

Are degrees worth higher fees? Perceptions of potential undergraduates on the financial benefits of entering higher education

Abstract

The expected economic gain of individuals (the “graduate premium”) is regularly cited by politicians as a justification for higher private contributions to the cost of higher education, most recently as part of the rationale for the increase in England of the cap on Home/EU undergraduate fees to £9000 (eg Willetts, 2011). However, the choices that potential students make about whether to apply to university and if so where and what to study, are not influenced directly by the, necessarily generalised, and highly contested estimates of the financial benefits for recent graduates over their careers (eg BIS, 2011). Instead it is the perceptions that individual applicants have about outcomes that they expect personally which can be expected to be significant – these are explored in this study which finds that there are high levels of uncertainty amongst potential applicants to higher education regarding the expected earnings after graduation and regarding the amount of debt studying for a degree would entail. However, the data gathered by the study indicates clearly that attitudes towards the notion of a graduate premium have a strong influence on the propensity of applying to higher education.

Background

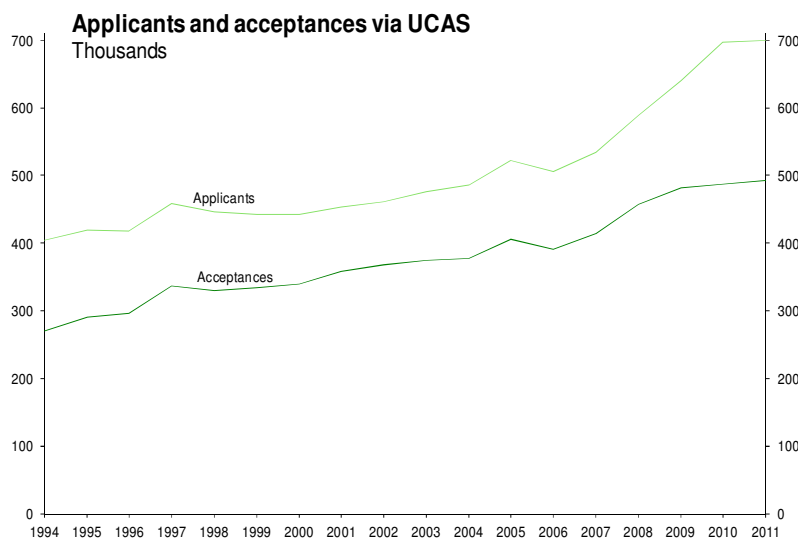
As undergraduate fees at English universities have gradually increased since 1998, a number of studies have considered the extent to which costs, net costs and perceived financial benefits (in the form of higher salaries) have influenced the higher education choices of potential undergraduates. These suggest that:

- younger applicants and those from higher socio-economic groups are more likely to select a course out of interest or because they think they are best at this subject rather than due to career or salary expectations (Purcell et al 2008)
- applicants remain highly positive views about both the social and the economic value of higher education (Purcell et al 2008)
- perceptions of the return on investment in higher education vary by course as well as by institution, with a view that more expensive courses can be a better

investment because of the careers and earning potential they open up (UUK/HEFCE 2010)

- that those from lower socio-economic groups are slightly more likely to be concerned about financial outcomes after graduation than others (CHERI/LSBU 2005, UUK/HEFCE 2010) – also that Asian Bangladeshi were most likely, and Asian Chinese least likely to be concerned about the levels of debt they would have to repay on graduation (a consideration that is in part related to perceptions of expected graduate premium) (UUK/HEFCE 2010)
- financial concerns are significantly more likely to constrain the higher education choices of students from lower socio-economic groups (Callender and Jackson 2008)

The overall upward trend in UCAS applications (shown below) nevertheless suggests that, with fees capped at an (index-linked) £3000, the price-sensitivity point has not been reached, at least as far as participation in higher education as a whole – rather than at specific universities or for particular subjects – is concerned.



However, a recent panel survey (OpinionPanel 2012) found the prospect of significantly increased tuition fees from 2012 had changed the behaviour of almost a quarter (23%) of applicants. This effect is not evenly distributed, with an effect size of .38 for those from lower socio-economic groups with lower predicted grades, as compared to .18 for those from higher socio-economic groups with higher predicted grades. A separate large study conducted among yr12 students (Wilkins et al 2012), also found that financial issues played a key role in intentions about whether to apply

to higher education and if so where; this though found that the effect was most pronounced in the two highest socio-economic groups, where applicants were more likely to be considering alternative options for further study due to their lower cost.

In this context, the current research is designed to explore the reasoning which has resulted in differential effects such as these and thus seek to understand why there are, as yet, no clear patterns to be found between individual studies. .

Research design

Research was conducted with yr13 students at six schools/colleges in Oxfordshire and Buckinghamshire, comprising four state comprehensive schools, one sixth form college and one independent single sex school.

Data was collected in two stages – initially through a questionnaire which all yr13 pupils in the schools and colleges concerned were invited to complete; this was administered in the weeks immediately after the 15 January 2012 UCAS deadline, so that responses related to the reasons for decisions made would be gathered as close as possible to the time these took place, but without potentially influencing higher education application decisions.

The questionnaire collected socio-economic data about the students (gender, ethnicity, home post code, family history of participation in HE) and academic data about their current studies (subjects and qualifications) and university applications (subject and institution) or non-application. Likert scale questions were used to explore the reasons for choices made – academic, social and financial – and figures were collected for estimates of costs of attending university (in terms of debt on graduation), repayment time for Student Loans and potential salary differences between graduates and non-graduates.

The evidence collected during the quantitative phase of this research was used to inform decisions concerning themes to be explored during the second stage of the project. This consisted of five focus group discussions, each of which was conducted in a different school from the sample with between six and 12 respondents who had applied for a higher education course.

Findings

The questionnaire produced just over 700 responses, with over three-quarters of respondents applying for a place in higher education. The questionnaire collected data on a number of demographic and background variables; Table 1 summarises the connection between some of these variables and the likelihood of application to higher education.

	All respondents	Gender		Ethnicity				Qualifications being studied		Family history of participation in HE	
		Female	Male	White	Black	Asian	Mixed	A levels	Other qualif.	1 st in family	not 1 st in fam.
Applied	73.4%	78.6%	66.4%	71.5%	85.3%	88.5%	62.5%	77.8%	50.9%	70.5%	75.3%
Not Applied	26.6%	21.4%	33.6%	28.5%	14.7%	11.5%	37.5%	22.2%	49.1%	29.5%	24.7%
N	723	416	307	589	34	61	24	591	114	207	481

Table 1: Likelihood of applying to higher education according to selected student characteristics

The questionnaire contained a number of questions regarding respondents' view on the monetary benefits of higher education, including if and how much they thought graduates earned more than non-graduates with the same qualification at the point of school-leaving. While nearly 78% of respondents to this item indicated that they believed that graduates earn more, only 22% expected that graduates earn significantly more (over £5,000) per year. This attitude towards the concept of a graduate premium has a strong influence on the propensity of applying to higher education: whereas only 19% of respondents believe in a graduate premium did not apply to higher education, the corresponding figure for respondent who do not believe in a graduate premium is 47%.

Participants who had applied to higher education were asked about their expectations regarding earnings in their first job after graduation. The share of respondents who expect their earnings after graduation below the Student Loan repayment threshold of £21,000 was 28.2% overall and varies by gender (female: 32.2%, male: 21.2%) and first in family in HE (36.9%) or not (25.2%). The item also included the option 'don't know / have not thought about this' which was selected by 28.6% of respondents, indicating a high level of uncertainty or little engagement with questions of future earnings.

A similar pattern is seen for expectations of debt participants expect to accumulate during their studies. Again, the questionnaire used clustered answer ranges to generate this data, including in the option of ‘don’t know / have not thought about this’, which was selected by 20.6% of respondents. The expectation of debt is linked to levels of concern about debt, which was also covered in the questionnaire. Overall, 40.3% of respondents indicated that they are ‘concerned’ or ‘very concerned’ about this debt. Unsurprisingly, students who expect higher levels of debt are more concerned about debt.

These high levels of uncertainty and concern about debt were explored in the focus group interviews where one of the overriding notions was that of ‘the numbers being too big’ (in terms of fees and debts) to make it possible to evaluate all the financial implications of the decision to study for a degree. As a consequence of this notion, interviewees did not perceive relatively small differences in fees levels charged by, or in bursaries offered by, universities as an important factor in their decision making. Instead the higher fees have raised the stakes in the sense of finding the right course at the right institution in order to justify the levels of debt respondents expect to accumulate. A number of interviewees made it clear that they would rather not enter higher education if they did not get offered the place they wanted; a stance they would not necessarily have had under the previous fee regime.

Conclusions

The data from the questionnaire and the focus group interviews allows us to conclude that prospective students demonstrate a high level of discrimination with which they approach decisions regarding higher education. While many of the participants in our study do not have clear expectations about the financial costs and benefits of a higher education degree and seem to ‘postpone’ concerns about debt to a later point in time, they indicate that higher fees have increased the pressure to make the right decisions concerning what and where to study. If this is the case, it can be expected that prospective students will be very selective – influencing behaviours adopted during the Clearing process – and that drop-out rates in the early stages of degrees will be potentially lower, as students recognise they have made a significant commitment by starting at university and will have greater motivation to complete their courses.

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