

## Are University Degrees Value for Money? Business School Students' Earnings Expectations (0266)

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It is questioned increasingly whether a degree is good value for money; especially in England where the tuition fee cap for a Bachelor degree is now £9000 and an increasing number of graduates are working in jobs that do not require a degree (Office for National Statistics, 2013; CIPD, 2015). Nevertheless, although there are a number of reasons for entering higher education, "getting a better job" and "increasing earning potential" are some of the most common motives mentioned by students and potential students.

In our study we focus on students' earnings expectations in two European countries – England and the Czech Republic. While tuition fees in England are among the highest in Europe, students at Czech public universities do not pay any tuition fees. Data was collected from first year and final year students on business studies programmes. Questionnaires were distributed at two modern universities in England and two technical universities in the Czech Republic. In total 3,174 students completed the questionnaire. We adopted a repeated cross-sectional design – questionnaires were collected for four consecutive years (from 2011/2012 to 2014/2015). In addition, six focus groups were conducted during the academic year 2012/2013. There were no statistically significant differences between the two universities in each country and therefore the data were aggregated.

Students were asked to estimate their graduate earnings under two scenarios – immediately after graduation and 10 years after graduation. Previous research has shown that personal characteristics can influence graduate earnings. In this study, we investigated the role of gender, ethnicity, age and socio-economic status. A second group of variables related to the educational process, including expected grades, postgraduate studies and university prestige. We were also interested in the so-called sheepskin effect which is defined as a "difference in earnings between individuals possessing a diploma and those who do not, conditional on years of schooling" (Jaeger and Page, 1996: 733). To measure a possible sheepskin effect in students' expectations, we asked final year students to estimate their earnings under a scenario where they would drop out of their studies before graduation and compare this with their expected earnings after graduation. Another part of our study looked at the effect on expected earnings of students' work experience, including casual experience and sandwich placements. The final part of our research explores how students' expectations vary both between and within the two countries.

In both countries female students had lower earnings expectations than their male counterparts, which is in line with previous research (e.g. Brunello et al., 2004; Webbink and Hartog, 2004; Carasso et al., 2012; Menon et al., 2012). The gap was larger for the "10 years after graduation" scenario and in the Czech sample. Czech female students also seemed to be worried about

discrimination in the labour market. Students' ethnicity was investigated in the English sample only since the Czech population is ethnically homogenous. There was a large proportion of ethnic minority students in the English sample (40.2%). Asian British students were found to have significantly higher earnings expectations compared to white British students.

Czech students were older on average because the maturita exam (an A-level equivalent) is typically taken at the age of 19. Moreover, final year students in the Czech sample were completing their Master degree rather than a Bachelor one. This was due to labour market differences – in the Czech Republic, a Master degree confers graduate status, whereas in England a Bachelor degree signals this outcome. Therefore, rather than using their actual age we compared the expectations of first year and final year students. First year students in both countries expected to earn more both immediately after graduation and also 10 years after graduation. Previous research has also shown younger students to have higher and less realistic expectations (e.g. Brunello et al., 2004; Jerrim, 2008).

We used parental education and parental income as indicators of students' socio-economic background. Previous research has revealed that students from wealthy families expect to earn more after graduation (e.g. Webbink and Hartog, 2004; Jerrim, 2008; Delaney et al., 2011; Menon et al., 2012). In our English sample, parental income had little effect on earnings expectations. On the other hand, mothers' and fathers' level of income was important in the Czech sample where students with the highest earning parents (i.e. 50,000 CZK or more per month) had significantly higher expectations than the rest of the group. With regard to parental education, we found low levels of education to be associated with an expectation of the highest earnings after graduation in both countries.

The second part of our analysis was devoted to the role of education. One of the questions asked whether high achieving students expect higher salaries. We found that English students who expected to obtain a first class honours degree had significantly higher earnings expectations, especially in the "10 years after graduation" scenario. During the focus group, having a "good degree" (i.e. at least a 2.1) was considered to be a necessity by a number of students. By contrast, academic results do not seem to be of any importance for graduate employers in the Czech Republic. However most students (both Czech and English) in our focus groups believed that university prestige matters for graduates when they enter the labour market.

There was no statistical difference between those who wanted to start working immediately after graduation and those who planned to undertake postgraduate studies. We also found evidence of a sheepskin effect among final year students. Final year English students expected to earn £20,877 per annum on average after graduation; however, they would only expect to earn £16,293 per annum on average if case they were to drop out from their course before graduation. In the Czech sample median earnings after graduation were 19,877 CZK per month and students would expected to earn 13.6% less (17,177 CZK per month) if they had failed to complete the final year of their studies.

Another group of variables which is yet to be analysed fully relates to students' work experience. Preliminary findings suggest that English students who undertake a sandwich work placement

have higher earnings expectations. Czech students do not take undertake sandwich degrees. Casual work experience does not seem to have any effect in either country.

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