

## **EPI's response to the Education Committee's *Value for Money in Higher Education Inquiry***

The House of the Common's Education Committee has recently launched an inquiry into value for money in higher education. In this submission, the Education Policy Institute proposes the issues which ought to be considered, rather than providing recommendations on specific policies.

**Summary:** The perception of value for money in higher education has worsened over the past few years, which is concerning at a time when university population is expanding at a high cost for the taxpayer. The government should take a wider view of what constitutes value for money, to include social benefits beyond just monetary returns. The government should also carefully consider the impact of factors beyond the control of universities when considering the value for money of individual institutions. Further research is needed on how the benefits of value for money vary across population groups and whether higher education provision could be made more diverse to reduce costs whilst also meeting the needs of students.

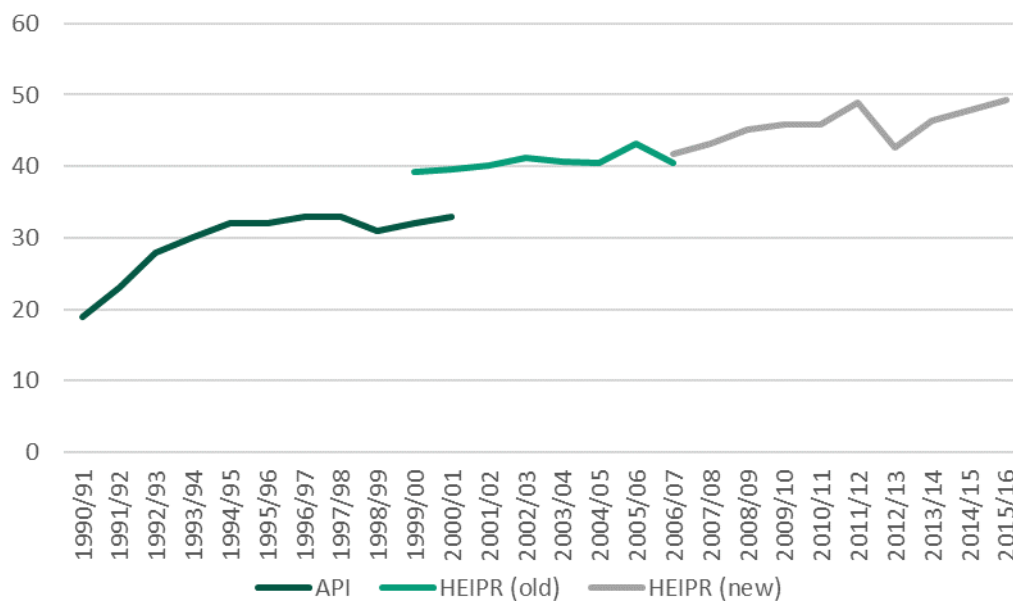
### **1. Participation in higher education is at a record high**

This consultation is timely; the participation of young people in higher education has increased dramatically over the past fifteen years, with almost half of our young people now going to university – see figure 1. Alongside this increase in participation we've seen significant increases in graduate's contribution to their education. Most students now leave university with a debt of around £50,000 and the taxpayer, through the government, absorbs a substantial part of that financial burden, around 31 per cent according to the latest estimates. The government's recent announcement that tuition fees will be frozen at the current level of £9,250 and the repayment threshold lifted from £21,000 to £25,000 has, in part, reversed the trend towards greater graduate contributions. The rate of public subsidy is estimated to go up from 31 per cent to 45 per cent.<sup>1</sup>

---

<sup>1</sup> Institute for Fiscal Studies, 2017, 'Higher Education finance reform: Raising the repayment threshold to £25,000 and freezing the fee cap at £9,250' <https://www.ifs.org.uk/uploads/publications/bns/BN217.pdf>

**Figure 1. Higher Education Participation Rate (Adult participation Index 1990-2000, Higher Education Initial Participation rate 1999-2015)<sup>2 3</sup>**



## 2. Avoiding a narrow approach to value for money

The Education Committee takes the Higher Education Academy and HEPI’s Student Academic Experience Survey as a starting point to this inquiry, interpreting its findings as warnings which warrant a direct response.

The report certainly gives the government and the wider community reasons for concern. However, it also sets out the limitations faced by universities in tackling the relative perceptions of poor value for money, as many factors behind these perceptions are arguably beyond the control of universities.

The report highlights that student experience varies across social profiles, and that factors such as ethnic group, financial status, accommodation and sexual orientation impact students’ perceptions of value of the education they receive. This is relevant as the perceived value for money is defined in the report as the gap between expectations and the student actual experience, which seems to be influenced by individual and societal factors beyond the reach of universities. This is not to say universities cannot play a role in improving student satisfaction, as the survey shows value for

<sup>2</sup> <http://www.publications.parliament.uk/pa/cm200102/cmhansrd/vo020708/text/20708w20.htm>, <https://www.gov.uk/government/statistics/participation-rates-in-higher-education-2006-to-2016>

<sup>3</sup> API = Age Participation Index, HEIPR = Higher Education Initial Participation Rate

money varies between universities, as well as across subjects, but it stresses the need for a comprehensive understanding of what value for money is.

### 3. Understanding individual and wider societal benefits of university education

#### 3.1 Individual benefits

##### *(a) Salary*

There is evidence that university graduates tend to earn more than workers without such qualifications, although this varies across subjects and it is unclear whether the premium will remain stable in the future, especially given the expansion in university population.<sup>4</sup>

The recently published LEO (Longitudinal Education Outcomes) data show that salaries vary largely between degree subjects. For example, median salaries 5 years after graduation range from £20,000 for creative arts and design graduates to £47,000 in medicine and dentistry. However, there is also variation within subjects. Although the median earnings for economics graduates 5 years after graduation is circa £33,000, income ranges from £17,000 to £61,000.<sup>5</sup> Further research is needed into the causes of this large variation, and whether it is directly related to the quality of universities and subjects taught.<sup>6</sup>

It is notable that some vocational qualifications seem to have higher returns than university education. For example, the earnings of former level 5 apprentices are much higher than those for graduates one year (£27,000 vs £18,000) and two years after completion (£28,000 vs £20,000). However, the cohort of completers of level 5 apprentices is small and it is difficult to say at this point whether the premium will be sustained over the years.<sup>7</sup>

---

<sup>4</sup> Institute for Fiscal Studies, 2017, 'The puzzle of graduate wages'.

<https://www.ifs.org.uk/uploads/publications/bns/bn185.pdf>

<sup>5</sup> Department for Education, 2017, 'Employment and earnings outcomes of higher education graduates by subject and institution: experimental statistics using the Longitudinal Education Outcomes (LEO) data'.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/619512/SFR\\_18\\_2017\\_LEO\\_mainText.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/619512/SFR_18_2017_LEO_mainText.pdf)

<sup>6</sup> Institute for Fiscal Studies, 2016, 'Heterogeneity in graduate earnings by socio-economic background'.

<https://www.ifs.org.uk/publications/8235>

<sup>7</sup> Education Policy Institute, 2017, 'Apprenticeships for Northern Growth. Challenges, Trends, and Current Reforms'. <https://epi.org.uk/wp-content/uploads/2017/02/Apprenticeships-for-northern-growth-web.pdf>

### *(b) Employment and employability*

While only 2.9 per cent of graduates were unemployed in 2016, the figure was 5.9 per cent for non-graduates.<sup>8</sup> However, it is also true that the UK is one of the OECD countries where overqualification (30.2 per cent) and total qualification mismatch (42.6 per cent) is the highest, which means many UK graduates end up in jobs that require qualifications below degree level. Although the concept of overqualification is a contested one, underemployment does not seem a reasonable outcome to a university degree, especially when the taxpayers bear a large proportion of the burden.<sup>9</sup> In addition, a recent survey shows that employers believe that workers who have taken an apprenticeship are more ready for work than graduates (64 per cent and 52 per cent respectively).<sup>10</sup>

### *(c) Non-monetary individual benefits*

Even though the proportion of graduates who are underemployed (or overeducated) is relatively high in the UK, there are still benefits for graduates compared to non-graduates even when their jobs require lower qualifications. It is true that graduates working in a job which does not match their qualification tend to earn less and that they show lower levels of job satisfaction than those who are well-matched. However when compared to non-graduates, mismatched graduates have higher levels of trust, are more involved in civic activities such as volunteering and are more politically involved than non-graduates.<sup>11</sup> Therefore, it can be argued that there are other non-monetary returns to a university degree, and that value for money should not be limited to earnings but should include all the benefits experienced by graduates.

## **3.2 Wider economic benefits**

It is undeniable that universities are an asset to the British economy. Universities employ 404,000 people, equivalent to 1.3 per cent of the UK's workforce, and sustain 430,000 jobs in their supply chains. Furthermore, its gross value added in the UK economy is £52.9 billion (2.9 per cent of GDP), ignoring the inputs from other industries; otherwise the, gross output is £95 billion. On top of that,

---

<sup>8</sup> Department for Education 2017, 'Graduate labour market statistics 2016'.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/610805/GLMS\\_2016\\_v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/610805/GLMS_2016_v2.pdf)

<sup>9</sup> OECD, 2016, 'Skills Matter. Further results from the Survey of Adult Skills'.

[https://www.oecd.org/skills/piaac/Skills\\_Matter\\_Further\\_Results\\_from\\_the\\_Survey\\_of\\_Adult\\_Skills.pdf](https://www.oecd.org/skills/piaac/Skills_Matter_Further_Results_from_the_Survey_of_Adult_Skills.pdf)

<sup>10</sup> Sutton Trust, 2017, 'Life lessons'. [https://www.suttontrust.com/wp-content/uploads/2017/10/Life-Lessons-Report\\_FINAL.pdf](https://www.suttontrust.com/wp-content/uploads/2017/10/Life-Lessons-Report_FINAL.pdf)

<sup>11</sup> Green, F., Henseke, G., 2017, 'Should governments of OECD countries worry about graduate underemployment?'

the knowledge obtained by graduates is estimated to boost productivity by 28 per cent or £63bn compared to their pre-degree productivity.<sup>12</sup>

#### 4. Value for money, but for whom?

However one defines value for money, graduates generally benefit from their time at university and completing their degrees. Nevertheless, not all groups are equally likely to progress into university, and this is a challenge from a social justice perspective.

The Education Policy Institute recently analysed the latest access figures on higher education participation and found that a smaller proportion of pupils who received free school meals are progressing to university than those who did not receive free school meals (24 per cent and 41 per cent respectively). More disadvantaged pupils are now progressing into university than in previous years, but this trend is common to the whole cohort which means the gap between disadvantaged pupils and their peers has remained largely unchanged since 2007-08.

The research also identified regional variations and found that disadvantaged pupils from Inner London are actually more likely to progress to university than more affluent pupils outside of London (but not Outer London) as 45 per cent of disadvantaged pupils in Inner London progressed to higher education, whereas the highest figure for more affluent pupils outside of London was just 41 per cent, in the West Midlands, with the lowest being 37 per cent in the South West. A separate EPI research suggested that whilst these variations can be largely explained by ethnic composition and prior attainment, some geographical effect remains.<sup>13</sup>

EPI also found differences between independent and state sectors for pupils taking A levels or an equivalent qualification. 63 per cent of state school leavers progress into higher education, whereas the rate is 85 per cent in the independent sector – a gap of 22 per cent.<sup>14</sup>

Further evidence from EPI, based on the latest UCAS figures, found significant decreases in the number of mature and part-time applicants. This is most likely linked to less generous funding arrangements for this mode of study. This particularly affects Black applicants, as a very high proportion of applicants from this ethnic group are mature students and have probably been more

---

<sup>12</sup> Universities UK, 2017, 'The economic impact of universities in 2014/15'.  
<http://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/2017/the-economic-impact-of-universities.pdf>

<sup>13</sup> Education Policy Institute, 2017, 'The path to higher education: is there a London effect?'.  
<https://epi.org.uk/analysis/path-higher-education-london-effect/>

<sup>14</sup> Education Policy Institute, 2017, 'The path to higher education: obstacles remain for the disadvantage'.  
<https://epi.org.uk/analysis/path-higher-education-obstacles-remain-disadvantaged/>

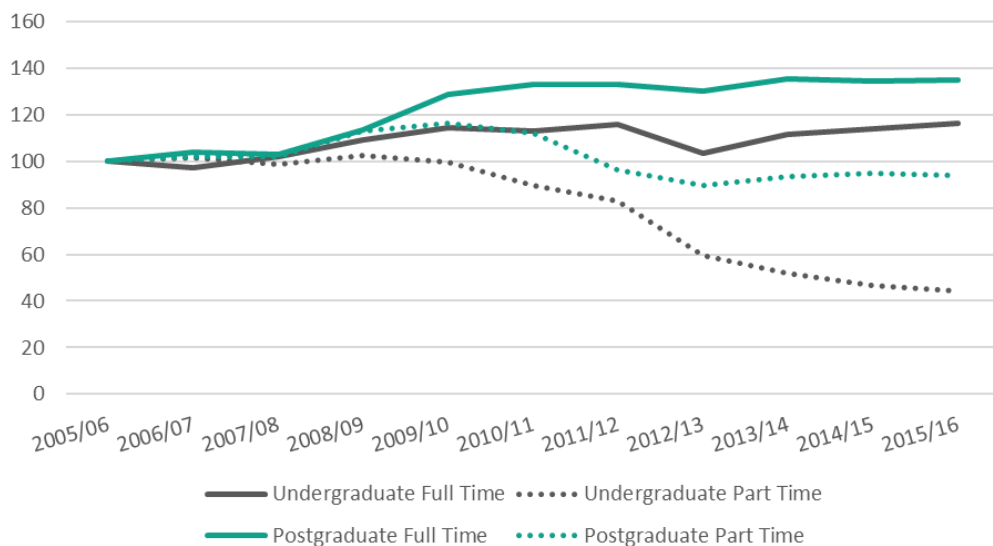
affected by the current arrangements than other groups.<sup>15</sup> It is therefore important to investigate not only what the value for money of higher education is, but to what degree benefits are equally distributed across different socioeconomic groups.

## 5. A heterogeneous university population has not translated into more diverse university provision

The qualifications universities are offering have become more homogenous over time, not less. Increasing numbers of undergraduate students are enrolled today in full-time first-degrees, while part-time study and other undergraduate qualifications (HNCs, HNDs, Foundation Degrees) have been plummeting.

The number of students in part-time education, especially at the undergraduate level, has been falling over the past seven years. In 2015/16, there were about 60 per cent fewer first-year part-time undergraduate students than in 2008/09, while the number of first-year undergraduate students in full-time mode had increased by around 20 per cent over the same period. A similar trend applied to postgraduate education, where the number of part-time students started to plummet in 2009/10 though it started recovering in 2013/14 and has flattened out in recent academic years. Therefore, the gap between part-time and full-time has been widening over the past seven years.

**Figure 2. Evolution of first year undergraduate enrolments to UK universities (all domiciles)<sup>16</sup>**



<sup>15</sup> Education Policy Institute, 2017, 'Latest UCAS data signals the post-Brexit challenger for higher education'. <https://epi.org.uk/analysis/latest-ucas-data-signals-post-brexit-challenges-higher-education/>

<sup>16</sup> HESA data, different academic years.

The provision of HNCs and HNDs in mainstream higher education (HE and FE providers) has also been going down over time. 15,800 students were reported to be studying in higher education institutions in 2015/16, down by 23 per cent from 2011/12. Though more students may be studying for HNCs and HNDs in alternative providers. In any case, they represent no more than 2.5 per cent of total undergraduate numbers in English universities, according to a recent response to a parliamentary question. Foundation degrees have followed a similar downward pattern.<sup>17 18</sup>

The government should consider whether more diverse provision would match better the needs of many students. Students in alternative and new providers seem to be more satisfied with the value of their degree despite fewer contact hours, according to the HEA and HEPI student academic experience survey.

Some new providers seem to be improving student experience through innovation and alternative approaches to learning. Some offer smaller class sizes than traditional providers, better connections with employers and a provision that matches the needs of the local economy. There is some reasonable fear TEF's approach to teaching quality is too narrow, which may hamper innovation in teaching.<sup>19</sup> Finding the right balance between accountability and innovation may be a necessary step to improve provision.

A more diverse degree offer may help improve the value for money that graduates get from their studies. Although accelerated and shorter degrees may not work for everyone, it may be a good alternative for some students and a way to make provision cheaper. Students surveyed by YouGov for UK2020 reported receiving around 11 hours of teaching contact per week, and generally universities in the UK provide 23 weeks of teaching a year for a full-time degree. In line with this, 60 per cent of students reported spending eight months or less in their student accommodation per year. The government could explore where accelerated or shorter degrees may add value to higher education provision and, if university infrastructure is underused outside term times, whether it would be possible to ensure facilities are used to increase efficiency in the system.<sup>20</sup>

---

<sup>17</sup> <https://www.hesa.ac.uk/file/6430/download?token=6vQ6VAan>

<sup>18</sup> Education Policy Institute, 2016, 'Remaking Tertiary Education'. <http://epi.org.uk/wp-content/uploads/2016/11/remaking-tertiary-education-web.pdf>

<sup>19</sup> Policy Connect, 2017, 'One Size Won't Fit All'.

[http://www.policyconnect.org.uk/sites/site\\_pc/files/report/1005/fieldreportdownload/hec-web.pdf](http://www.policyconnect.org.uk/sites/site_pc/files/report/1005/fieldreportdownload/hec-web.pdf)

<sup>20</sup> UK2020, 2017, 'Timebomb. How the university cartel is failing Britain's students'.

[http://www.uk2020.org.uk/wp-content/uploads/2017/09/JRTI5635\\_UK\\_higher\\_education\\_timebomb\\_report\\_170830\\_WEB.pdf](http://www.uk2020.org.uk/wp-content/uploads/2017/09/JRTI5635_UK_higher_education_timebomb_report_170830_WEB.pdf)

---

**For further information about EPI research, please contact John Cope, Director of Communications and External Affairs, on 020 7340 1160 or [john.cope@epi.org.uk](mailto:john.cope@epi.org.uk)**