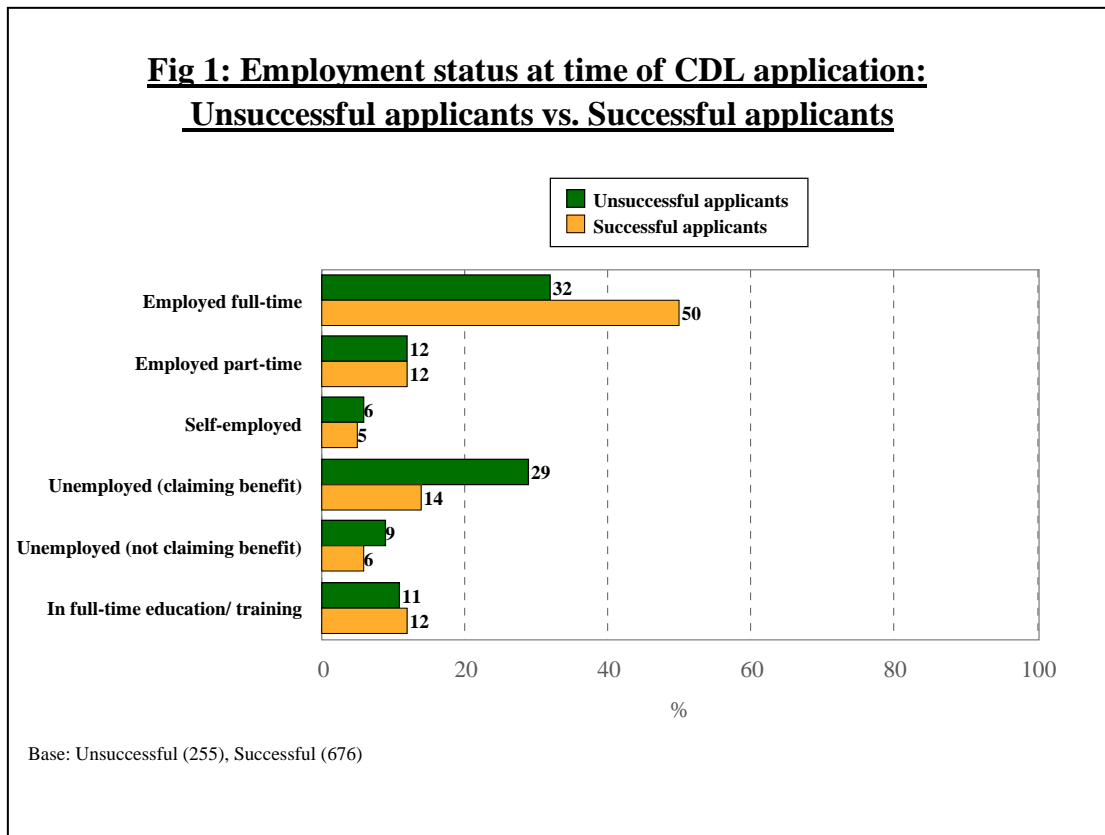
### **2.3 Presence of children**

In total, 31% of successful applicants had children at the time of application. The older the applicant is the more likely it is that they have children. There is no difference by gender or ethnicity.

At application 43% of unsuccessful applicants had children. This finding is probably due to the unsuccessful applicant sample being older. Those applicants who still went on to do their original course are the least likely to have had children at the time of application. The presence of children reduces the tendency for applicants to undertake learning. This might be due to applicants with children not having as much time to search for alternative methods of funding as those without children, or an unwillingness to use limited personal income to pay for learning themselves. (On the other hand, those without children are younger and possibly more motivated as a result).

## 2.4 Employment status

The diagram below shows successful and unsuccessful applicants employment status at the time of their application.



The majority of successful applicants were in employment when they applied (67%). This is higher than was found in the 1997 study (55%). (Overall 96% of successful applicants have some experience of employment, and 59% have some experience of unemployment.)

Employment status at application also varies by gender, age and ethnicity for successful applicants; for example:

- Male applicants are more likely to be in full time employment than female applicants (55%, 42% respectively). Female applicants are more likely to be in part-time employment or unemployed (not claiming benefit).
- Applicants under 30 are not surprisingly particularly likely to be in full-time education/learning (22%). Applicants aged 30-39 are the most likely to be in full-time employment (56%);
- Non-white applicants are more likely than white applicants to be in education/learning. (21% (21/101), vs. 11% (63/575) white);

When looking at the employment status of unsuccessful applicants at the time of application, 50% employed at the time of their application compared with 67% of successful applicants. Conversely, a much higher proportion of unsuccessful applicants were unemployed compared to successful applicants. (In 1997 it was also found that unsuccessful applicants were more likely to be unemployed when they applied).

Unsuccessful applicants' employment status at application has a bearing on whether they still went on to take a course:

**Table 2: Unsuccessful applicants: employment status on application**

	<u>All</u> <u>Unsuccessful</u> (255) %	<u>Original</u> <u>Course</u> (138) %	<u>No Course</u> <u>taken</u> (81) %
Employed	50	54	40
Unemployed	38	28	57
Student	12	20	2

(Figures in the table may not add to exactly 100% due to rounding).

- Applicants who were employed at time of application were the most likely to do their original or alternative course;
- Those who were unemployed had a high tendency to not take any course at all;
- Nearly all students continued to go on and do their original course.

The majority of unsuccessful applicants have experienced both employment and unemployment at some point in their lives with 94% having experienced employment and 73% having experienced unemployment. Unsuccessful applicants are more likely to have experienced unemployment than successful applicants (59%). (There are similar indications in the 1997 survey). This could be because they are older and therefore have more life experience, however they also possibly come from less privileged backgrounds.

The course status of unsuccessful applicants who have experienced unemployment is shown below:

**Table 3: Unsuccessful applicants: experience of unemployment**

	<u>All</u> <u>unsuccessful</u> (255) %	<u>Original</u> <u>course</u> (138) %	<u>No course</u> <u>taken</u> (81) %
Ever Unemployed	73	66	83

Unsuccessful applicants who have ever been unemployed are more likely to pursue no course at all, than to take their original course.

There is a wide range in the total length of time unemployed, among those unsuccessful applicants who have ever been unemployed. This ranged from a quarter under 3 months to a quarter over 2 years. Unsurprisingly the longer the total length or time an applicant has spent unemployed the older they tend to be.

Unsuccessful applicants total unemployment experience also relates to whether they still went on to take a course:

**Table 4: Unsuccessful applicants: length of unemployment**

	<u>All Unsuccessful ever unemployed</u> (187) %	<u>Original course taken</u> (85) %	<u>No course</u> (67) %
3 months or less	24	30	18
4-6 months	14	15	10
7-12 months	17	19	15
1-2 years	19	14	28
Over 2 years	23	15	28
Don't know/no answer	3	7	-

(Figures in the table may not add to exactly 100% due to rounding).

The longer an applicant has been unemployed the more likely they are to choose to do an alternative course or no course at all. Applicants who have been unemployed for less than 12 months are more likely to decide to do their original course.

## 2.5 Socio-economic group (SEG)

The SEG of the successful applicants employed at the time of application and the SEG of the adult population generally is shown below:

**Table 5: SEG: employed successful applicants**

	<b>On application</b> (450) %	<b>General Population</b> (46,570,000) %
AB (Professional/intermediate)	22	23
C1 (Skilled non-manual)	46	27
C2 (Skilled manual)	15	22
D (Partly skilled)	16	18
E (Unskilled)	0	10

(General Population source: Registrar-General, 1997). (Figures in the table may not add to exactly 100% due to rounding).

Defined by their occupation at the time, successful CDL applicants are more likely to be in a higher SEG than the population as a whole. The relationship with other demographics is as follows:



- 
- There is some variance of SEG by gender in the successful applicant sample. Male applicants are more likely to be grades C2 or D. Female applicants are more likely to be SEG C1 than male applicants;
  - The SEG of applicants also varies by age. In general the older the applicants the higher the SEG and conversely the younger the applicant the lower the SEG.

Overall, unsuccessful applicants are in lower SEGs than successful applicants when they apply. Of those in work when they apply 47% are in manual occupations compared with 30% of the successful applicants.

SEG also has an impact on whether the course is taken. Applicants with occupations in higher SEGs are the most likely to continue to do their original course:

- Of those who did their original course who were employed on application, 65% were in SEGs ABC1 (non-manual occupations);
- Of those who did not take any course who were employed on application, 35% were in SEGs ABC1.

## 2.6 Qualifications

**Successful** CDL applicants tend to be already well qualified. The highest qualification of successful applicants at the time of CDL application was as follows:

- 33% had a First Degree;
- 16% had an FE qualification such as HND;
- 16% had GCSE or equivalent;
- 8% had a post-graduate qualification;
- 7% had A-levels or equivalent.

Differences by demographic group are as follows:

- Applicants with post-graduate qualifications are likely to be over 30 years old and non-white, with gender being unimportant;
- Applicants with first degrees tend to be females aged between 18-29, and non-white. Relatively speaking female non-white applicants are over twice as likely to have a degree (58%, or 22 /38), than white male applicants (26%).

The most common highest qualifications of **unsuccessful** applicants at the time of CDL application were as follows:

- First Degree 27%;
- GCSE or equivalent 23%.

Unsuccessful CDL applicants tended to be reasonably well qualified when they applied, but successful applicants tended to be better qualified overall with noticeably more having a degree (33%). However this particular difference is not statistically significant.

There is a relationship between highest qualifications and likelihood to go on and take learning. Those with qualifications higher than O level/GCSE equivalent are much more likely to go on to take either their original or an alternative course.

Applicants were asked at what age they finished their education, with the following outcome. The figures are compared with those from the 2000 Labour Force survey.

**Table 6: Successful applicants: Terminal Education Age (TEA)**

	(676)	<u>Labour Force Survey</u>
	%	%
Still studying	3	6
15 years – 16 years	29	55
17 years – 20 years	29	24
21 years or more	39	15

Compared with the general population successful applicants remain in education for longer. Over twice as many have a TEA of 21 or over.

- Applicants whose TEA is 15-16 are most likely to be male (73%), over 30 (35%), and white (93%);
- The most educated groups (as indicated by a TEA of 21 or over) are non-white (55%, or 55/101), females (42%), and those aged 18-29 (54%).

Nearly all unsuccessful applicants have finished their full time education, with 2% still studying. Overall TEA is as follows:

**Table 7: Unsuccessful applicants: TEA**

	<u>All</u> <u>Unsuccessful</u> (255) %	<u>Original</u> <u>Course</u> (138) %	<u>No course</u> <u>taken</u> (81) %
15-16	43	30	63
17-18	18	20	16
19-20	6	8	1
21 years plus/still studying	34	43	20

(Figures in the table may not add to exactly 100% due to rounding).

Compared with successful applicants the unsuccessful applicant samples' TEA tends to be lower. However, they still have a higher TEA than the general population.

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Profiles of those who did or did not take their course differ even more. Unsuccessful applicants with TEAs of 21 years plus are the most likely to do their original course. The lower an applicants TEA the higher their tendency is not to take any learning after being turned down for a CDL.

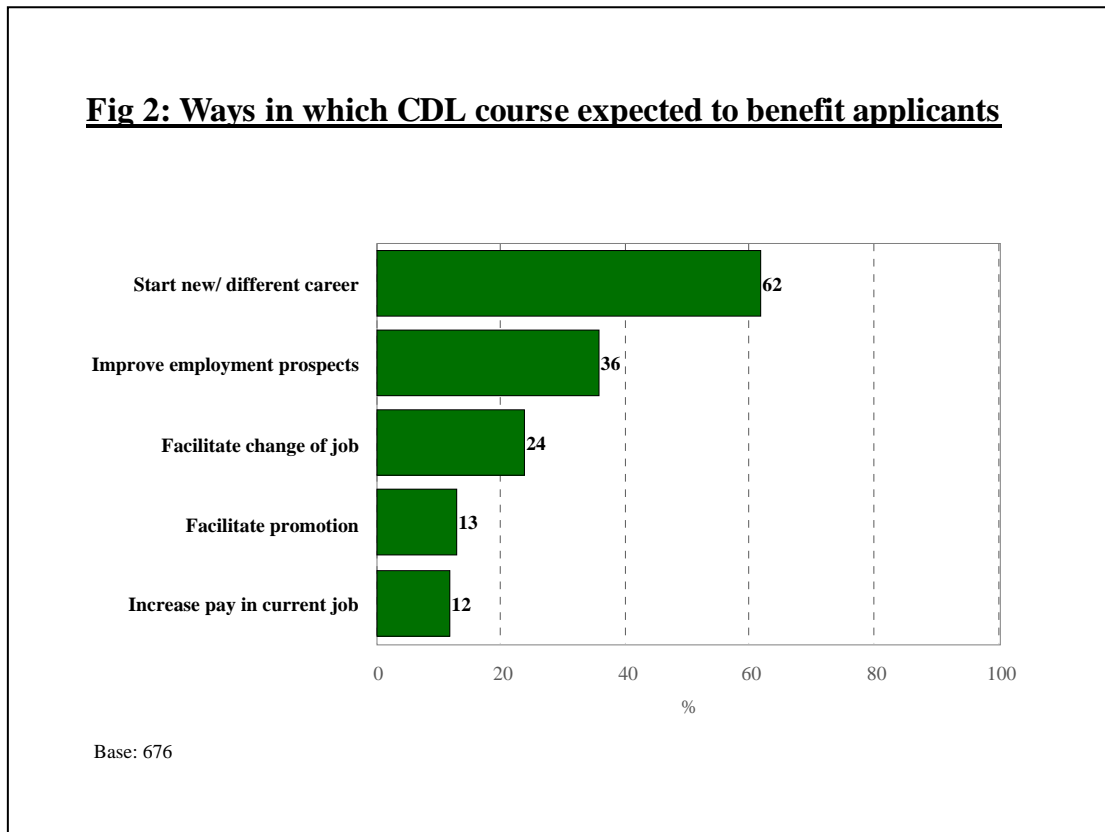
## **2.7 Summary: Characteristics of successful and unsuccessful applicants**

- As has been found in surveys in previous years, successful CDL applicants are not typical of the population of working age. They tend to be young and already well-educated and well-qualified: 41% are graduates. They show a skew towards men rather than women (63% are male), and also have a high incidence of ethnic minorities (15%);
- Two-thirds of successful applicants are in employment when they apply, 20% are unemployed and the remainder in full or part-time education. Those in employment tend to be in higher SEG occupations (i.e. non-manual);
- The demographic profile of unsuccessful CDL applicants is similar to the successful applicants albeit slightly more male (73%), older, and with a slightly higher incidence of ethnic minorities (17%);
- Unsuccessful applicants are highly qualified though slightly less so than the successful applicants. The main difference between this group and the successful applicants is their employment status. They are more likely to be unemployed when they apply (40%), or to have been unemployed at some point in the past;
- There are differences between unsuccessful applicants who go on to take their planned learning, and those who do not. The former are more similar to successful CDL applicants: they are younger, less likely to be unemployed, in higher SEG, and better educated.

### 3. EXPECTATIONS AND PROCESS

#### 3.1 Expectations

The main ways in which **successful** applicants expected the course to benefit them were as follows:



This is a similar pattern to 1997 except that the proportion wishing to start a new or different career was slightly higher.

Among applicants aged 30 or over, the main motivation was to start a new or different career (68%). Younger applicants were more concerned to improve their employment prospects generally (46% vs 26% among those aged 30+). Not surprisingly those wanting to facilitate a change of job were usually already employed.

Those using private sector Learning Providers were particularly likely to want to start a new and different career (72% vs 48% learning in the public sector).

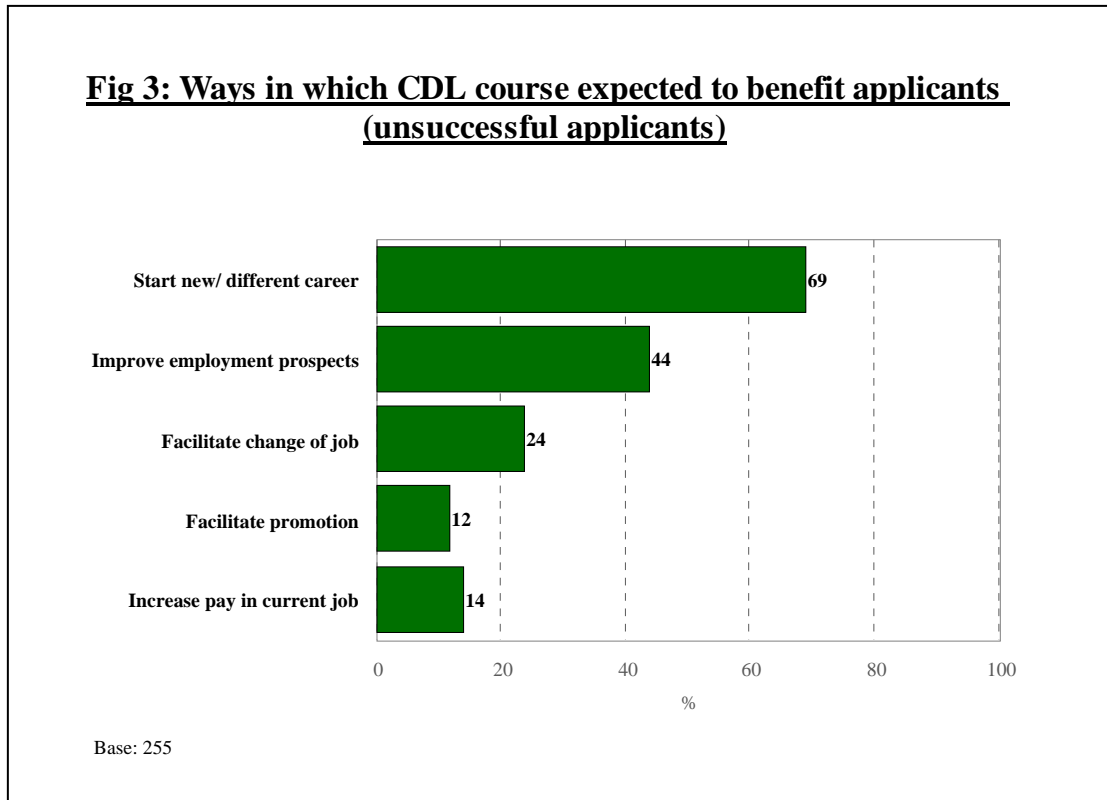
Applicants' top five reasons (stated spontaneously) for choosing their learning course were:

- Personal interest/ enjoyment/ hobby (29%);
- Computers/ IT/ software is the future (19%);
- For promotion in current sector (15%);
- Career break/ different career (12%);

- Improve career prospects (10%).

Choice of course is a combination of personal interest and appropriate qualification for the future. The responses indicate that the course is often chosen for long-term reasons or to facilitate a career break, rather than for immediate promotion or increase in salary.

The main ways in which **unsuccessful** applicants had expected the CDL course to help their careers was as follows:



These findings are similar to successful applicants, although unsuccessful applicants are even more likely to want to start a new career, or get a job. (This follows from their being slightly older, and including more unemployed people).

### 3.2 Application and decision process: Successful applicants

Successful applicants were asked what sources of advice and information on learning they used. Learning Providers are a very important source of information and advice on learning, being used by 61% of applicants. Apart from this however, the main sources of information and advice are informal (friends/relatives: 19%, or newspapers/magazines 10%). Very few consulted any professional source of advice such as a Careers Office (9%), Jobcentre (6%) or TEC (4%).

Of those who were unemployed at the time of their application, a higher proportion consulted a Jobcentre – but this was still only 17%. Use of Careers Offices was highest (at 20%) among those who were students when they applied.

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For over half the sample (53%), no thought was made about funding when first thinking about learning. However, where funding was assumed then a CDL was the most likely assumption. (The figure of 27% assuming they would get a CDL is similar to the 1997 survey results).

20% of courses funded by CDLs were endorsed by a TEC. This is slightly higher than the actual figure (14%) and the difference could be due to sampling error. It is also notable that only 4% got any advice from a TEC. It is therefore possible that TECs have been endorsing applications without giving applicants any advice or guidance. TEC endorsement is also slightly higher for private sector than public sectors Learning Providers (24%, 15% respectively).

It may also be worth noting that among those who dropped out of their course, TEC endorsement had been higher than average at 28%. However, TEC endorsements are higher for unemployed applicants, who are more likely to drop out.

It is notable that less than half (42%) of successful applicants investigated methods other than a CDL to fund their course. This suggests that Learning Providers tend to steer applicants in the direction of CDLs rather than other options, and this is particularly the case for private sector providers. It is also possible that Learning Providers have previously explored funding options, and know that no other funding is available. Only 38% of those learning in the private sector considered options other than a CDL.

The most frequent other option considered was an alternative commercial loan (considered by 17% of successful applicants). Interestingly, this was considered in particular by those with higher CDL value (over £4,000). Perhaps applicants felt some doubt about being granted a CDL of such a high value.

Learning Providers are the most important source of information on funding, particularly for the private sector. 60% of applicants got advice on funding from their Learning Provider. Few other sources of advice on funding were used, and 12% of CDL applicants did not get any information or advice on funding.

### **3.3 Application and decision process: Unsuccessful applicants**

As with successful applicants, the main source of advice and information used by unsuccessful applicants is the learning provider (60%). However, there is a higher use of Jobcentres which were used by 19% of all unsuccessful applicants, particularly among those who were unemployed at the time of application (33%).

Initial assumptions about funding are very similar as for successful applicants. Unsuccessful applicants were just as likely to start with an assumption that they would get a CDL (53%).

The proportion of applications endorsed by TECs was slightly higher for unsuccessful than successful applicants: 29% as opposed to 20%, although it must be remembered that TECs predominately endorse applications for unemployed applicants.

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As with their successful counterparts, around half of the unsuccessful applicants (53%) initially investigated any option other than a CDL, including alternative commercial loans (20%), earnings (11%) and savings (10%).

The main source of information and advice specifically on funding was once again the Learning Provider (used by 59%). However, unsuccessful applicants are slightly more likely than their successful counterparts to get advice on funding from a Careers Office (14%) or Jobcentre (15%).

### **3.4 Courses funded: Successful applicants**

41% of CDL-funded courses taken were with public sector Learning Providers (32% at Universities, 6% at FE Colleges and 4% at HE Colleges) and 53% with the private sector (the remainder being mixed or unknown). Compared with 1997 a higher proportion of courses were taken with the private sector.

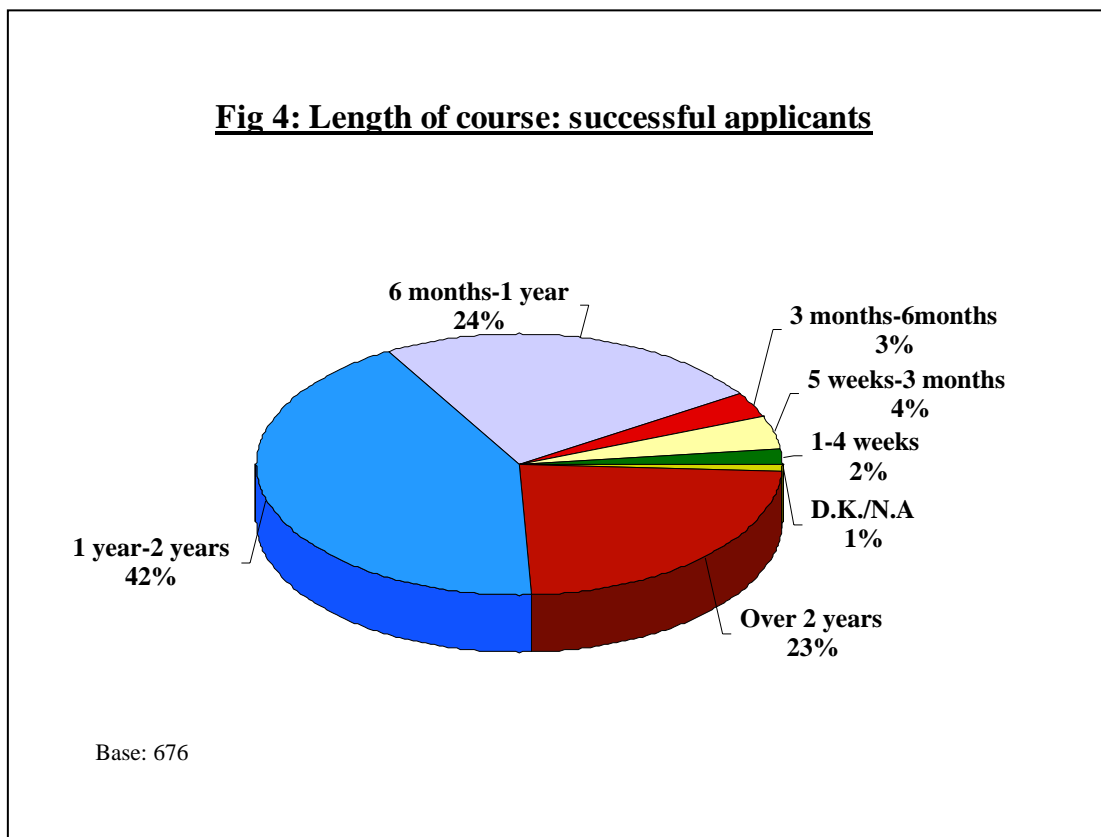
Public sector courses are more likely to be taken by the following groups:

- Women;
- Applicants aged under 30;
- Non-white applicants (53 /101);
- Students;
- Those applying before November 1998.

Private sector courses are more likely to be taken by:

- Men;
- Applicants aged over 30;
- White applicants;
- Those applying after November 1998.

The diagram below illustrates the length of the successful applicants CDL funded course:



There is a wide spread in duration of courses among the successful applicant sample. The majority of applicants use the loan to fund or partially fund courses of over a year.

- The older applicants tend generally to be doing the longer courses. Conversely those under 30 tended to be doing shorter courses of up to one year;
- There are also differences in length of course by ethnicity. Non-white applicants are slightly more likely than white applicants to be involved in a course of up to 2 years (87% or 87/101 vs. 76% or 424/572). White applicants are more likely to be involved in a course lasting over 2 years (24% or 140/572 vs 13%, or 13 /101 for non-whites);
- Employment status at time of application also had a relationship with length of course taken. The majority of those who were employed used their CDL to fund courses over a year (70%). Applicants who were unemployed showed the highest likelihood to use their CDL to fund a course of up to 6 months (18%). Almost half of those who were students used the CDL to fund a course of between 6 months – 1 year (47%).

The majority of CDL funded courses are part-time, which is a change from the 1997 survey when the majority of courses (52%) were full time. Just over a third (36%) of all courses taken are distance learning courses.



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The majority of public sector learning courses are full time, while the majority of private or mixed sector courses are part time. The private or mixed sector are also much more likely to be providing a distance learning course. 53% of these courses are distance learning, as opposed to 12% of public sector courses.

The following factors impact on the type of learning taken:

- Full-time courses tend to be taken by those who were students when they applied (92%);
- Part-time courses tend to be taken by those aged over 30 (67%);
- Distance learning is particularly likely to be taken by men (44%), and those who are employed (43%);
- An increased tendency to do distance learning is found in 1999 (29% in 1998, 47% in 1999).

A very wide variety of topics were studied in the courses funded by CDLs. The most common topics included software engineering (14%), Microsoft certification (12%), driving instructor (10%), computer programming (10%), counselling (4%), alternative therapy (4%), administration and management (4%) and professional qualifications (e.g. legal 3%, teaching 3%). Compared with 1997 a high proportion of courses were computer or IT related.

There are differences in courses chosen by applicant type. For instance, men tended to take the IT-related courses or driving instruction whereas women were more common among those taking subjects such as counselling and therapy. Younger applicants were particularly likely to take the IT-related courses.

CDL-funded courses (which include courses still being taken as well as those completed) were funding a variety of qualifications. The most common included Masters degree (21%), Microsoft certification (13%), City and Guilds (12%), and driving instructor qualification (7%). Overall, 30% were post graduate qualifications, 10% were first degrees, 12% City and Guilds and 34% were specific vocational qualification.

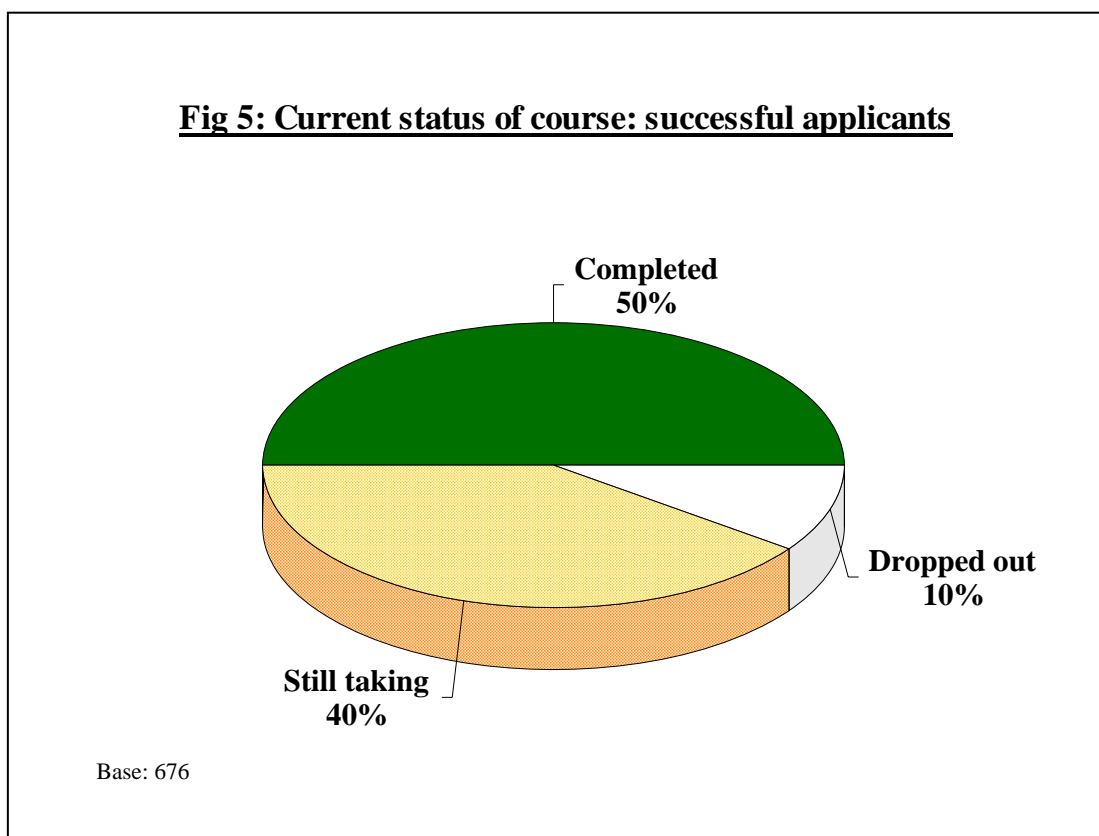
Qualifications gained varies with applicant type as follows:

- Applicants studying for post-graduate qualifications have a tendency to be females aged under 30;
- Applicants who gained City and Guilds tend to be men who were employed or unemployed at time of application.

Overall 8% of courses led to an NVQ qualification. Applicants with NVQ qualifications tend to be studying with a private Learning Provider. 13% of private Learning Provider courses led to an NVQ.

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The diagram below illustrates the current status of the successful applicants course:



The majority of applicants have completed or are still taking their course.

Applicants who were unemployed at time of application are far more likely to have dropped out (19%). The private sector also has a higher drop out rate (13%) than the public sector (5%).

The main types of course with a higher than average drop-out rate are as follows:

- 22% of those taking driving instruction had dropped out;
- 22% taking NVQ or City and Guilds in programming had dropped out;
- 17% of those taking software engineering had dropped out;
- 13% of those taking NVQ/ City and Guilds in programming had dropped out.

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### 3.5 Courses planned: Unsuccessful applicants

When applicants initially applied for a CDL they wanted it to fund a variety of qualifications. The most common qualifications mentioned were:

- Microsoft certification (17%);
- Driving instruction qualification (16%);
- Masters degree (16%);
- City and Guilds (6%).

Compared with successful applicants there are fewer postgraduate courses and more vocational qualifications.

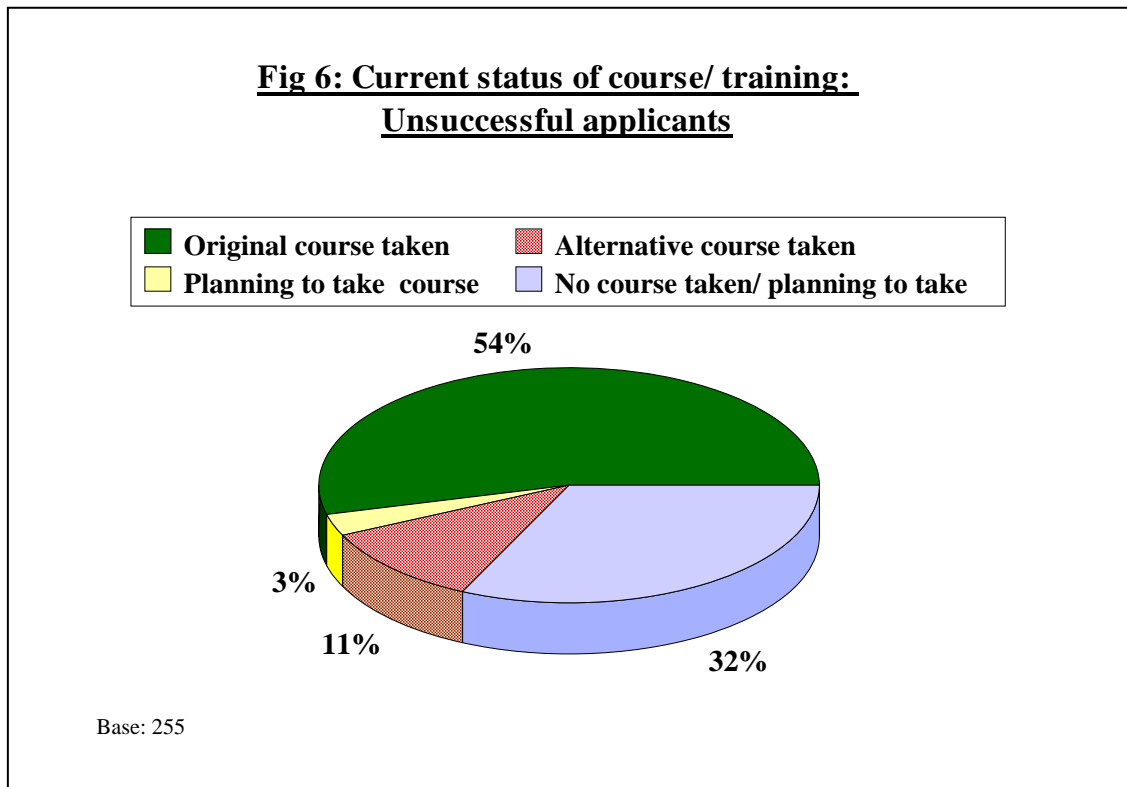
41% of unsuccessful applicants did or would have taken their course with a public sector Learning Provider. 58% did or would have taken it with a private sector Learning Provider. (The remainder being mixed or unknown). This split across Learning Providers is similar to the successful applicants (see page 15).

The majority of applicants wanted to use the loan to fund or partially fund courses of between 6 months and 2 years. The successful applicants were more likely to take a course lasting a year or more (see page 16).

There is a fairly even split between full time (45%) and part-time (44%) courses with only a relatively small percentage taking both. 29% of courses did or would have involved some distance learning. In comparison, successful applicants are more likely to take part-time courses (56%).

A wide range of topics were/would have been studied, the most common including: Microsoft Certification (16%), Driving Instructor (18%), Software Engineering (7%), and Computer Programming (11%). These topics selected by unsuccessful applicants are similar to those chosen by successful applicants but some specific vocational areas such as driving instruction are higher. Some 15% of courses were/would have led to an NVQ qualification. This is marginally higher than were achieved by successful applicants (8%).

The current status of courses unsuccessful applicants had intended to take was as follows:



**Two thirds of all unsuccessful applicants still went ahead and took some form of further learning.** Over half took their originally planned course. Details of how they funded this can be found in a later section (see page 32).

After being turned down for a CDL, some courses were more likely to be taken than others. The majority of applicants who, at time of application, were intending to take their course with a public Learning Provider still go on to do this original course. However applicants who had planned to take their course with a private Learning Provider have a high tendency to take an alternative course or no course at all.

For instance, of those taking their original course, 27% were taking Masters degrees, but only 2% of those who did not take any course had planned to take a Masters degree. Applicants taking other qualifications (such as driving instruction) are less likely to take their original course. Of those who did not take any course 32% planned to train as driving instructors, but only 7% of those who went ahead and took learning trained as driving instructors.

The longer the course the more likely unsuccessful applicants are to find some other way of continuing to take it. If the course is under 6 months in length they have a tendency to take an alternative course or no course at all.

Unsuccessful applicants who intended to take a full time course have the highest tendency to go on to take the original course.

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### 3.6 Loans granted: Successful applicants

Successful applicants were asked to state the value of their CDL loan. Their responses are shown below:

**Table 8: Amount of CDL – Successful applicants**

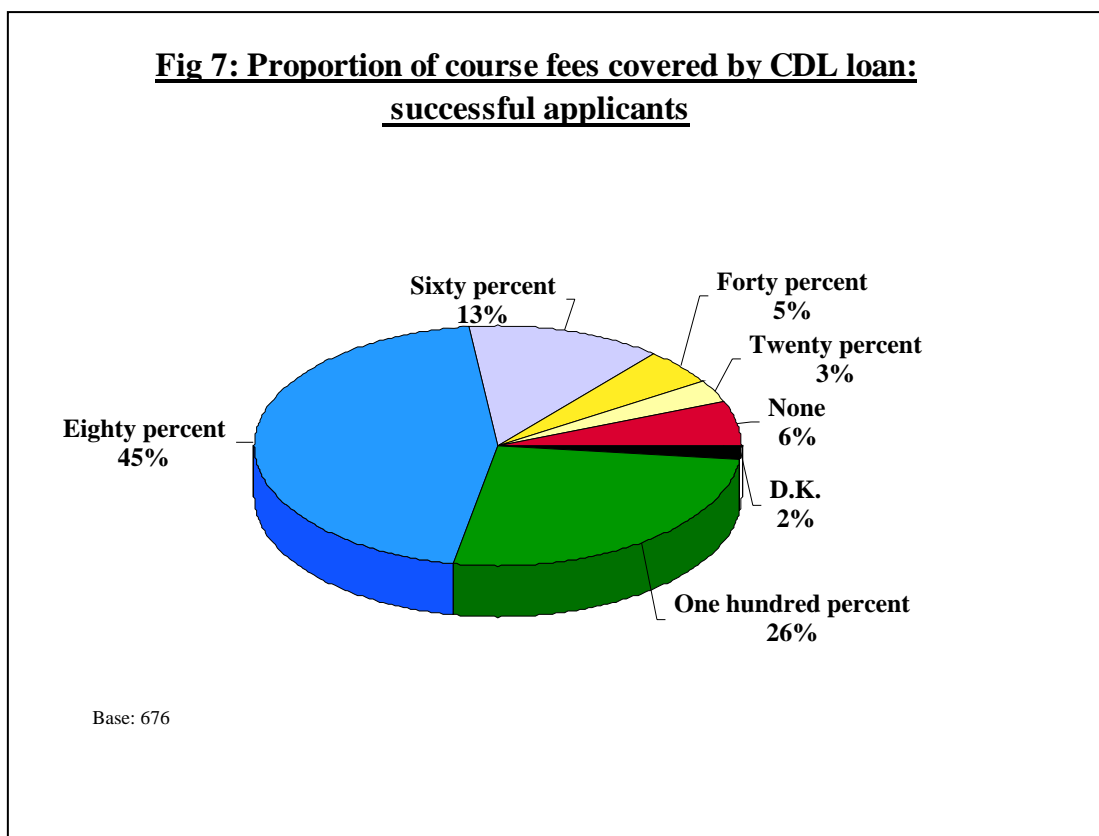
	(676)
	%
Up to £1,000	6
£1,001 - £2,000	30
£2,001 - £3,000	24
£3,001 - £4,000	10
£4,001 - £5,000	9
£5,001 - £6,000	5
£6,001 - £7,000	3
£7,001 - £8,000	11
Don't know/no answer	2

There is a wide range in the value of the loans given, with 36% of loans being under £2,000, 34% being between £2,000 and £4,000; and 29% being between £4,000 and £8,000. The average value of the loan was £3,419.

Differences exist by size of loan and respondent characteristics:

- Female applicants are more likely to receive a loan in excess of £4,000 with 34% doing so in comparison with 25% of male applicants;
- Non-white applicants are more likely to receive loans in excess of £4,000 than white applicants with 38% (or 38/101) doing so vs. 25% among white applicants;
- The size of loan is also connected with the applicant's employment status on application. Applicants who were students at the time were far more likely to have been given a loan in excess of £4,000 than either those employed or unemployed (50% vs 25% or 23%);
- Applicants with loans under £4,000 tend to be studying with private Learning Providers (60% vs 34% public), while those in excess of £4,000 tend to be with public Learning Providers (76% vs 20% private).

Applicants were asked what proportion of their course fee was covered by the CDL loan:



100% of course fees is only supposed to be available to unemployed applicants. 31% of this group had loans which covered 100% of course fees, however 25% of employed applicants and 25% of student applicants also did so. While it is possible that these applicants were mistaken, it is also possible that the rules are not always being followed correctly.

Other factors impacted on the proportion of fees covered:

- Applicants using public Learning Providers have a higher tendency to receive CDLs that cover up to 60% of their course fees (43% vs 17% private), while those with a private Learning Provider have a higher tendency to receive CDLs that cover 80-100% (81% vs 55%);
- Interestingly, applicants with a loan in excess of £4,000 tend to have a CDL that covers a lower proportion of course fees. Applicants whose loans are less than £4,000 have a higher tendency to receive course fee coverage of 80%-100%. (75% cf. 53% of those with loans over £4,000).

Most loans (94%) covered a proportion of course fees. 53% paid for books and materials and 31% included a contribution towards living expenses.

Of all loans funding full-time courses, 59% included a maintenance contribution, but this was the case for only 13% of part-time courses.

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Other influences on what the CDL paid for were:

- Female applicants had a slightly higher tendency than male applicants for their loan to cover contributions towards their living expenses (36% vs 28%), as do younger applicants;
- Students have the highest tendency of all groups to receive funding for books/materials (60%) and living expenses (59%), as well as a contribution to course fees;
- Applicants with CDLs of £4,000 or more had a higher tendency for it to include funding for books/materials (65%) and living expenses (62%);
- Applicants who were studying with a private/mixed Learning Provider are slightly more likely than those with a public Learning Provider to receive some course fee funding (98% vs 89%). However applicants studying with a public Learning Provider are more likely than those with a private Learning Provider to receive funding for living expenses (51% vs 18%).

### 3.7 Loans applied for: Unsuccessful applicants

Unsuccessful applicants were asked to state the value of the CDL loan they applied for. Their responses are shown below:

**Table 9: Amount loan would have been for: unsuccessful applicants**

	(255)
	%
Up to £1,000	7
£1,001 to £2,000	31
£2,001 to £3,000	19
£3,001 to £4,000	10
£4,001 to £5,000	9
£5,001 to £6,000	4
£6,001 to £7,000	2
£7,001 to £8,000	9
Don't know/no answer	9

There is a wide range in the loans applied for, with 38% of rejected loans being under £2,000, 29% for between £2,000 and £4,000 and 24% for between £4,000 and £8,000. This break down is similar to the successful applicants sample (see page 21). Unsurprisingly a larger proportion of unsuccessful applicants cannot remember how much they applied for.

The average value of the CDL unsuccessful applicants applied for was £3,284. This was very similar to the £3,419 successful applicants applied for.

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Applicants who wished to get a large CDL, (in excess of £4,000) are more likely to take their original course or an alternative course. Applicants who only wanted a relatively small loan, under £2,000, have a higher tendency to not take a course at all.

It is possible that applicants who applied for a large loan would have been very certain that they wished to do the course before taking on such a large debt. These applicants having been turned down for a CDL are likely to be more motivated to find additional sources of funding, rather than giving up.

The majority of unsuccessful applicants (74%) applied for 80-100% of their course fees. This is a similar pattern as for the successful applicants.

### **3.8 Summary: Expectations and process**

- 41% of courses taken by successful applicants are with public sector Learning Providers, and 53% in the private sector (the remainder are mixed). Compared with previous surveys there is a higher proportion of successful applicants undertaking private sector learning;
- For successful applicants, private sector learning is more likely to consist of part-time courses, with an element of distance learning. Both of these types of learning courses have a higher incidence than in previous years;
- Within the successful applicants, age makes a difference both to the type of applicant, and the type of course they take. The younger applicants tend to be more highly qualified when they apply and contain a higher proportion of both females and ethnic minorities. Many of this group use a CDL to fund further learning after a first degree. It seems that for this group a CDL helps them to gain an extra qualification at the beginning of their career. Their learning is usually undertaken in the public sector;
- For the older successful applicant, the CDL funds learning to enable them to make a career change, or to move out of unemployment. Their learning is more often undertaken in the private sector;
- While CDLs fund a wide variety of different courses, in this survey there is a particularly high proportion of IT-related courses, especially in the private sector. This is an increase over previous years;
- The courses applied for by unsuccessful applicants have a slightly different profile from those funded by CDLs. They include a higher proportion of specific vocational courses, and fewer post-graduate courses. They are shorter courses than those funded by CDLs but have the same public/ private sector mix;
- The average value of the loan granted to successful applicants was £3,419. The loan value was higher for public sector learning. These are often longer, more expensive courses and the CDL is also more likely to cover other expenses such as books, materials, and living expenses;

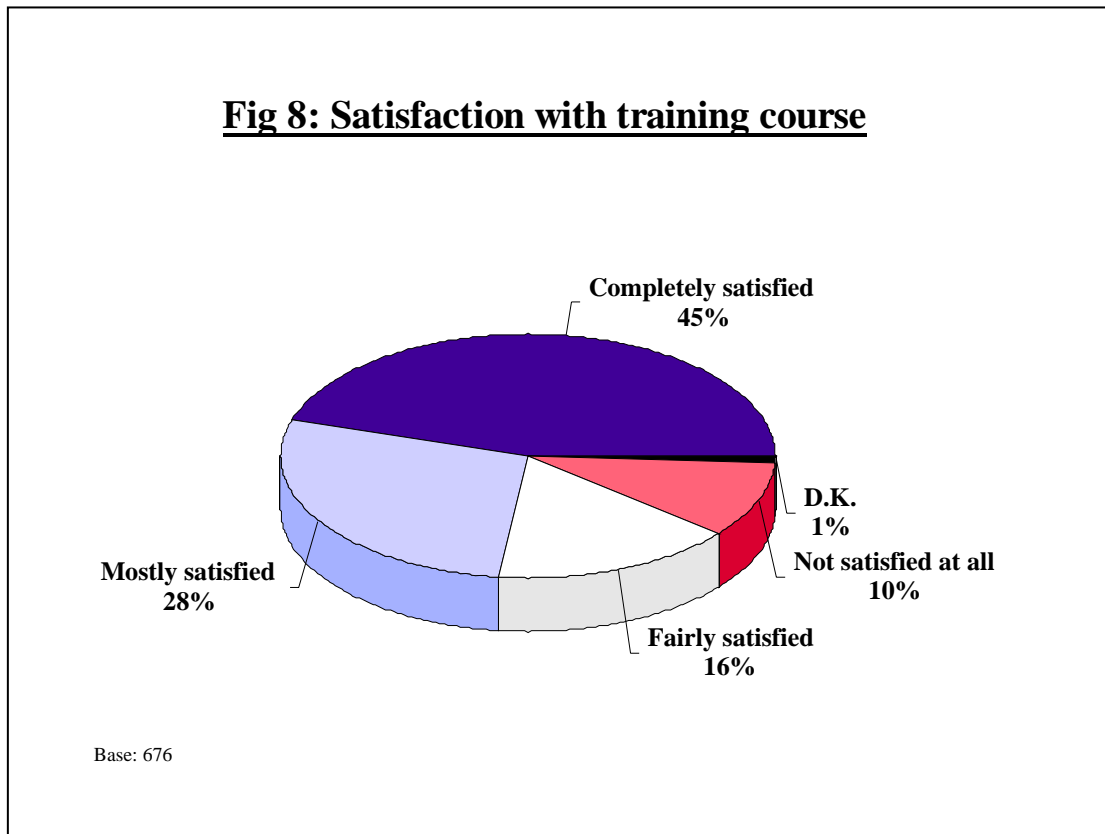


- 
- For successful applicants, 53% of CDLs cover books and materials, and 31% include a contribution towards living expenses;
  - The survey highlights the importance of the Learning Provider, both public and private sector, as a route towards a CDL and as the main source of guidance for successful applicants. Few applicants seek advice or information from professionals such as Careers Advisors.

## 4. OUTCOMES

### 4.1 Course Satisfaction: Successful applicants

Satisfaction with the course taken was as follows:



While this is generally a favourable picture it is worrying that as many as 10% were not satisfied at all with their course.

The courses which respondents were not happy with tended to be in the private sector. 13% of applicants learning in the private sector were “not satisfied at all” as opposed to only 4% in the public sector. 30 out of 67 of those not at all satisfied had dropped out of their course

The courses which applicants were not satisfied with had a higher proportion of the following topics:

Software engineering	(27%)
Programming (COBOL/PASCAL etc)	(9%)
Driving instructor	(16%)

The courses tended to lead to a City and Guilds or to a specific vocational qualification (such as a driving instructors’ licence). They were often part-time courses (70%) with a distance learning component (60%).

We did not ask a follow-up question to ascertain why applicants were not satisfied. However the following comments were made by members of this group at later questions:

“I was pressurised into signing up with a CDL”

“Borrowing the money is made too easy”

“The course was inadequate/ over priced / incorrectly specified / Learning Provider went bankrupt”

“The CDL scheme should monitor the courses: quality / price / accreditation / financial soundness”

“The bank sent my money to a bankrupt Learning Provider and I lost my money”

This would seem to indicate instances of malpractice on the part of some Learning Providers.

#### 4.2 Possible impact of learning: Successful applicants

We can make a comparison between employment status on CDL application, and at the time of interview:

**Table 10: Successful applicants: employment status**

	<u>On application</u> (676)	<u>At interview</u> (676)
	%	%
Employed full-time	50	65
Employed part-time	12	11
Self-employed	5	8
Unemployed claiming benefit	14	7
Unemployed not claiming	6	3
Full-time education/learning	12	5
Part-time education/learning	0	3
Other	1	*

(Figures may add to slightly more than 100% as occasionally more than one answer was given).

Across the sample as a whole there is a move away from unemployment and full-time education, towards full-time employment or self-employment.

Cross-analysis shows that of those unemployed on application 69% are now employed and of those students on application 73% are now employed. Very few of those employed on application are now unemployed (5%) or students (6%).

This would seem to indicate that completing a CDL funded course has a positive impact on employment. However, it should be borne in mind that we cannot be sure that those individuals who found employment would not have done so without completing a CDL funded course.

However, the impact of CDLs is usually judged by the employment status of applicants three months after the course was completed. This is as follows:

**Table 11: Successful applicants 3 months after completion: employment status**

	<u>On application</u> (296) %	<u>Three months</u> <u>after completion</u> (296) %
Employed full-time	42	62
Employed part-time	14	10
Self employed	4	9
Unemployed claiming benefit	13	10
Unemployed not claiming	5	5
Full-time education/learning	21	3
Part-time education/learning	0	0
Other	1	0

(Figures may not add to exactly 100% due to rounding).

Thus among this group there is a net move from education into employment, but little effect on the level of unemployment.

Among this group:

- Of those employed on application (a base of 176), 91% (161) are still employed, 9% (15) unemployed and 1% (1 person) in education;
- Of those unemployed on application (a base of 53) 57% (30) are employed, 40% (21) still unemployed and 2% (1 person) in education;
- Of those who were students on application (a base of 64) 75% (48) are now employed, 14% (9) unemployed and 11% (7) still in education.

Thus while over half of the unemployed have moved into employment, they have been “replaced” by some who were in employment or who were students and are now unemployed.

However, we should not take this as implying that CDLs may have not impacted on the level of unemployment over the longer term. At the time of interview 88% of this group are now employed and only 9% unemployed.

We can compare the SEG among those employed, at time of application and currently for the total sample, and for those who finished their course at least 3 months ago.

- Among the total sample the proportion in SEGs AB (professional/ managerial occupations) increased from 22% to 31% between application and interview. The proportion in C2D (manual) occupations decreased from 29% to 23%;
- Among those who finished their course over three months ago, the proportion in SEGs AB increased from 27% to 40% between application and interview. The proportion in C2D (manual) occupations decreased from 24% to 13%.

This indicates a move into higher levels of employment, both among the sample as a whole and those who have completed their course.

Another way of looking at the possible impact of CDLs is via an analysis of income. The following is a comparison of the personal income of the total sample at the time of application, and currently. (It should be borne in mind that household income may well have been higher).

**Table 12: Successful applicants: weekly income**

	<u>On application</u> (676) %	<u>Currently</u> (676) %
Up to £110 per week	30	16
£111 - £170	12	11
£171 - £270	23	22
£271 - £420	15	25
£421 - £600	7	10
Over £600 per week	2	4
Refused	11	12

(Personal income was defined as average weekly income before tax and other deductions).

Clearly there is a substantial increase in income across the sample as a whole. This is to be expected given a move towards employment and higher paid occupations. The median income increases from £185 per week to £253 per week.

For those who had completed their course over three months ago the income change is as follows:

**Table 13: Successful applicants three months after completion: weekly income**

(Base: excluding refusals)	<u>On application</u> (257) %	<u>Three months after completion</u> (236) %
Up to £110 per week	40	24
£111 to £170	14	12
£171 to £270	20	21
£271 to £420	15	30
£421 to £600	7	11
Over £600 per week	3	3

(Figures may not add to exactly 100% due to rounding).

Among this group there is a clear net increase in income, the median increasing from £153 to £237 per week.

Another way of evaluating the impact of CDLs is by the opinions of those who had completed their courses. Of this group, 69% (233 out of 337) said that the course is of value in their current employment, and 62% (208 people) said that their income was higher than before they took the course.

A number of people were doing temporary jobs at the time of the interview. Of those who had moved into permanent employment 80% (185 out of 232 people) said the course was of value, and 69% (161 people) said their income was higher.

Those who said their income was higher tended to be younger. 72% of 18-29 year olds (118 out of 165) said their income was higher, but only 42% of those aged 40 or over (31 out of 73). However older respondents were just as likely to find the course of value in their work. This is again an indication of CDLs promoting a change of career, rather than a career advance, among the older applicants.

The types of course which are more likely to lead to an increase in income are:

- Those with a private Learning Provider (but the difference is not statistically significant);
- Certain courses in IT, particularly software engineering, IT degrees and Microsoft Certification.

Those who had completed their course were asked what impact it had had on their career prospects. 65% felt that their prospects had improved a lot, and a further 19% that they had improved a little.

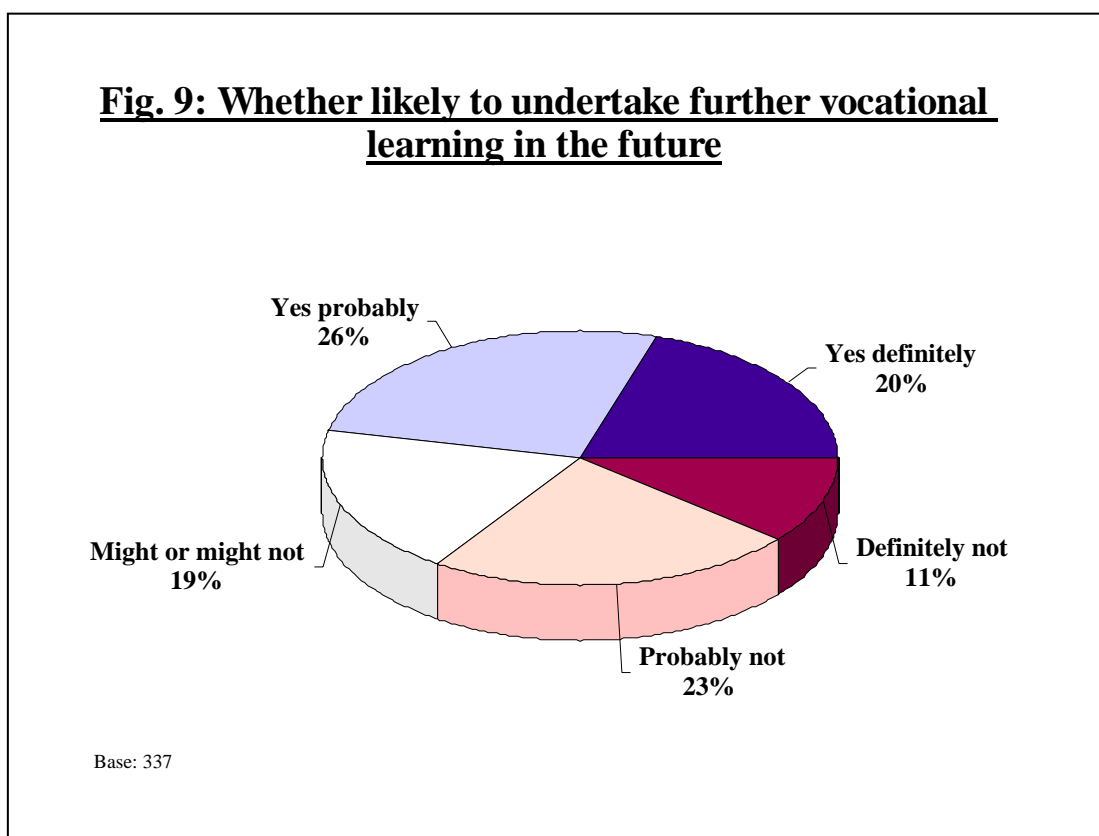
However, while most felt that their career or employment prospects had improved, 15% felt that they had not. These people tended to be aged over 40 (22%) and living outside the south of England (20%).

This group had a low level of satisfaction with their course, which could have been taken with either a public sector or private sector Learning Provider. This group had similar expectations to the rest of the sample in terms of the impact of a CDL. They were usually expecting to be able to start a new career, to improve their employment prospects, or to facilitate a change of job.

Courses that this group were particularly likely to have taken included:

- Microsoft Certification;
- Teaching courses;
- Legal courses;
- Counselling/Therapy;
- Driving Instructor Training.

There is no clear picture as to whether having used a CDL, people are more likely to undertake further vocational learning in the future, as shown in the following chart:



Those who took out lower value loans are more likely to take vocational learning in the future (52% of those taking a loan of less than £2,000).

Those less likely to take vocational learning in the future were:

- Younger people (44% of those aged under 30);
- Those with a higher TEA (43% of those with a TEA of 21+);

- 
- Those who took out higher value loans (40% of those taking a loan of over £4,000).

Interestingly, satisfaction with the course taken does not impact on likelihood to take more vocational learning in the future. A bad experience does not therefore, necessarily put people off vocational learning generally.

### 4.3 Course of action after rejection: Unsuccessful applicants

After being rejected for a CDL, 56% of the unsuccessful applicants went on to investigate other methods of funding their course. The main ways investigated were redundancy money (25%) or an alternative commercial loan (12%).

As stated earlier, (see fig 6 on page 20) 54% of rejected applicants still went ahead and took the course they intended funding via a CDL. Another 3% of the rejected applicants still plan to take the course at a later date. 11% took an alternative course.

Those rejected applicants who went on to take their intended CDL course mainly funded it in the following ways:

- Loan from friend or relative 26%;
- An alternative commercial loan 22%;
- Earnings during course 22%;
- Savings 18%.

3% of those who took their intended course were successful in being granted a CDL from another bank to fund their course. These respondents have been omitted from the section which looks at the impact of not being granted a CDL (Section 4.6 starting on page 34).

### 4.4 Alternative courses taken by unsuccessful applicants

The details of alternative courses discussed in this section are based on a very small sample of only 29 people and should **therefore be treated with caution**.

Key features of this group of applicants were:

- Their demographic profile falls between those who take their original course and those who take no course;
- Their level of previous education, and previous unemployment, was also midway between these groups;
- They had usually planned to train in the private rather than public sector.

The key features of the alternative courses taken were:

- Two thirds of alternative courses (20/29) were with public sector Learning Providers;
- Courses were often shorter than courses applied for using a CDL;

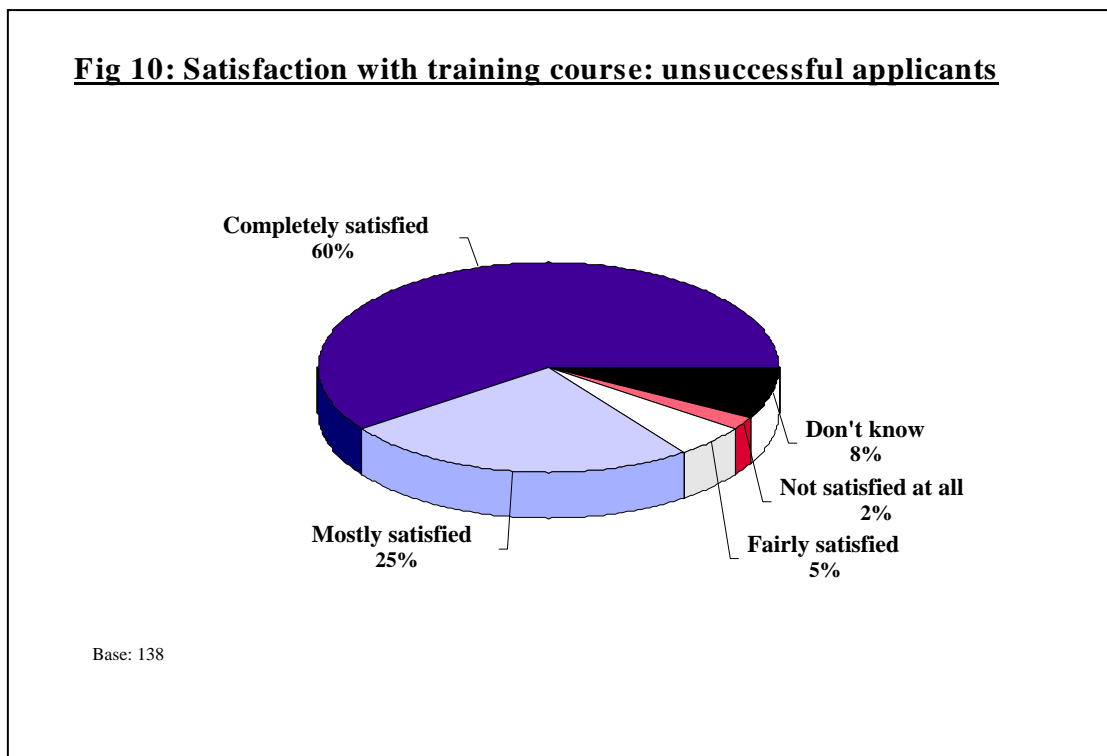


- Courses were more likely to be part-time (18/29) and distance learning (10/29) than CDL funded courses;
- The topics of courses taken were similar to those funded with CDLs with computer programming and other types of IT course being very common;
- 9 of the alternative courses lead to an NVQ qualification, a higher proportion than for courses originally applied for;
- Most (24 out of 29) of the alternative courses cost less than the originally intended course they replaced.

Alternative courses were funded in a variety of ways, including from earnings (6), savings (4) or a Local Authority Grant (5). Relatively few of them (2) took out an alternative commercial loan. 6 rejected applicants who took an alternative course did so without paying for it, (although how is not specified). It is possible that they were eligible for a free Further Education course.

#### 4.5 Course satisfaction

Satisfaction with the course taken among those taking their original course is as follows:



Overall this satisfaction rating was marginally higher than was found with successful applicants (see page 26).

#### 4.6 Impact of taking or not taking a learning course: Unsuccessful applicants

A comparison of employment status on CDL application and at the time of interview, among unsuccessful applicants is as follows:

**Table 14: Unsuccessful applicants: employment status**

	<u>On application</u> (251) %	<u>At interview</u> (251) %
Employed full-time	32	53
Employed part-time	12	12
Self-employed	6	10
Unemployed (claiming benefit)	29	16
Unemployed (not claiming benefit)	10	5
In full-time education/learning	11	5
In part-time education/learning	*	4
Other	*	1

(Figures may add to slightly more than 100% as respondents occasionally gave more than one answer).

The proportion of unsuccessful applicants who are unemployed is now around half what it was when they applied. This indicates that many of those unemployed when they applied went on to find employment despite being turned down for a CDL.

We can look at the change in employment status among those who took their original course, an alternative course or no course:

**Table 15: Unsuccessful applicants: employment status by course taken**

	<b>Original Course</b>		<b>No Course</b>	
	<u>On appl.</u> (134) %	<u>Now</u> (134) %	<u>On appl.</u> (81) %	<u>Now</u> (81) %
Employed	54	78	40	72
Unemployed	28	16	57	27
Student	19	12	2	1
Other	-	1	1	1

(Figures may add to slightly more than 100% as respondents occasionally gave more than one answer).

(The small number who took an alternative course, or who plan to take their original course but who had not done so at the time of interview have been omitted from this analysis).

It can be seen that the shift from unemployment into employment occurs both among those who take their original course, and those who do not take any learning. However, the proportion remaining unemployed is higher for those who do not take learning.

To understand the consequences of learning or not learning more thoroughly we need to look at the nature of employment, and income levels as well as employment status.

Among all unsuccessful applicants there is a small shift towards higher SEG occupations (52% ABC1 on application, and 62% at interview). The detail is slightly different according to whether the original course is taken or not:

- Among those who took their original course applicants tended to move from other SEGs into SEG AB (19% on application, 32% at interview);
- Among those who took no course, applicants tended to move out of SEG D (41% on application, 33% at interview).

An analysis of income levels is as follows:

**Table 16: Unsuccessful applicants: weekly income**

	Total Sample		Original course takers		Course non-takers	
	<u>On appl</u> (220) %	<u>Now</u> (220) %	<u>On appl</u> (134) %	<u>Now</u> (134) %	<u>On appl</u> (81) %	<u>Now</u> (81) %
Up to £110 a week	35	21	31	17	43	20
£111 - £170	17	12	16	13	16	14
£171 - £270	22	27	23	19	19	40
£271 - £420	10	18	13	22	5	9
£421 - £600	3	8	2	10	5	7
Over £600 per week	1	1	1	1	1	-
Refused	12	13	15	17	11	11
Median	£138	£235	£157	£247	£114	£210

There is a marked increase in income for both those who do and do not take their original CDL course. The average increase is about £90 a week in each case. However the % increase is actually higher among those who do not take a course, as they start at a lower level of income.

We can also look at the opinions of those who had completed their course. Of this group 61% said the course is of value in their current employment and 54% said their income was higher. Both of these figures are slightly lower than equivalent for successful applicants.

As with successful applicants, we can look at the expected impact on employment prospects among those who took their original course.

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Compared with the successful applicants there is a higher proportion of “don’t know” as some were still taking their learning. However, among those who had an opinion, views were slightly more positive than for those who used a CDL with 86% feeling that their career prospects had improved, and only 5% that they had not improved.

The majority of unsuccessful applicants (57%) feel that they will go on to do more learning in the future. This is in contrast to the successful applicants where intentions are not so strong. It is possible that those who persevere with finding other funding after being turned down for a CDL are particularly strongly committed to the value of vocational learning.

#### 4.7 Summary: Outcomes

- At the time of the interview, most successful applicants were still doing or had completed their course, but 9% had dropped out. Those dropping out of learning were more likely to be older men, taking private sector learning;
- While most applicants were satisfied with their learning a minority (10%) were not, and there is a high overlap between this group and those who dropped out of learning. Courses leading to low satisfaction were usually in the private sector, and include various forms of IT course and driving instruction training. These courses tend to be taken by the less well-qualified applicants. There is evidence, albeit among a small minority, of some misrepresentation of these courses to applicants and also of undue pressure to take out the CDL to fund the course;
- Overall, CDL-funded learning appears to have had a positive impact. Yet it should be borne in mind that we cannot be sure that those individuals who found employment would not have done so without completing a CDL funded course. Between the time of application and the interview, the proportion of applicants in employment increased from 67% to 84%. Median income increased by £68 per week;
- Where it was possible to assess applicants 3 months after completing learning there was a net move out of education and into employment, but no change in the level of unemployment. While half of the unemployed had moved into employment after completing their learning, this was balanced by some who were previously employed or students who were now unemployed. There is an impact on quality of employment, with a move into higher status occupations among those employed;
- On the other hand, between the time of application for a CDL and the time of interview there is a shift, among **unsuccessful** applicants, away from unemployment and into employment and consequently a rise in their personal income. This is the case both for those who take the learning they planned to fund with a CDL, and those who do not. However the proportion remaining unemployed is higher for those who do not do any learning. Furthermore, there is a difference in the type of employment with high status occupations

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being much more commonly achieved among those who undertake learning than among those who do not;

- We should not however conclude that CDLs have no impact on unemployment levels, as at the time of interview (i.e. longer than three months after the course had ended) unemployment had dropped and employment risen among this group. The three-month criterion is thus perhaps somewhat arbitrary;
- The majority of those who took learning funded by a CDL felt that they now had better career prospects, but a minority (15%) did not think this was true. These tended to be older men who were unemployed when they applied, and living outside the South of England. They tended to show lower levels of satisfaction with their learning;
- Among unsuccessful applicants who undertake learning, satisfaction with their learning and commitment to vocational learning in the future is higher, than among those who were funded with a CDL. It is possible that these people are particularly committed to learning which leads them to persevere and find alternative funding. Alternatively they could take a more positive view of their learning, having had to make more effort to find a way of paying for it;
- A poor experience of learning does not, however impact on applicants' likelihood to take further vocational learning in the future. A substantial proportion of successful applicants (34%) said they were not likely to take further vocational learning in the future. These tended to be well-qualified people who took out a high value CDL and perhaps feel they have now made sufficient investment in their qualifications;
- Over half (53%) of unsuccessful applicants went on to take the course they had hoped to do, and a further 3% plan to do so. 11% took an alternative course, and the remaining 33% did not train at all;
- There are a number of differences between those who go on to take learning and those who do not. The key difference is that those who do not take any learning tend to be unemployed when they apply. They also tend to be older, with dependent children, and less well-qualified. The learning they intended to take was usually in the private sector;
- Conversely those who take their course after being turned down for a CDL are younger, with better qualifications already, and either employed or students when they apply. In these respects, they are more similar to successful applicants than are the unsuccessful applicants who do not do any learning. The courses they take tend to be in the public sector, they are also longer expensive courses, in that the CDL originally applied for tends to be higher value;

- 
- Those who went on to take their original course funded it in a variety of ways; the most common being from earnings, a different commercial loan, a loan from a friend or relative, or by saving the money;
  - The sample base of those who took an alternative course is low so findings need to be treated with caution. The courses they take are usually shorter and less expensive than their original course. They fund the learning in a variety of ways but rarely with a different commercial loan.

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## **ADDITIONALITY**

### **5.1 Introduction**

“Additionality” means the proportion of learning funded by CDLs which could not have happened without the CDL being available. The converse of additionality is “deadweight” (i.e. learning funded by CDLs which would have taken place even if the CDL were not available).

We have arrived at our additionality estimates by two different routes:

- Among successful applicants, examining the proportion who said they would have taken their course even in the absence of a CDL;
- Among unsuccessful applicants, examining the proportion who went on to undertake learning, bearing in mind that this is a different population from successful applicants.

**It should be borne in mind that our additionality figures are hypothetical estimates only.**

### **5.2 Successful applicants**

Among successful applicants, when asked whether they would have gone ahead with their learning course without a CDL:

- 50% said they would have done (deadweight);
- 39% said they would not have done (additionality);
- 11% answered “don’t know”.

At a general level it is noted that the proportion saying they would have undertaken learning is similar to the proportion of unsuccessful applicants who did in fact take their course (54%). Those most likely to say they would have taken the course anyway were employed or students when they applied, with higher incomes, and well qualified. These were the same types of people who actually did so, after being turned down for a CDL.

If we take these figures at face value then our additionality estimate would be **39%**. However we need to take into account the likelihood that those who said they would find funding elsewhere would actually have done so. When asked where they would have found funding the answers were as follows overleaf:

**Table 17 : Successful applicants: How learning would have been funded without CDL**

	(337)
	%
Bank loan	35
Unspecified loan	13
Savings	35
Borrow from friend/family	21
Grant	3
Other	6
Don't know	8

(8% said 'don't know')

8% of the 50% who said they would have gone on to do the learning = 4%

39% + 4% = 43%

The additionality estimate is now **43%**.

The most common assumption is that a bank or other loan would be available. While this might seem surprising, it should be remembered that nearly one in four rejected applicants who undertook learning were successful in receiving a commercial loan for this purpose. Previous work among Learning Providers also suggests that alternative commercial loans to fund learning are not at all uncommon.

We therefore need to consider whether those who said they would get a bank loan (or unspecified loan) would actually have got one. Of this group:

- 78% had security or regular earnings that could have supported their application;
- 70% felt confident that they would have been successful in applying for a bank loan;
- Only 14% had ever been turned down for a commercial loan in the past.

On the basis of these figures it is reasonable to assume that 70% to 85% of those who said they would have looked for a bank or unspecified loan would in fact have got one and so 15% to 30% would *not* have got one.

As Table 17 shows, 35% of respondents said that they would use a bank loan and 13% would use an unspecified loan to fund their learning, totalling 48%.

(15% of 48% = 7%

30% of 48% = 14%

7% of the 50% who said they would have gone on to do the learning = 4%



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14% of the 50% who said they would have gone on to do the learning = 7%

If we add this to our additionality estimate,

43% + 4% = 47%

43% + 7% = 50%)

The additionality estimate is now in the range of **47% to 50%**

The final consideration is those 11% who said they “did not know” whether they would have gone ahead or not. We will assume that 56% of these would have undertaken some learning and 44% would not,

(11% as a ratio of 50/39 (50% who said they would have gone on to do the learning and 39% who said they would not have done)  $50 + 39 = 89$

$50/89 \times 100 = 56%$  would have gone on to do learning

$39/89 \times 100 = 44%$  would not.

11% of 44% = 5%)

If we add this to our additionality estimate, this increases the estimate to a range of **52% to 55%**. We feel that this is the most accurate prediction that can be made from the successful applicants data.

### 5.3 Unsuccessful applicants

**The findings from unsuccessful applicants should be treated with caution as they are based on a relatively small sample of only 255.**

If we take as our additionality estimate the proportion of unsuccessful applicants who did not, and do not intend to, take the course they applied for a CDL for, this would be **43%**.

However 11% of unsuccessful applicants took an alternative learning course. It follows that of those currently funded by CDLs a similar proportion may well have taken an alternative learning course. The question arises as to whether this additional learning should be included in “deadweight”. Our view is that it should not be for the following reasons:

The nature and impact of the learning was often very different from the original course which as CDL was intended to fund

In the 1997 survey and in this one, the characteristics of this group are closer to those not taking any learning than to those who took the original course.

Another consideration is the differing profile of the successful and unsuccessful applicants. To take account of this we first need to look at the factors having most impact on additionality among unsuccessful applicants. These are:

- Presence of children;

- 
- Employment status on application;
  - TEA;
  - Type of Learning Provider.

All of these factors are interlinked. Those without children, who are not unemployed when they apply, and who have a high TEA, are more likely to apply to a public sector Learning Provider, and to go ahead with the learning after being rejected for a CDL.

If we take each of these factors separately and weight the additionality estimate of 43% to the profile found among successful applicants we get the following estimates:

- Corrected for presence of children 42%
- Corrected for employment status 40%
- Corrected for TEA 40%
- Corrected for Learning Provider type 43%

Our best estimate of additionality from unsuccessful applicants is in the range **40% to 43%**.

#### **5.4 Summary of additionality**

- The additionality estimates from the two samples are a little different. The successful applicant estimate is in the range of **52% to 55%** and the unsuccessful applicants is in the range of **40% to 43%**
- However, it should be stressed that this is the proportion of actual learning courses funded by CDLs that would not otherwise have taken place. It thus includes CDLs which allow the applicant to upgrade to a more preferred form of learning from an alternative course.
- If additionality is defined to exclude this element (i.e. to refer to all training taken by those who otherwise would take no training at all) then the estimate would be lower. We have not provided an estimate of this, as it would be based on the unsuccessful applicants sample only, which is small.

## 6. FEATURES OF CDLs

### 6.1 General Views

The table below shows the good points of CDLs mentioned by successful and unsuccessful applicants. **The small sample size for unsuccessful applicants (255) means that results should be taken as indicative only.**

**Table 18: Spontaneous good points about CDLs scheme**

	<u>Successful</u> (676) %	<u>Unsuccessful</u> (255) %
(Base: all applicants)		
All mentioning any good point	98	78
Makes education/training possible	22	21
Not everyone has savings available	11	9
Gives you a chance	5	3
Makes career improvements possible	9	13
Creates opportunities/qualifications to open doors	6	12
Everyone has a chance to better themselves	5	5
Defer payment until end of course	19	10
Defer payment /don't have to pay back straight away	17	8
Can choose when you want to pay/flexible	9	3
Repayment extended if unemployed	9	8
Interest free period/deferred interest	9	3
Repayment starts after two years	4	1
Can spread the cost of repayment	5	2
A good loan scheme	5	7
Low interest rate	19	9
No money worries/no financial pressure when studying	12	6
No hiccups/no hassle	7	1
Loan was easy to get	5	-

As can be seen the main good points are:

- It make possible education and learning that would not otherwise happen, thus giving opportunities to those who would not otherwise have them. (This was slightly more pertinent to the unsuccessful applicants);

- 
- The deferred payments and the interest free period;
  - Low interest rate.

Both of the latter features were mentioned in particular by the successful applicants. A few of the latter also mentioned that it was easy and “hassle-free” to get a CDL.

However, there are also some bad points of the scheme, the main ones mentioned spontaneously being shown in the table on the next page.

As can be seen the concerns of successful and unsuccessful applicants are different. The main issues for the latter centre around being rejected, often without reason and unfairly.

For the successful applicant the key concern is the interest rate being too high. Clearly views of the interest rate are divided, as discussed in more detail in a later section (section 6.6 on page 52)

Other criticisms concern the application process (its length, complexity and lack of information), the repayment structure, the upper limit on loans and that some courses are not adequate.

There is a change in the pattern of response over time. Those applying from April 1999 onwards made fewer criticisms generally so it is possibly that the revised application procedure has had an impact.

**Table 19: Spontaneous bad points about CDLs scheme**

	<u>Successful</u> (676) %	<u>Unsuccessful</u> (255) %
All mentioning any bad point	61	76
Difficult to get/hard criteria applied	1	15
No information on why rejected	*	9
Inflexible/ignores personal circumstances	1	8
Banks are too powerful in the decision	1	5
Unemployed are rejected	*	3
Credit check system	2	2
Students without savings are rejected	-	3
Banks are too inflexible	1	3
Interest rate too high/“over the top”	15	5
Process is lengthy/long winded	8	5
Administration is lengthy/slow/tedious	3	4
Bureaucracy/red tape	2	4
Lack of information/advice on how process works	4	5
Form-filling/application form too complicated	5	4
Repayment structure too inflexible/cf. student loans	5	2
Concern about repayment if don't get a job	3	1
Having to pay back the loan	5	3
Should be more funding/bring back grants	3	2
Bigger loan needed	3	1
Scheme not well-known/not advertised	2	2
Course is inadequate/over priced/Learning Provider went bankrupt	3	1

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Suggestions as to how the scheme could be improved are shown in the table below:

**Table 20: Suggested improvements to CDLs**

	<u>Successful</u> (676) %	<u>Unsuccessful</u> (255) %
All making any suggestion	70	81
Easier access to advice/information	9	16
More personal/individualised	3	20
More publicity/advertise more/raise awareness	16	5
Speedier processing of applications	9	7
Interest rate too high/should be no higher than student loans	11	3
Explain why you are rejected	-	11

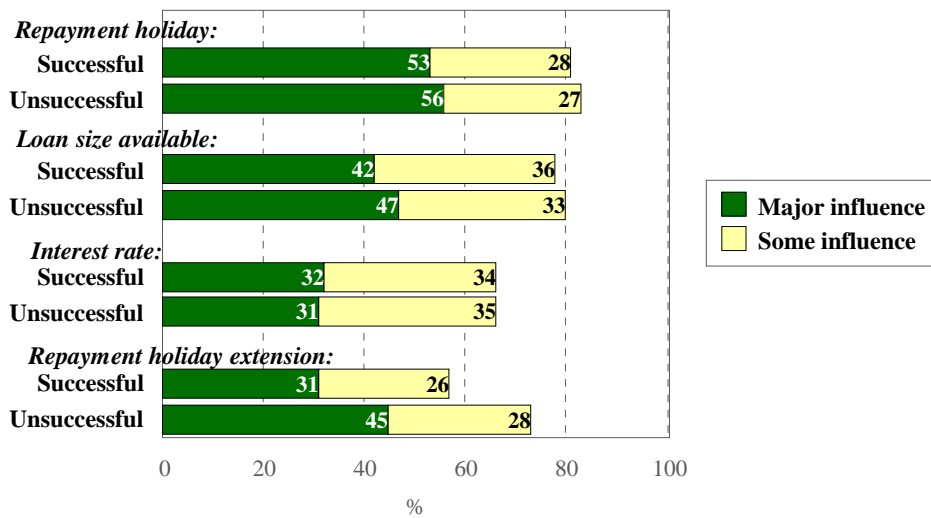
Again there are differences between the successful and unsuccessful applicants. Across the two many areas emerge where CDLs could be improved specifically:

- Handling of rejections;
- Advice provision;
- Marketing;
- Interest rate;
- Speed of application;
- Incidence of rejection;
- Repayment criteria;
- Application form;
- Lender roster;
- Quality of Learning Providers.

## **6.2 Importance of features**

The chart overleaf shows the influence various aspects of the CDL had on the decision to take one out, or apply for one.

**Fig 11: Influences on decision to take out/ apply for CDL**



Base: 676/ 255

This indicates that while all these features are important to some extent, the repayment holiday and the size of the loan available are the two key features. For unsuccessful applicants, the repayment holiday extension is also important. This could be because more of them are unemployed when they apply and thus perhaps more concerned about getting a job once their learning is finished.

### 6.3 Experience with banks

Among successful applicants 77% were granted their CDL by Barclays, 10% by Co-op Bank, 8% by Royal Bank of Scotland and 4% by Clydesdale Bank.

The dominance of Barclays reflects the actual profile of banks granting CDLs. The profile of Barclays users is typical of all CDL applicants. There are some differences in the profile of users of the other banks:

- Co-op Bank applicants are older than average and particularly well qualified.;
- The sample of Clydesdale applicants is very small and so the following findings should be treated with caution. However, 80% of them are from Scotland, and there is a lower proportion of ethnic minorities. They are less qualified than average and were usually in employment when they applied.

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The large majority of successful CDL applicants (99%) had a bank account at the time of their applications, but only 35% applied to their own bank. This is probably because several of the major banks are not represented on the CDL roster of lenders. Clydesdale bank customers were particularly likely to apply to their own bank (54%) and Co-op bank customers the most unlikely to do so (20%).

Among unsuccessful CDL applicants the profile of banks they applied to was similar to successful applicants: Barclays 83%, Co-op Bank 14%, RBS 16%, Clydesdale 7%. (Figures add to more than 100%, indicating that they often applied to more than one bank).

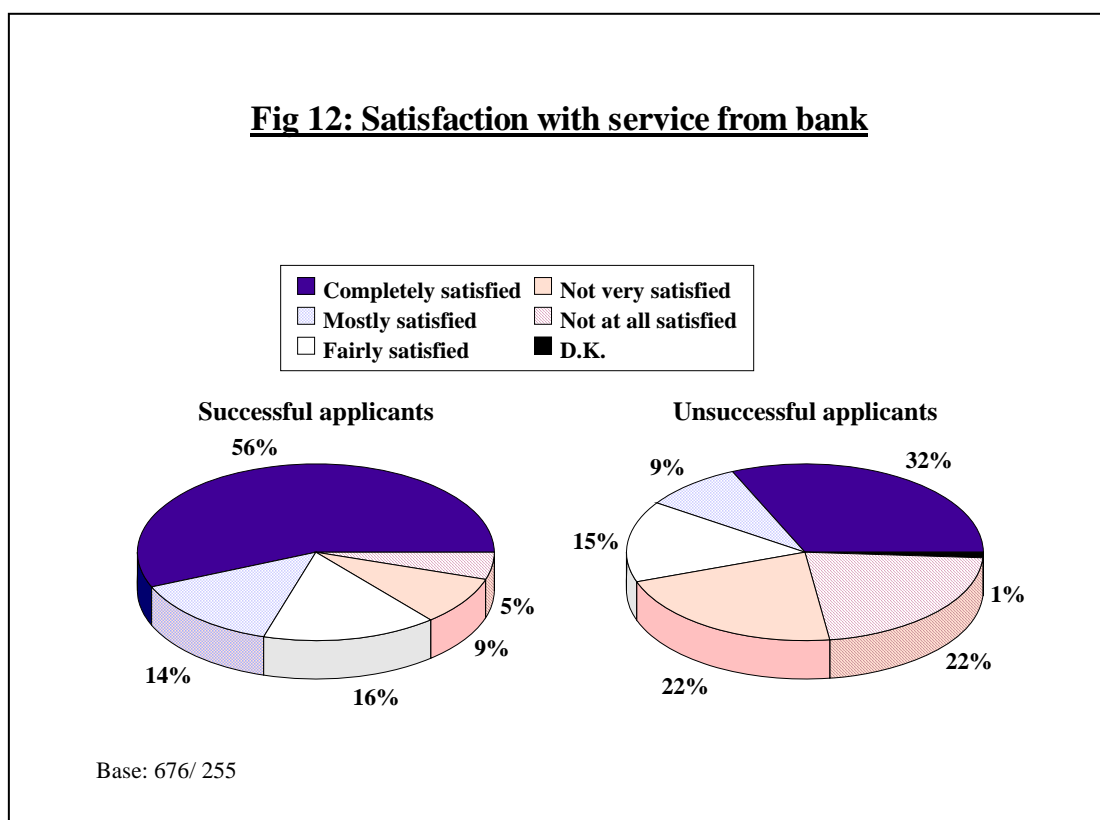
When asked directly, 27% of unsuccessful applicants said that they had made more than one application. Those making more than one application tended to be male (80%).

Of those who had more than one application turned down 56% went on to take the course, 13% took an alternative course and 26% did not train at all. The proportions are very similar to those in the total sample.

(NOTE: We did not ask successful applicants whether they made multiple applications, but assume that a significant proportion did so).



Satisfaction with the service received from the bank was as follows:



While it is perhaps not surprising that satisfaction is low among unsuccessful applicants, it is also worth noting that over 10% of successful applicants were not satisfied with the service from the bank.

Among successful applicants satisfaction with the bank has improved over time, being lowest among applicants pre-November 1998, and highest among applicants from April 1999 onwards. This suggests that the new application process introduced in the summer of 1999 may have improved satisfaction with the bank.

Satisfaction with banks was lower among certain groups including those who were unemployed or students when they applied, and those learning in the public sector. This suggests that the bank process could be particularly an issue for those for whom it is important to start learning as soon as possible at a particular time.

Among unsuccessful applicants satisfaction was generally higher in 1999 than 1998. Dissatisfaction was particularly high among those unemployed on application, those applying for higher value loans, and (perhaps not surprisingly) those turned down by more than one bank.

Among successful applicants who were not completely satisfied with the bank the key issues are as follows (figures are the % of those not completely satisfied who mentioned each point):

- 
- Lengthy and time-consuming process (31%) with delays (13%) and a long time making a decision (12%);
  - Lack of information as to progress of the application (15%), the applicant has to chase up information (10%);
  - Inefficiency and poor administration (9%), with mistakes being made (7%) and applications lost (7%);
  - Lots of paperwork (7%) and complicated form-filling (4%);
  - Late decision making made it difficult for applicant to start course on time (7%);
  - Initial rejection followed by loan being approved (4%);
  - Off-hand/disinterested manner (3%).

All of these criticisms apply to some extent to all of the banks. However Barclays tended to attract particular criticism for slowness, and the Co-op bank for inefficiency and mistakes. While RBS attracted fewer criticisms generally there did seem to be particular instances with this bank of poor communication between bank and Learning Provider. (It should be noted however that all of the banks have recently improved their systems and changed their procedures to improve customer care, and the findings for Co-op and RBS are on small bases and findings are not significant).

Among unsuccessful applicants the main reasons for dissatisfaction centred on being rejected, but also shared some other features with successful applicants. The key problems are:

- No information on why the application was rejected.(33%);
- Lengthy and time-consuming process (10%) with a long time making a decision (11%);
- Lack of information as to progress of the application (8%), the applicant has to chase up information (8%);
- Impersonal approach (13%);
- Banks' decision not to grant loan was arbitrary/unfair (5%).

(It is not possible to comment on differences between banks as the sample size for banks other than Barclays is too low).

All unsuccessful applicants were asked why they thought their application was rejected. Their answers must be treated with a certain degree of caution, as it is possible that applicants were not being entirely honest.

However, over a third (36%) of respondents said that they did not know why they were refused a loan. (We do not know whether they challenged the banks' decision or asked for a reason).

The main answers given by others were:

- Poor credit history (22%);
- Unemployed (7%);
- Not enough points on system (7%);

- 
- Have other existing loans (7%);
  - No money in bank/ no collateral (6%).

While some CDL applications may well be rejected for good reasons, clearly among unsuccessful applicants there is some widespread feeling that the bank has acted unfairly or arbitrarily. This cannot be beneficial to the overall perception of the scheme.

## **6.4 Repayment Issues**

Of those who had completed their course 26% had paid off their loan in full at the time of interview. The smaller the loan, the more likely it was to have been paid off in full.

The main reasons for having paid off the loan in full were as follows (figures are raw numbers on a base of 88):

- Interest rate too high/ banks offered me a better rate (24);
- Dislike being in debt (23);
- Got a cheaper loan elsewhere (9);
- Paid it all off to save money (15).

Availability of cheaper loans is clearly an issue here. However there is also some dislike of debt generally and if funds are available to pay off the loan, interest can be saved.

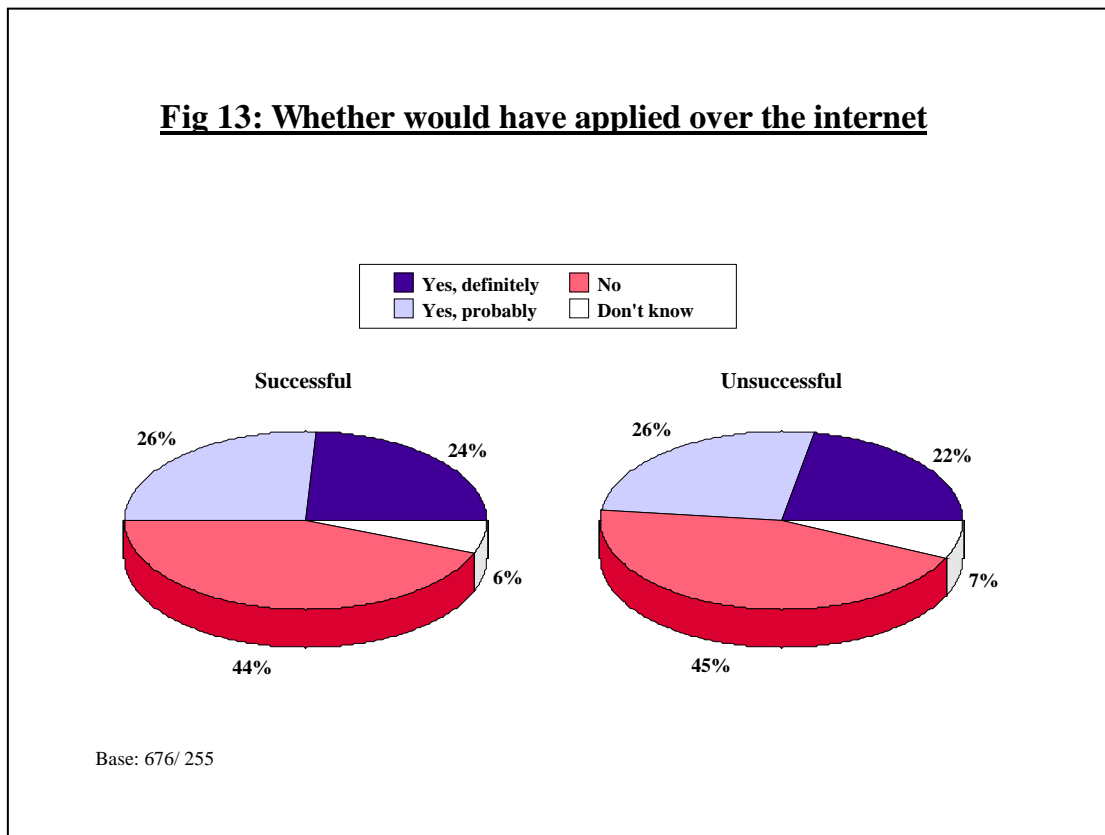
The main source of the funds to pay off the loan were as follows (again figures are raw numbers on a base of 88):

- Own earnings (31);
- Savings (18);
- Other commercial loan (16);
- Loan from friend/ relative (10).

Earnings or savings (presumably money saved since taking out the loan) were used by over half. However, a significant proportion took out an alternative commercial loan to pay off the CDL.

## 6.5 The internet

All applicants were asked whether they would have applied for a CDL over the internet if this had been possible. Their answers were as follows



Thus interest in applying via the internet is widespread but not universal.

Those more likely to have used the internet are: as follows (figures are % answering “Yes definitely” or “Yes probably”)

- Men (54%);
- Those under 40 (53%);
- Those in employment or students (53%);
- Those with higher incomes (56% of those earning £230 or more per week).

Thus restricting application to the internet might exclude certain groups.

## 6.6 Interest Rate

Respondents were asked what they know about the interest rate on CDLs.

The key finding here is that detailed knowledge of the interest rate is rare, with only 14% of successful applicants mentioning any actual % interest rate.

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Among this group various answers were given from below 10% to over 18%. Some may have been referring to the interest rate and others to the APR. In fact both the APR and flat rate vary between banks, and by the amount borrowed.

At the time that the fieldwork was conducted, CDLs from Barclays had an APR from 7.1% to 9.1%, and a flat rate of 16.7%, regardless of the size of the loan. (From December 2000 the flat rate was reduced to 12.9%).

If we look just at those who took loans from Barclays we find that:

- 4% gave answers that could have referred to the APR (6% - 9.9%);
- 3% gave answers that are close to the flat rate (16% - 17.9%);
- 8% gave some other % rate.

Thus, even if the first two groups were accurately referring to the APR and the flat rate respectively, over half of those who are mentioning any % rate are not giving the correct answer.

Despite low actual knowledge most successful applicants have an opinion of the rate. Most felt that the CDL loan rate was lower than a “normal” loan (21%), or “reasonable/competitive”(8%) but could not be more accurate. 6% thought the interest rate was similar to other loans, and 11% thought the interest rate was high: among these it seems some are comparing the rate with student loans (2% mentioned this specifically). In fact in most cases the flat rate on CDLs was at the time around the same as for a normal personal loan, in some cases it is actually higher.

Thus there is a fairly widespread lack of knowledge of actual loan rates and a misperception that CDLs are lower in interest than normal personal loans, which is not the case.

Among unsuccessful applicants knowledge of the interest rate was even lower; 45% answered don't know and very few quoted any % rate. Those who gave an answer tended to feel the rate was lower than other loans.

## **6.7 Roster of lenders**

When asked whether they were happy with the choice of financial institutions offering CDLs, 81% of successful applicants said they were happy and 19% were not. Among unsuccessful applicants however a higher proportion (37%) said they were not happy.

Those who were not happy were asked for spontaneous suggestions as to additional institutions that could offer CDLs.

Most of the suggestions made were the obvious ones of a wider choice of banks and building societies, although a minority of applicants made more imaginative suggestions (such as Universities, the Student Loan company, or insurance brokers).

A number of other institutions were presented as possible organisations that could offer CDLs. The table below shows the total awareness of each type of organisation, familiarity (i.e. % who know something about the type of organisation they are) and those which it was felt should offer CDLs:

**Table 21: Awareness and opinion of alternative lenders**

	<u>Successful applicants</u>		
	<u>Awareness</u>	<u>Familiarity</u>	<u>Should offer CDLs</u>
	(676) %	(676) %	(676) %
Building Societies	99	89	51
Trade Unions	91	60	27
Newer banks (e.g. Egg, Virgin)	87	59	42
Friendly Societies	53	27	13
Credit Unions	50	26	12
Industrial and Provident Societies	46	20	9
Post Office *	31	25	14
ILAs	23	14	8
None of these			31
	<u>Unsuccessful applicants</u>		
	<u>Awareness</u>	<u>Familiarity</u>	<u>Should offer CDLs</u>
	(255) %	(255) %	(255) %
Building Societies	99	88	52
Trade Unions	90	60	27
Newer banks (e.g. Egg, Virgin)	79	52	36
Credit Unions	51	24	16
Friendly Societies	45	21	12
Industrial and Provident Societies	35	16	8
ILAs	21	12	8
Post Office *	15	13	6
None of these	1	9	29

(\* Post Office was a frequent spontaneous addition to the list).

The types of institution that would be most beneficial to offer CDLs are thus building societies, newer banks and Trade Unions. However, this is largely because they are better known. We can look at the “fit” between each type of institution and CDLs by calculating the % of all those familiar with each institution type who feel they should offer CDLs:

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Newer banks (e.g. Egg, Virgin)	72%
Building Societies	58%
Post Office	56%
ILAs	55%
Credit Unions	47%
Friendly Societies	46%
Industrial and Provident Societies	46%
Trade Unions	44%

The newer banks are the most promising addition in terms of the % of those familiar with them who feel they should offer CDLs.

(The figures above are all based on successful applicants, but findings for unsuccessful applicants are very similar).

It can be seen in the table on the previous page that 70% of applicants felt that at least one of the alternative types of lender would improve CDLs. It was felt that more choice generally is a good idea (27% of successful applicants mentioned this), that greater competition would lead to lower interest rates being offered (18%) and it would raise awareness/exposure of CDLs (7%).

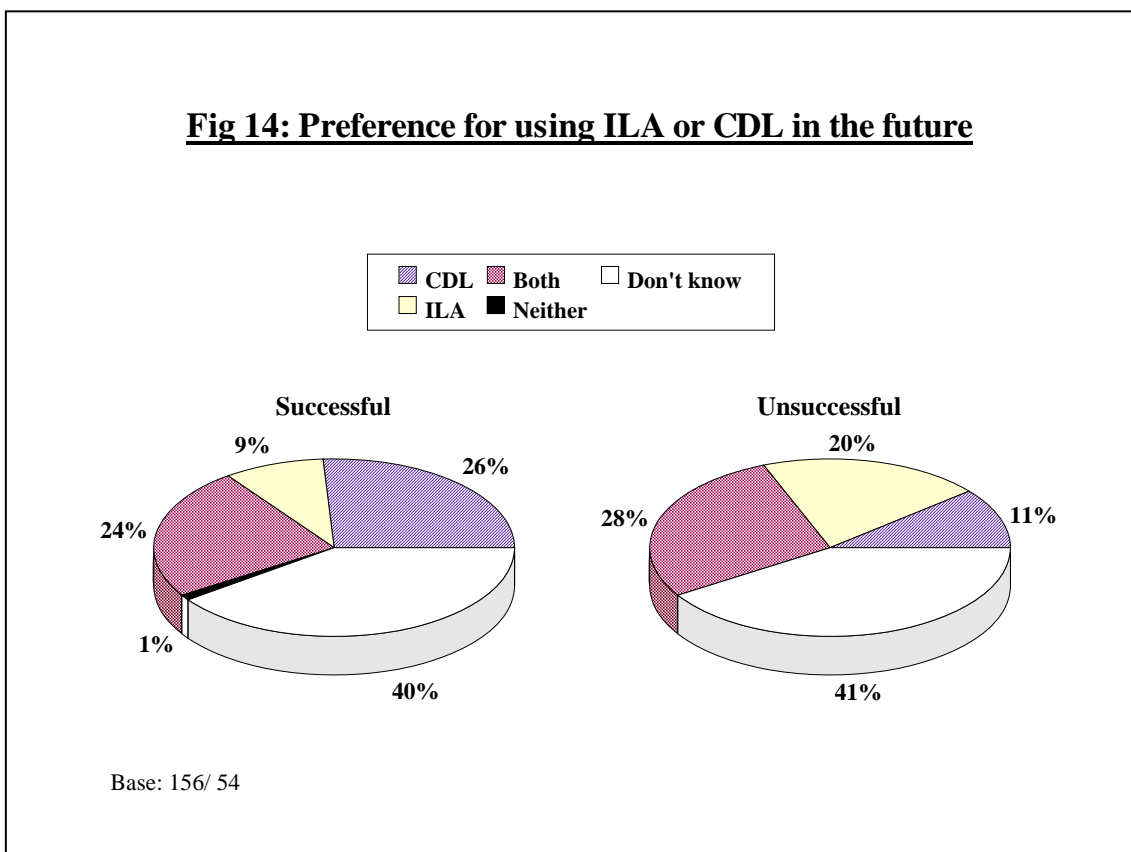
Beyond this some specific comments were made in relation to each type of institution:

- **Newer banks:** Better rates. Have internet facilities. Would act more quickly;
- **Building Societies:** Better rates. “Nicer” than banks. Often used instead of banks;
- **Post Office:** Would lead to more choice and make loans more accessible to everybody. Accessible to people who do not use banks. Have internet facilities. Local branches/known to everyone;
- **Individual Learning Accounts:** Would encourage education. Could use a bank of your own choice. Sensible option for educational borrowing;
- **Credit Unions:** Would lead to more choice and flexibility and make loans more accessible to everybody. Accessible to people who do not use banks. Have a more personal approach, not just in it for the money;
- **Friendly Societies:** Would offer cheaper loans and make loans more accessible to everybody. CDLs might be easier to get than from banks;
- **Industrial/Provident Societies:** Would offer cheaper loans and make loans more accessible to everybody. CDLs might be easier to get than from banks. Accessible to people who do not use banks;

- **Trade Unions:** Are available in the workplace. Offer guidance on education. Are non-profit making. Would be more helpful and increase applicant confidence.

## 6.8 Individual Learning Accounts

All those aware of ILAs were asked whether they would use an ILA or a CDL to fund vocational learning in the future, with the following outcome:



There is no clear answer here, probably due to the relative unfamiliarity of ILAs as compared with CDLs. However there is a clear difference between successful and unsuccessful applicants. Among the former a minority are open to the idea of using an ILA, either as well as or instead on a CDL. However among the latter the majority have this view.



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## 6.9 Summary of features of CDLs

- Opinions of the features of CDLs are mixed. They are felt to have a number of good points but various areas for improvement were identified;
- Certain areas were the subject of detailed consideration, and are discussed below. Apart from these, issues of concern to applicants were:
  - Lack of general information and marketing of CDLs. (It should however be noted that no marketing has been required recently due to natural high incidence of applicants);
  - Greater flexibility of repayment criteria: for instance longer repayment “holiday”, or repayment being contingent on income as is the case with Student Loans;
  - The quality of some of the Learning Providers whose courses are funded by CDLs.
- Satisfaction with the way CDLs are handled by the banks is reasonable, but could be improved in a number of respects namely:
  - Manner of handling rejections;
  - Speed of processing applications;
  - Complexity of process (particularly the application form);
  - Administrative efficiency.
- There are however signs that the new system introduced in the summer of 1999 has made the process more satisfactory;
- There are issues surrounding the interest rate. There is a lack of detailed knowledge of the interest rate, and a prevailing assumption that it must be lower than a “normal” personal loan (which is not, in fact, the case). However a minority believe that the interest rate is higher than a “normal” loan and they feel this is not acceptable. Furthermore, the interest rate is compared unfavourably with student loans;
- A quarter of those who have completed their loan have paid off their CDL in full and one in five of these took out a different commercial loan to do so. A more favourable interest rate is a key influence on this. (It should however be noted that a decrease in interest paid by new applicants has been agreed with one of the banks, and similar to discussions are taking place with the other banks);
- CDL application via the internet would be widely taken up by applicants with 51% likely to do so. However 45% are not interested, so it should not be a replacement for the existing method;

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- It is felt that expanding the roster of lenders would be an improvement to the CDL scheme. This issue is particularly pertinent to rejected applicants. It is felt that a wider roster of lenders would be of benefit by offering more choice to the applicant, lead to lower interest rates (by introducing competition), make CDLs more accessible, and lead to greater exposure for the CDL scheme;
  - A variety of different types of lender were investigated and all receive some positive response. While other banks and building societies are the most obvious additions, other types of lender such as Friendly Societies, Credit Unions and Industrial/ Provident Societies would probably be more effective at making the loans more accessible, particularly to those who are currently turned down by the banks. However these organizations are not particularly familiar, so some marketing would be necessary if they were added. Trade Unions and the Post Office are also worth considering.

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## **CONCLUSIONS AND RECOMMENDATIONS**

### **7.1 Who takes out a CDL and why?**

As has been found in previous years, those who take out CDLs are not typical of the population of working age. They tend to be young, and already well-educated and well-qualified. Two thirds of applicants are in employment when they apply. There is a high level of usage by ethnic minorities, especially among the younger applicants.

CDLs are often used to fund further learning after a first degree, to help people gain an extra qualification before starting their career.

For other people (and particularly for older applicants) the CDL funds learning to facilitate a change of career, or to move out of unemployment.

### **7.2 Impact of CDLs, and amount of learning undertaken because of the CDL**

CDLs are intended to help people who cannot fund their own learning, and thus to generate learning which would not otherwise occur. While some of the learning funded by CDLs would not have taken place without it, this is certainly not true for all the learning funded by CDLs.

Our estimate of “additionality” (the amount of learning funded by CDLs that would not have taken place without it) is in the range of 52% to 55% based on successful applicants, and 40% to 43% based on unsuccessful applicants (**The sample size for unsuccessful applicants (255) means that this result should be taken as indicative only.**). This means that nearly half the money used to support CDLs funds learning that would have taken place in any case.

This issue is discussed further in section 7.4 below.

### **7.3 Characteristics of people turned down for a CDL**

**The sample size for unsuccessful applicants (255) means that all results should be taken as indicative only.**

People who are turned down for a CDL have a similar demographic profile to those who are successful: they tend to be young and highly qualified with a high incidence of ethnic minorities.

The main difference between this group and successful applicants is their employment status. They are more likely to be unemployed when they apply, or to have been unemployed in the past.

There are a number of differences between those who go on to take learning after being turned down for a CDL, and those who do not. Those who take learning are similar to successful CDL applicants: they are younger, better qualified, and either employed or students when they apply. Conversely those who do not take learning tend to be

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unemployed when they apply, older, and less well-qualified. They are also more likely to have dependent children.

It follows that CDLs are not equally accessible to all sectors of society. The bank application process is excluding proportionately more of the older, less well-qualified, unemployed applicants; arguably those who would gain most benefit from vocational learning.

Several of our recommendations address this issue and are intended to have the effect of making CDLs more socially inclusive.

#### **7.4 Amount, level, and length of learning that would have occurred in the absence of CDLs**

As stated above, our estimate of “additionality” is in the range of 52% to 55% from successful applicants, or 40% to 43% from unsuccessful applicants. It follows that “deadweight”, or the amount of learning that would have occurred in the absence of CDLs, is estimated as in the range of 45% to 48% from successful applicants, or 57% to 60% estimated from the smaller sample of unsuccessful applicants.

This estimate of deadweight excludes “upgraded” learning, i.e. learning funded by CDLs that replaces an alternative, lower cost course. If we include “upgraded” learning our deadweight estimate would be higher.

Deadweight is higher for courses in the public sector. Among unsuccessful applicants, indications are that deadweight is nearly twice as high for the public sector than for private sector learning. These courses are usually at least one year in length (as are most other CDL-funded courses) and tend to lead to higher levels of qualification than those in the private sector.

It is clear that targeting of CDLs is an issue, because one of the objectives of CDLs is to increase the amount of vocational education and learning, yet there are high levels of “deadweight” funding of post-graduate qualifications among those already well-qualified, and a high proportion of applications being rejected, arguably from those who would gain more benefit from learning (i.e. those with fewer existing qualifications, and the unemployed).

Targetting the following groups would lead to higher levels of additionality:

- Private rather than public sector learning courses;
- Parents (as opposed to those at the pre-family lifestage);
- Those with fewer qualifications (i.e. those who left full-time education aged 16 or younger);
- Unemployed people.

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Targetting is however not entirely within the Department's control. It is the participating banks who decide who gets a loan, and the banks do tend to reject the less well-qualified and the unemployed. Expanding the roster of lenders would thus perhaps be an effective way of improving the targeting of CDLs, if this would lead to fewer applicants being rejected.

### **7.5 What jobs do people who take a CDL move onto, and do they experience an improvement in job situation?**

Most learning funded by CDLs appears to have had a positive impact. There is an increase in incidence of employment, in level of employment (the majority move into high status occupations) and in income. However, it should be borne in mind that we cannot be sure that those individuals who found employment would not have done so without completing a CDL funded course. Most people are satisfied with their learning course, experience an improvement in their job situation, and feel that they now have better career prospects.

However a minority of people (10%) are not satisfied with their learning and a high proportion of this group do not in fact complete their course. Courses leading to low satisfaction are usually in the private sector, and include various forms of IT training and driving instruction training. There is evidence, albeit among a small minority, of some misrepresentation of these courses to applicants and undue pressure to take out a CDL. (However, this is currently being addressed by DfES through the introduction of a set of principles that learning providers will sign up to and a Leaflet for Learners which will describe what a learner should be looking for when choosing a course and learning provider).

Among those who do complete their course there is a minority (15%) who do not feel that they have experienced an improvement in their career prospects. Thus CDLs are not always funding learning which has a positive impact.

### **7.6 Key features of CDLs and suggestions for improvement**

At the time this survey was completed there were a number of areas for improvement in the CDL scheme: namely the bank application process, interest rate, and repayment criteria.

The bank application process was widely criticised and the following emerged as particular areas for improvement. (Recent improvements are shown in brackets, but further improvements can be made).

- Manner of handling rejections (more recently, banks have been providing more detailed information to applicants and providing quicker responses);
- Speed of processing applications (more recently, this has been reduced to approximately 2 weeks and in many cases much quicker);
- Complexity of process (a Single Application Form was introduced by one bank in December 2000 and the other banks aim to follow in 2001. This will streamline the application process);

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- Administrative efficiency (3 banks have introduced centralised processing of applications, which has improved their services to applicants).

The interest rate is starting to be viewed in an unfavourable light, both in comparison with conventional loans, and with student loans. Significant numbers of CDL users take out a different commercial loan to pay off their CDL, due to more favourable rates. However, one bank (Barclays, who are the major CDL lender) substantially reduced their interest rate in December 2000, making CDLs more competitive.

Greater flexibility of the recruitment criteria would also be welcomed, for instance longer repayment “holiday” or repayment being contingent on income as is the case with Student Loans.

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## 7.7 Recommendations

*NOTE: The fieldwork for this survey was conducted late in 2000. Since that time some of the issues identified have been addressed by DfES, and recent changes are shown in italics below.*

### 7.7.1 **The roster of lenders on the CDL scheme should be expanded in order to make the scheme more inclusive of all sectors of society.** This could be achieved by the addition of different types of lender such as Credit Unions, Friendly Societies, and Industrial/ Provident Societies.

At present CDLs are taken up disproportionately by those already well-qualified and/or in employment. The high rejection rate by the participating banks is a key factor in this. The addition of lenders with less stringent lending criteria would make CDLs more accessible to all sectors of society, including those with few existing qualifications and the unemployed. However since few applicants are familiar with this type of lender, if they are introduced applicants would need to be told what type of institution they are, how they operate, and how they are different from commercial banks.

*(There are developments along these lines; DfES is currently operating a pilot with a Credit Union and talks are taking place with community based institutions, the Post Office and TUC).*

### 7.7.2 **The Department should negotiate with the existing banks in order to reduce the rate of rejection.**

The high rejection rate means that CDLs are not equally available to all sectors of society. However, a reduction in the rate of rejection could lead to an increase in defaulters.

### 7.7.3 **In conjunction with DfES, the banks should introduce a more sympathetic system of rejecting unsuccessful CDL applicants.**

Individuals should be treated sympathetically, should be told why they were turned down, and should be offered alternative courses of action. At present this is not the case and this does not enhance the reputation of CDLs.

*(Since the survey was carried out, banks have provided more detailed information about rejections and provided quicker responses).*

### 7.7.4 **The interest rate on CDLs should be reviewed.**

This is now starting to be viewed in an unfavourable light, both in comparison with conventional loans and with student loans. The current negotiations with banks will certainly be beneficial here, but in addition the new interest rates should be effectively communicated to potential applicants. This could be done via new routes such as community-based institutions and the Post Office, and the routes described under 7.7.6

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information on CDLs, are all aware of the new rates.

#### **7.7.5 The CDL application process should be reviewed.**

Over the period of this research, the CDL application process was experienced as too prolonged, inefficient, and over complex, particularly with regard to the application form.

*(There are signs that changes to the Application Form made in the summer of 1999 have led to some improvements).*

#### **7.7.6 New channels of communication with applicants regarding CDLs should be explored by DfES.**

At present this is largely restricted to the Learning Providers. Means should be found of encouraging applicants to seek professional career advice, and of promoting the Department as a central source of information. Professional career advice could ensure that applicants make the correct choice of course and Learning Provider. At present, there is a significant minority who are not satisfied with their course.

Promoting the Department as a central source of information (for instance via material to accompany applications, or by other marketing routes) would also be useful.

*(A telephone helpline is currently available to all applicants for any general queries and DfES is planning to use Information, Advice and Guidance Partnerships in 2001 for learning information and advice for CDLs. There will also be improved promotion of literature for Learndirect, which provides a wide range of careers and learning information and advice).*

#### **7.7.7 The repayment criteria on CDLs should be reviewed, with a view to making them more flexible for those who remain unemployed or on low incomes after completing learning.**

Respondents felt that the repayment holiday could be even longer and that repayment could be income-contingent as is the case with Student Loans.

#### **7.7.8 The Department should take steps to prevent the misuse of the CDL scheme by Learning Providers to promote courses that are unsuitable for the applicant.**

There is evidence that a minority of Learning Providers, (particularly in the private sector offering IT courses or Driving Instructor training) are misusing the CDL scheme by using undue pressure on applicants to take out a CDL, or by misrepresentation of the course.

*(This is currently being addressed by DfES through the introduction of a set of principles that learning providers will sign up to and a Leaflet for Learners which will describe what a learner should be looking for when choosing a course and learning provider).*



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## **APPENDICES**

### **Appendix A: Sampling Procedure**

#### **Successful Applicants**

The DfES supplied us with a database containing the names and address of 17,741 people who were granted a CDL between November 1998 and October 1999 inclusive.

This list was stratified by area and 50 addresses selected by systematic random sampling. (These sampling points are listed in Appendix B).

For each address selected, an additional 35 addresses were drawn in the same location. Thus a total of 1800 addresses were issued (50 x 36). It was anticipated that this would yield 750 responses, either face-to-face or by telephone among those who had moved house.

In the event the response rate proved slightly lower than expected. A small number of additional addresses was issued bringing the total number to 1956. From this a total of 676 interviews was achieved. The reasons for, and implications of this, are discussed in the next section.

The following steps were taken to maximize co-operation.

- Fieldwork was allocated only to interviewers who have experience of this type of work and who are known to have the required qualities of persistence and persuasive abilities;
- A minimum of 5 calls at each contact were made, consisting of a mixture of telephone contact and personal call at the address. Personal calls were made in every case of non-response by telephone. A minimum of 3 personal calls were made at each address;
- Where respondents had moved, an attempt was made to trace them and to contact them at the new address if this is within an existing sample point. Respondents who had moved out of the area were then attempted by telephone;
- A letter of authority on DfEE headed paper was issued to interviewers;
- All respondents were given every assurance of the confidentiality of the survey. Every interviewer carried an identity card with the name of the field agency and the MRS;
- Response rate was carefully monitored throughout the survey. In sampling points where the response rate was particularly low, contacts were re-issued to senior interviews or supervisors for a second attempt.

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As will be seen from the next section, this approach was successful in keeping the rate of refusal to a very low proportion. However, the numbers of applicants who had either moved away with no forwarding address, or where we made no contact despite repeated attempts, was high.

Where a face-to-face interview could not be achieved but where we had a telephone number for the applicant, a telephone interview was attempted.

A summary of outcomes of the 1956 contacts is as follows:

Successful interview face-to-face	31%
Successful interview by telephone	4%
Moved away and cannot contact	27%
No contact after 3 personal or 5 telephone calls	27%
Refused interview	5%
Other	6%

The interviews by telephone were taken with respondents who could not be interviewed in person, because they had moved away or for some other reason.

The overall response rate is 35%. **This leads us to be cautious about the representativeness of the sample achieved given the high number who had moved away or who could not be contacted.** We do not know whether those who those who could not be contacted had different characteristics from those who could.

Those who were followed up by telephone had a slightly different profile. They tended to be younger and were more likely to be students when they applied. It is possible, therefore, that our overall sample under-represents these groups.

### **Unsuccessful Applicants**

We were supplied with details of 4948 applicants whose application for a loan was turned down by either Barclays or Clydesdale bank. This means that they are not strictly comparable with successful applicants, who were from all 4 banks. However, since three-quarters of CDLs are from Barclays, and since in the event some unsuccessful applicants had applied to more than one bank, the impact of excluding two of the banks is likely to be small.

From this database, we selected a total of 750 contacts: 15 in each of the 50 sampling points. From this we anticipated achieving 250 interviews either face-to-face or by telephone among those who had moved away.

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The same approach to achieving interviews was used as for successful applicants. However, the response rate proved even lower than for successful applicants. A decision was taken to complete the unsuccessful applicants interviewed by telephone, since the original database included telephone numbers for all applicants.

In the event the sample consisted of:

- 126 face-to-face interviews from 633 addresses originally issued for face-to-face contact. (Of the original 750, 117 had not been tried);
- 39 telephone interviews from these 633 addresses;
- 90 telephone interviews from 315 additional contacts drawn at random from the database and attempted by telephone only.

A summary of the outcome from the total of 948 addresses is:

- Successful interview face-to-face 13%;
- Successful interview by telephone 14%;
- Moved away and could not be traced 23%;
- Telephone number unobtainable 16%;
- No contact after 3 personal or 5 telephone calls 21%;
- Refused interview 6%;
- Other 7%.

The overall response rate is 27%. (It is noted that contact by telephone achieves a slightly higher response rate).

There are slight differences between the samples achieved by the two methods. The telephone sample includes slightly more who were employed when they applied, and the face to face sample slightly more who were unemployed, or from ethnic minorities.

As with the successful interviews, those who had moved were slightly younger. **Given the overall response rate, again caution should be exercised regarding the representativeness of the sample.**

### **Pilot**

A pilot survey consisting of 32 interviews took place in 4 locations in August 2000. As a result of the pilot, various minor changes were made to the questionnaire.

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## **Appendix B: Sampling points**

### **CDLs Trainees Survey: Main stage sampling points**

<u>Sampling point no.</u>	<u>Location</u>
<b>North East</b>	
001	Newcastle NE1
002	Redcar TS10
<b>North West</b>	
101	Carlisle CA1
102	Liverpool (Wavertree) L15
103	Kendal LA8
104	Oldham OL2
105	Altrincham WA15
106 *	Cheadle/ Gateley
<b>Yorks/ Humberside</b>	
201	Grimsby DN32
202	Hull HU9
203	Sheffield S11
204	Wakefield WF2
<b>East Midlands</b>	
301	Ilkeston DE7
302	Lincoln LN6
303	Northampton NN3
<b>West Midlands</b>	
401	Birmingham (Northfield) B31
402	Leamington Spa CV32
403	Worcester WR1
<b>Eastern</b>	
501	Ely CB7
502	Hemel Hempstead HP2
503	Luton LU2
504	Barking IG1
505	Benfleet SS7
507	Southend-on-Sea
<b>Greater London</b>	
601	Walthamstow E17
602	New Southgate N11
603	Highgate N6
604	Kilburn NW6
605	Woolwich SE18
606	Chelsea SW10
607	Tulse Hill SW2
608	Chiswick W4

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**Greater London (cont)**

609 Thornton Heath CR7  
610 Harrow HA1  
611 Kingston KT1  
612 Richmond TW9

**South East**

701 Brighton BN2  
702 Guildford GU1  
703 Bicester OX6  
704 Basingstoke RG24  
705 Gerrards Cross SL9  
706 Tunbridge Wells TN1

**South West**

801 Poole BH17  
802 Bristol BS5  
803 Tewkesbury GL20  
804 Highbridge (Somerset) TA9

**Wales**

901 Cardiff CF24  
902 Pontypool NP4  
\*903 Cardiff

**Scotland**

X01 Aberdeen AB23  
X02 Edinburgh EH6  
X03 Cumbernauld G67  
X04 Greenock PA16

\* These additional sampling points were used for Unsuccessful Applicants only.