

# The financial rewards of higher education

Successive UK governments' policies to expand higher education are producing increasing numbers of graduates. However, many jobs taken by graduates can also be filled by non-graduates. This means that for a young person the choice of going to university presents an increased financial risk in terms of acquiring a higher-paid job.

Access to graduate jobs is an important factor for people making a decision about whether to participate in higher education. As the number of graduates entering the workforce rises, jobs that were traditionally classed as 'non-graduate' are increasingly being taken by graduates, blurring the boundary between graduate and non-graduate work. Although some occupations have become wholly graduate and others remain wholly non-graduate, many occupations are now 'partially graduate'.

This produces unclear occupational choices and alters the risk environment for people deciding whether to go to university – especially as there is now a significant personal financial burden on graduates. Many graduates end up in partially graduate occupations, earning the same wage as they would have done if they had left education after completing A-levels instead of investing in a university degree. Higher education, especially given its increased cost to the individual, is therefore a risky investment for a proportion of the population.

A study carried out by Dr Malcolm Brynin at the ESRC Research Centre on Micro-Social Change (MiSoC), University of Essex, has analysed employment data for graduates. Using data from the British Labour Force Survey 1993-2008, the research examined what constitutes a typical graduate job, the proportion of employees considered to be in partially graduate work, the distribution of pay, and the proportion of employees where a degree is financially beneficial. The analysis covered men and women aged 16 to 60 who work at least ten hours a week, with extremely high and low wages excluded.

## Key findings

- There is considerable overlap in the distributions of hourly pay amongst graduates and those with only A-levels. While graduates receive, on average, £10.90 an hour, and school leavers with A-levels £7.90, a significant proportion of graduates receive much the same wage as A-level school leavers.
- In 2008, 38 per cent of all employees were in occupations that were not clearly graduate or non-graduate (defined as where the proportion of graduates ranges between 10 and 40 per cent) – up from 22 per cent in 1993.
- The contribution of a degree to the probability of obtaining a higher managerial or professional job, and the contribution of a degree to the hourly wage, are still strongly positive, but falling. For non-manual work, in 1993 more than 24 per cent of graduates earned the broad average hourly wage. By 2008 this figure was over 34 per cent. In other words, just to earn an average pay it is increasingly necessary to be a graduate.
- The mean real pay of graduates in managerial and professional jobs has risen less than that of non-graduates in roughly similar jobs. In 1993 47.9 per cent of graduates earned above the average hourly wage; by 2008 this figure had reduced to 23.1 per cent. The percentage of graduates earning below the average hourly wage rose in the same period, from 8.2 per cent in 1993 to 27.1 per cent in 2008.
- While in most cases a degree will be of benefit, there is an approximately one in four chance that a graduate will receive a below-average wage, and a 50/50 chance of receiving an average wage.

## Policy relevance and implications

It is important to encourage participation in higher education, especially targeted at those from families with no tradition of university education - while at the same time not giving false expectations which could result in high levels of debt and difficulty getting adequately paid jobs.

Achieving this balance needs a clear policy; otherwise the default is that a university education is always worth the investment, which is simply not true. Prospective students need balanced and clear information to make informed decisions.

- Department-level guidelines could be provided for educational institutions to ensure that assessment of the value of higher education is fed into the careers advice system - so that potential undergraduates are given relevant and objective information about the relationship between the possession of a degree and earnings.
- A Department for Education-hosted website could be developed as a resource for school-leavers, providing relevant and accessible information – for instance, the proportion of graduates in all occupations (making it clear whether a degree is expected for the sort of work the school-leaver is aiming for); tables of average wages (and wage range) within occupations; and the percentage of graduates that can expect to earn an average income for that age group after a certain period in work.
- Rather than simply increase university intakes, a central policy objective should apply a more diversified approach focusing on what is best for different people. While it is important to encourage social mobility and access to higher education for people from a financially poor family background, realistic and clear alternatives should be provided for people for whom higher education might not be the optimal decision.

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### BRIEF DESCRIPTION OF THE RESEARCH

An analysis of graduate employment shows that there is considerable overlap in the distributions of hourly pay amongst graduates and those with only A-levels, and a blurring boundary between graduate and non-graduate work – making higher education an increasingly risky financial investment.

Malcolm Brynin: *Individual Choice and Risk: The Case of Higher Education*

Web: [soc.sagepub.com/content/early/2012/10/01/0038038512444814.abstract](http://soc.sagepub.com/content/early/2012/10/01/0038038512444814.abstract)

### FURTHER INFORMATION

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