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The Malignant Market: Is the widening participation debate lost? (0296)

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Introduction

Empirical analysis into the value of higher education traditionally focuses on two aspects. First, to understand demand, there is analysis into individual benefits. Graduate earnings premiums, to understand the success of an individual's investment decision, are estimated. Second, to understand market failure and the need to subsidise, there is consideration of a myriad of positive externalities. There are, for example, benefits for the economy through productivity enhanced by the creation of a more skilled population. The evidence from this 'human capital' approach appears impressive. For example, the work of Million+, based upon extensive research undertaken by Conlon and Patrignani (2011) for the Department for Business, Innovation and Skills (BIS), found that the earnings premium of a UK undergraduate degree is 27% compared to an individual leaving education with two 'A' levels or more. The average gross graduate premium is estimated at £125,000 over a working lifetime. Million+ (2013) have argued that a degree, not only providing access to a financial premium, also leads to more fulfilling careers and reduced state dependency. In addition, Brown (2013) and Thompson and Simmons (2013) argue that, through learning-by-imitation, the greater productivity of graduates also spillover to co-workers. Battu et al. (2003) and Metcalfe and Sloan (2007) both report that untrained employees can increase their earnings by 9-12% by working alongside employees who have an additional year of education. Further, Moretti (2004) reports that a 1% increase in graduates within a city can increase wages in that city by up to 1.9%. We argue, however, that this 'value for money' approach to education is problematic. Building on Webb et al. (2017) and Cook et al. (2018), we confirm that a focus on average wage effects from attending university underplays the importance of public perceptions. We demonstrate how, through the marketisation of education, these perceptions have been damaged.

Our starting point is to investigate the importance of socio-economic class and whether differences in perceptions can account for limited success in achieving widening participation aims. We pose a simple question: do working class people value education less? We hypothesise that this is likely because of two important market-related features of UK Higher Education. First, we consider the massification of Higher Education and the creation of 'congestion' where an over-supply of graduates impairs career opportunities. Thus, with too many degrees chasing too few degree-level jobs, graduates from working class backgrounds may be disadvantaged even further. Those from higher socio-economic groups are hypothetically more able to utilize their cultural and social capital to boost their career opportunities. They can be more confident because they have so many advantages to

sustain them. They can have increased means to tactically benefit from school choice. They can benefit from private tutoring. They are more likely to benefit from extra-curricular activities which can influence employer outcomes in their favour. Second, we factor in the rapid increase of tuition fees to £9,000. This has made the decision to undertake a degree, for many students, the equivalent of a more conventional investment decision. As both costs increase, and returns fall and become uncertain, attitudes towards the financial benefits of attending university can be affected. We investigate whether this is likely to be more problematic for the lower socio-economic groupings, given a traditional dislike for taking on debt for education purposes (Callender and Jackson 2005).

Data and Method

To test for socio-economic class differences over the perceived value of a university education, we adopt a two-stage empirical methodology. In stage 1, adapting a fuzzy poverty methodology which weights responses to avoid double counting, we calculate a unique dissatisfaction index. Using British Social Attitudes data, this index results from negative responses to the following five issues: A degree represents good value for money; A university education is affordable for all young people regardless of their family background; A university education creates better career opportunities for people whose parents did not go to university; Student debt is a worry for students and their families; and, financial help should be available for mature students. Using a tobit methodology (with control variables such as university education, career success and having children who may soon enrol on a university degree), we investigate differences in perceptions across socio-economic groups.

In the second stage we investigate how our dissatisfaction index, and therefore low perceived value, impacts on the likelihood of investing in education. We adopt a bivariate probit approach. Our primary dependent variable is a pro-investment variable, which reveals respondents who- if they had to make the decision today- would continue onto further and higher education. Feeding into this regression is a probit encompassing our dissatisfaction index. This is a dummy variable which equals 1 if the respondent has an index score which exceeds the median.

Results

Our two-stage approach reveals two outcomes. First, we find evidence that those from lower socio-economic groupings do not have lower dissatisfaction scores. Instead, we find that working-class respondents score significantly lower in our index, indicating that they have a more positive outlook over the value of education. This suggests that there is still opportunity to improve on widening participation outcomes.

In our second stage, our results also appear to be positive. We reveal, for example, that there are age effects as younger people are found to have lower dissatisfaction index scores

and therefore having a more positive view over education. However, these results disguise more disturbing findings. The dissatisfaction index is found to significantly impact on our pro-education variable. As dissatisfaction increases, we can also expect substantial negative effects on education enrolment rates. Marketisation of education is found to threaten widening participation and hamper any social mobility effects from higher education.

Conclusion

Our analysis confirms that a focus on 'value for money' in Higher Education significantly impacts on how education is perceived. Rather than simply suggesting that a graduate wage premium may be underestimated by the potential investor, our evidence suggests that it will restrict the social benefits achieved through education. We confirm that realising widening participation is likely to become even more difficult.

References

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