



Universities UK

ICEA meeting

Do UK universities deliver value for money?

19 June 2019

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Introduction



Value for money

Students	<ul style="list-style-type: none">• Quality of teaching• High quality course content• Fairness of assessment and helpfulness of feedback• Employability and career prospects• Availability of extra-curricular opportunities• Quality of facilities for studying
Office for Students	<ul style="list-style-type: none">• Student perceptions of value for money• Student attainment• Graduate employability• Graduate wellbeing
HM Government	<ul style="list-style-type: none">• The cost of higher education to graduates• The cost of higher education to HM Treasury• How well and wisely institutions spend public money• Labour market outcomes and graduate earnings
Taxpayers	<ul style="list-style-type: none">• The cost of higher education to graduates• The cost of higher education to the public purse• Institutions' contribution to the economy and to society
Industry	<ul style="list-style-type: none">• The availability of skilled graduates• Opportunities for research collaboration• Access to academic skills and expertise
Research funders	<ul style="list-style-type: none">• The impact of funded research• How well and wisely institutions spend research funding

Value for money

Economy	<u>Spending less</u> : The unit cost of the resources used to undertake an activity, taking into account considerations of quality.
Efficiency	<u>Spending well</u> : The relationship between the resources input into an activity and the volume of outputs produced as a result.
Effectiveness	<u>Spending wisely</u> : The extent to which the outputs generated by an activity have resulted in the achievement of the intended outcomes.
Equity	<u>Spending fairly</u> : The extent to which an activity and its outcomes are available and accessible to all of the people at whom it is targeted.

- » There are often trade-offs between economy and efficiency, and effectiveness and equity

Quantitative measures of value

- » Graduate salaries
- » Graduate employment
- » Income generated by universities (research, local spending, taxation etc.)

Qualitative measures of value

- » Graduate satisfaction
- » Impact on the local area
- » Research and innovation
- » International impact / cooperation

Counterfactuals

- » How can we be sure the same impact could not be generated elsewhere?

Problem of 'the big number'

- » Where can we accurately combine measures of impact to give a total?

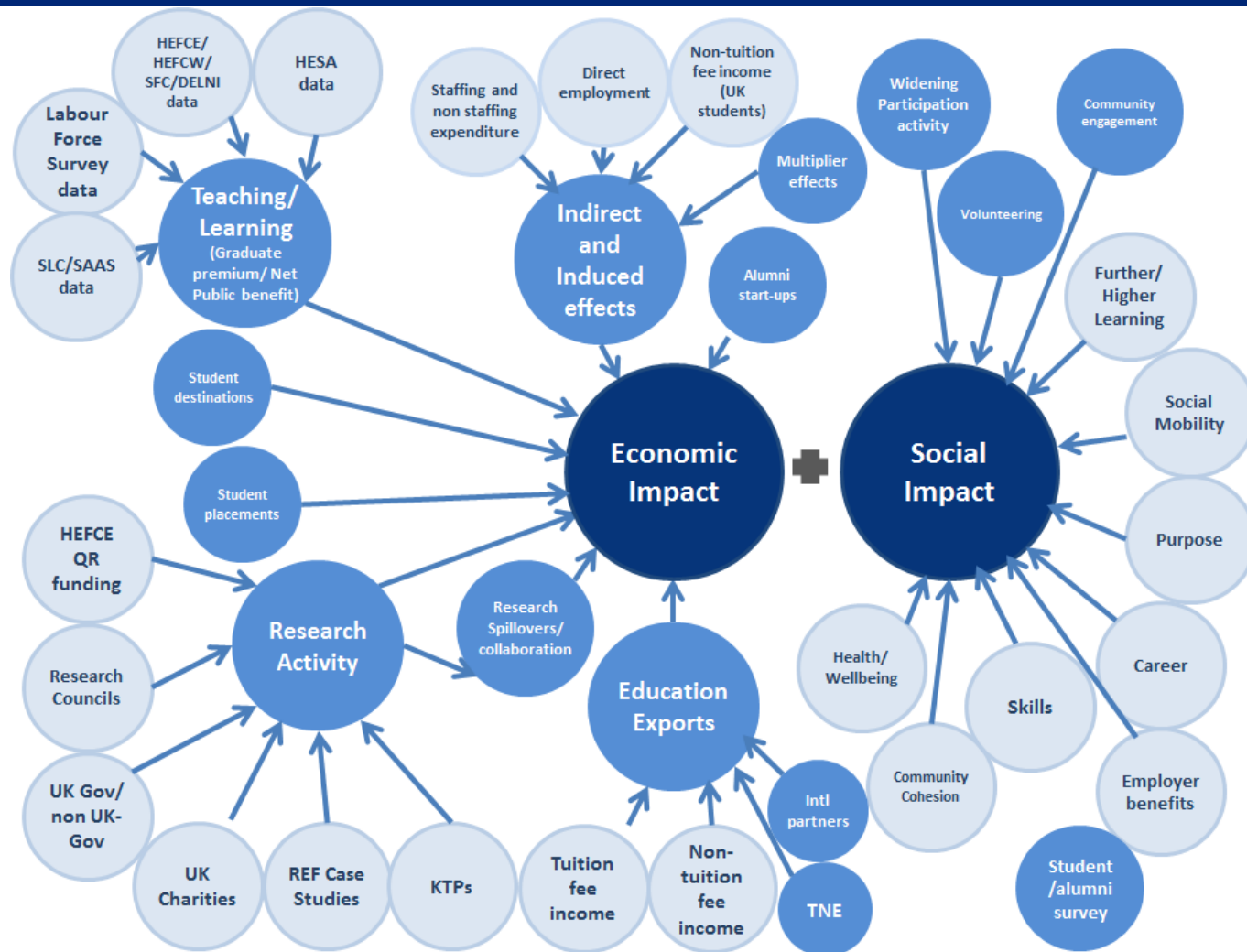
Impact or value

- » How should we account for impact that has distinct value but overlaps with broader impact measures (e.g. social mobility)?

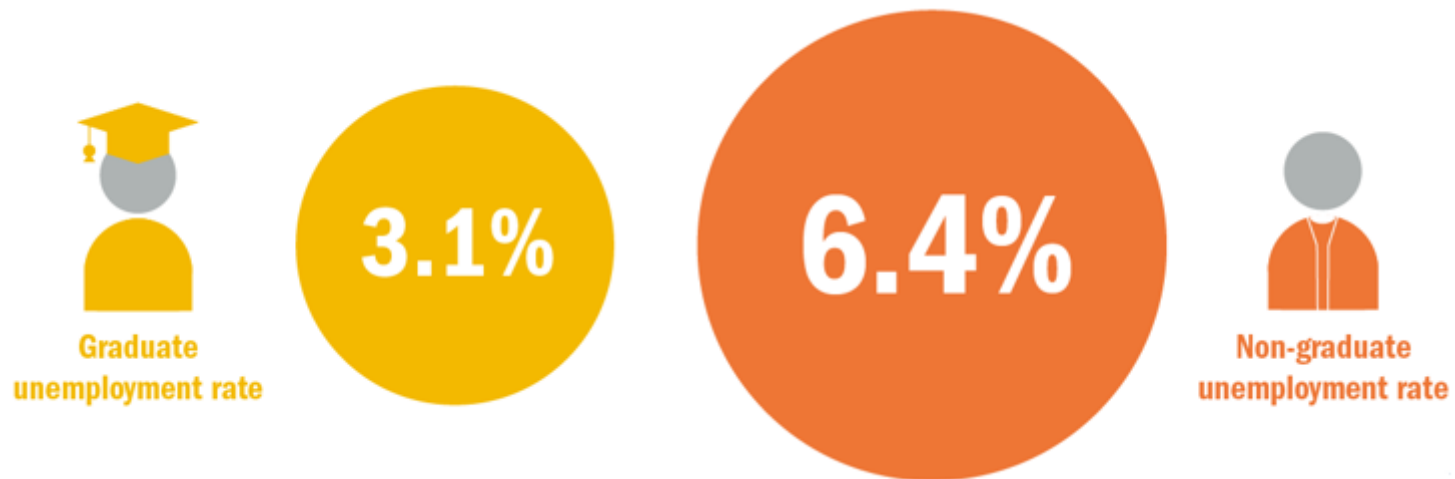
External factors

- » How to account for the impact of wider issues which affect measures of value?

Difficulties in measuring value



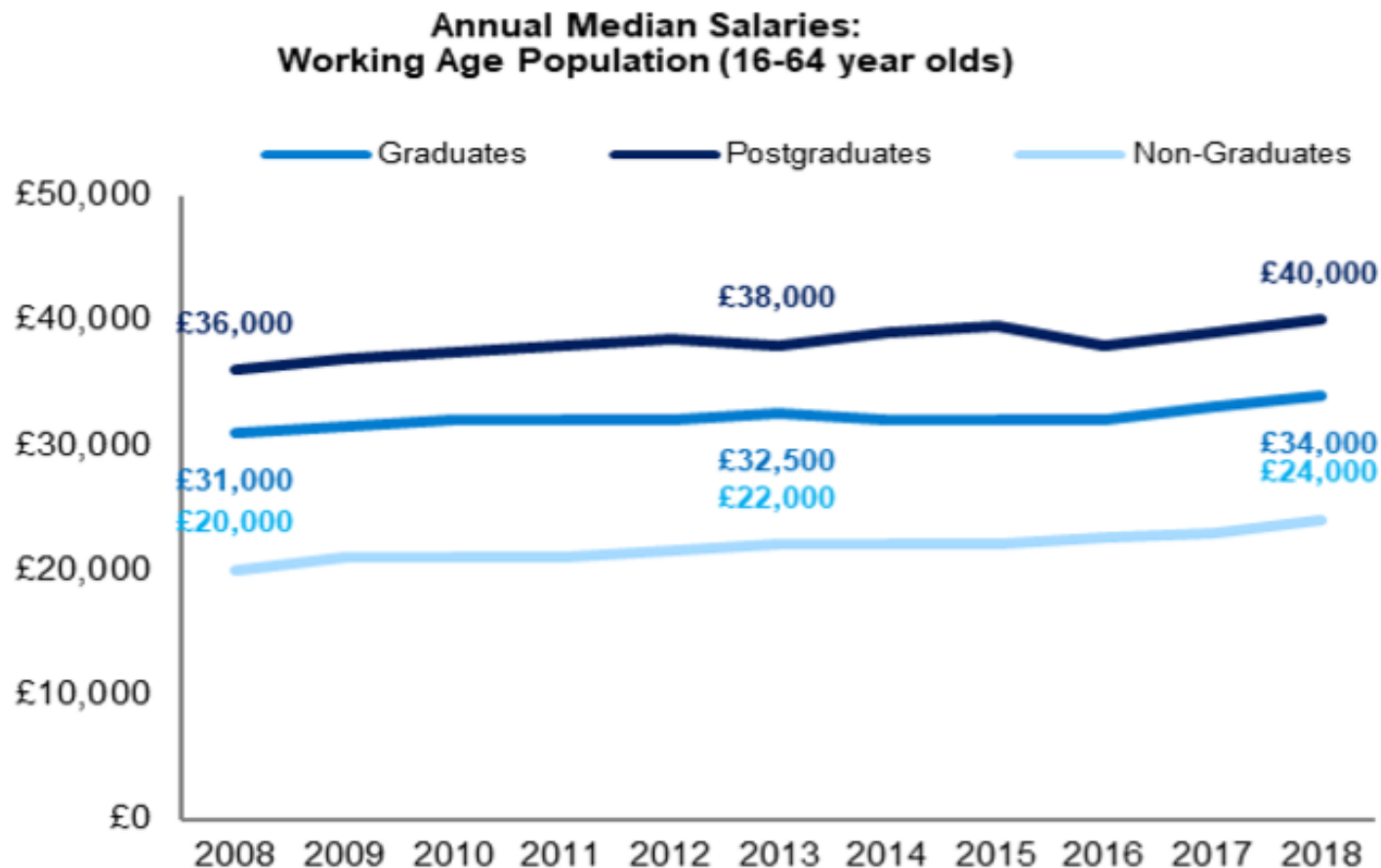
Value for students – graduate employment



Source: BIS (2015)

- » In 2016-17, more than 90% of graduates were in work or further study within six months of leaving university
- » There is variation by subject, study type, socio-economic background etc.

Value for students – graduate salaries



Source: DfE Graduate labour market statistics: 2018

Value for students – graduate earnings

- » Attending university increases earnings throughout a graduate's lifetime
- » As with employment, there is variation by institution, course etc.

University graduates earn substantially more than non-graduates over a lifetime, even when the costs of tuition fees, student loans and taxes on earnings are taken into account.

£252,000

for women



£168,000

for men



Source: BIS (2013)

Value for students – other benefits

Surveys show that a university education contributes to **greater life satisfaction** – independent of income.



A Level



degree-level education

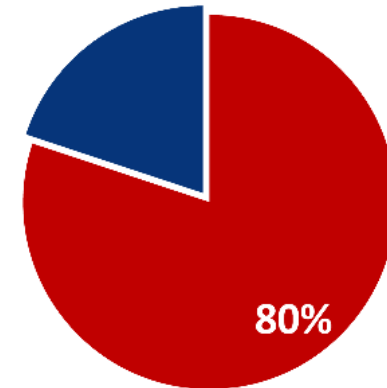
Source: BIS (2015)

Graduates have been shown to have:

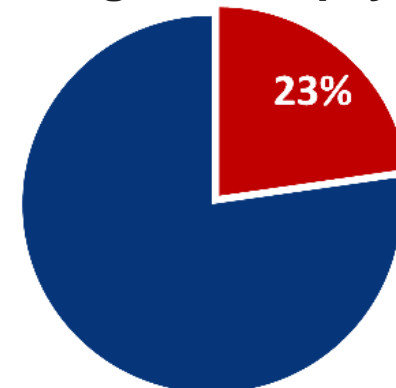
- » Higher earnings
- » Increased employability
- » Increased productivity
- » Lower unemployment
- » Greater civic engagement, trust and tolerance
- » Less likelihood of unhealthy behaviours (smoking, excessive drinking etc)
- » Longer life expectancy
- » Better physical and mental health
- » More likelihood of engaging in preventative healthcare

- » Average debt on graduation stands at £46,800 (for full-time undergraduate degrees)
- » If a graduate's income is over the threshold of £25,725 a year, they will pay 9% of their income above the threshold
- » Average lifetime loan repayments for students undertaking full-time undergraduate degrees are £38,700 for men and £16,600 for women
- » The outstanding loan balance at the end of the 30 year repayment period was estimated to be £58,700 for men and £106,900 for women

Proportion of graduates never repaying the full loan



Proportion of graduates never making a loan repayment



Value for the local area - jobs

- » Universities are major employers in their own right – often one of the largest in their area
- » In 2017-18, there were 429,560 staff employed at UK higher education institutions
- » Universities also generate further jobs indirectly, through their spending on local goods and services: for every 100 jobs at a university, 117 are created in the wider economy, meaning that the sector supports over 900,000 jobs in total

Value for the local area - spending

- » Students buying goods locally make a significant contribution to the local economy, spending a total of £7.9 billion per annum. Average spend by full time English domiciled students on living costs is £6,496, which breaks down into:
 - » £1,724 on food
 - » £1,828 on personal items (e.g. clothes, toiletries, mobile phones)
 - » £1,154 on entertainment
 - » £1,343 on travel
 - » £279 on household goods
- » International students also contribute to local businesses. Personal (off-campus) expenditure of international students and visitors to higher education institutions in the UK amounts to £2.3 billion. This is equivalent to 14% of all UK receipts from overseas visitors to the country.
- » The average university currently spends 32% of its impactable spend with SMEs (in 2017-18 this accounted for £1.5 billion)

- » Universities offer:
 - » Access to specialist facilities, such as science parks and incubator facilities for new businesses
 - » Bespoke education for company workforces
 - » Consultancy services, such as advice on developing patents
 - » Continuing professional development for local businesses and their employees
- » There are almost 100 science parks linked to universities.
- » 125 new university-owned or part-owned spin-off companies were created in 2017-18

Case study: Higher education-business partnerships, West Midlands:

In the West Midlands, Aston University, Coventry University, Birmingham City University and the Universities of Birmingham, Warwick and Wolverhampton are working together with the West Midlands Growth Company to promote their research strengths, business services and graduate talent as a central part of the region's offer to prospective investors, bringing economic benefit to the individual universities and to the local region.

Value for the local area - community

- » There is growing evidence that universities occupy an 'anchor position' in the local economy, catalysing local economic growth and acting as a 'hub' for other economic, social and cultural developments
- » More than 100 university museums are open to the public across the UK, with nearly four million visitors a year

More than

725,000

current students volunteer
in their local area.

That's **31%** of all those
in higher education.



Source: NUS (2014)

Value for the local area - graduates

- » In 2017-18, 4,024 new graduate start-ups were created
- » Over 100 universities in England are now registered to provide degree apprenticeships, which are an example of a value-creating synergy between universities and the local labour market
- » However, one in three graduates move to London after finishing university, meaning that the local community does not benefit from their skills

Case study: Degree apprenticeship programme, Lancashire:

University of Central Lancashire are developing an innovative 'Flexible Degree 2 Apprenticeship' programme that gives students in the first and second year of study the opportunity to move into a degree apprenticeship with a local SME and provides a matching service to place students with local businesses.

Value at the national level – income

If all UK universities were based in the same city, it would be the fifth-largest city economy in the country, based on contribution to GDP. Overall UK universities generate a yearly output of

£73bn

Leeds-Bradford (GDP)

Rank 4

£43.9bn

UK universities (GDP)

Rank 5

£39.9bn

Liverpool (GDP)

Rank 6

£36.1bn

Source: Brookings Institute (2012)

- » UK universities contribute £21.5 billion a year to the UK economy
- » This rises to £95 billion when the knock-on effect of money spent by students and visitors is included

Value at the national level – research

- » With just 4% of the world's researchers and 0.9% of the global population, the UK produces 16% of the world's most highly-cited articles
- » In 2014-15, universities undertook £7.9 billion worth of research, which it is estimated delivered £28.9 billion in additional GVA, equating to more than a £1,000 increase in income per household in the UK
- » Much of the applied research undertaken within industry would not be possible without the more fundamental research undertaken within the higher education sector

A number of high-profile success stories have come out of UK universities – from developing the internet and unlocking the secrets of DNA, to the design of modern road signage.



Value at the national level – innovation

More than
11 new graduate start-ups
are launched every day...



Source: HESA (2016)

creating nearly

21,000 jobs



The Higher Education
Innovation Fund produces
a return of £9.70 per £1
spent. Another £3.36
is generated via additional
turnover from the spin-offs
and student start-ups it
encourages.

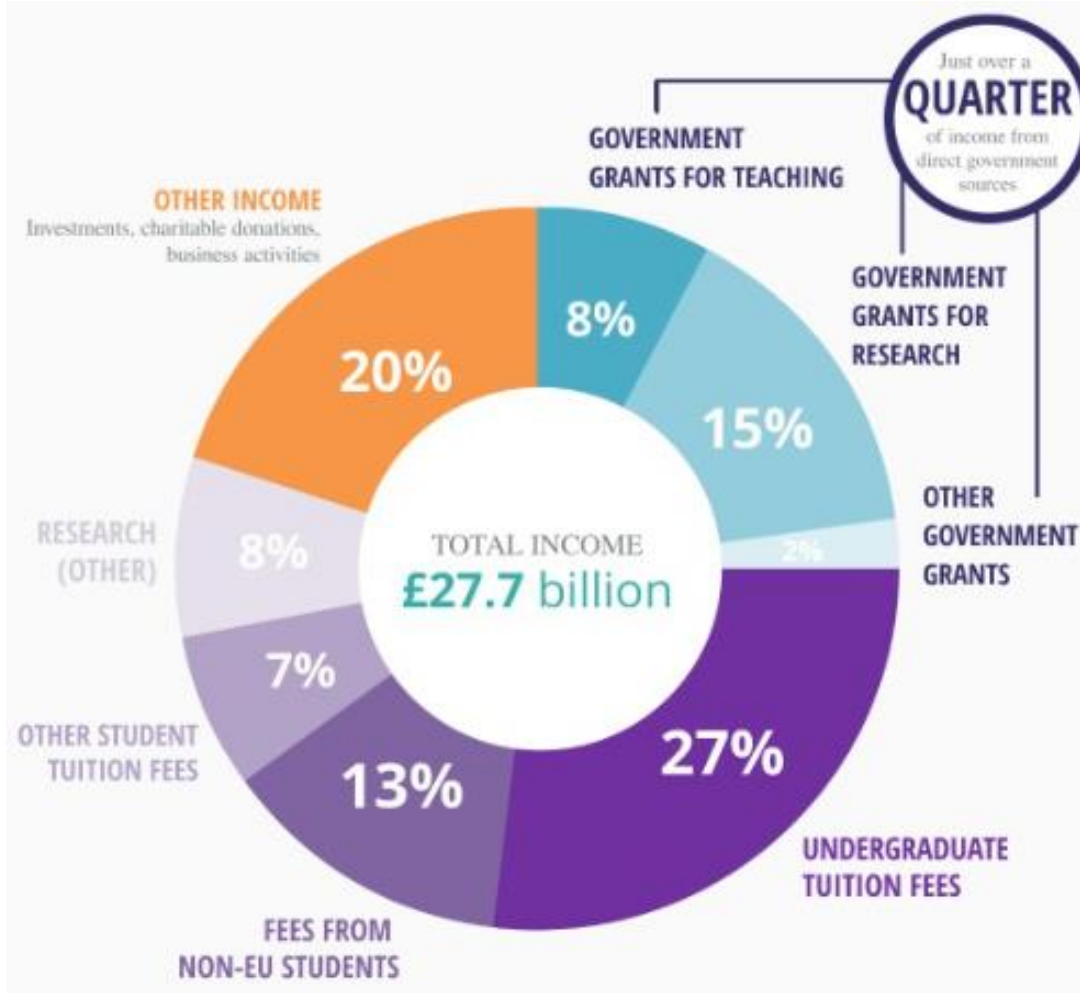
Source: HEFCE (2015)



Value at the national level – graduates

- » NIESR estimates that one-third of the increase in labour productivity between 1994 and 2005 was due to the accumulation of graduate skills in the labour force
- » University education increased the value of graduates' human capital by £63 billion (or 28%) relative to its pre-degree value in 2014-15
- » Universities provide graduates with the skills needed by employers. The latest employers perspective survey (DfE) showed that 80% to 84% of employers across the UK agreeing that university graduates were well prepared for work, compared to 68% to 80% for further education leavers
- » Employers increasingly need recruits with higher level skills: by 2022 there will be 2 million additional jobs in occupations requiring higher level skills
- » Graduates also benefit society through:
 - » Increased tax revenues (from sickness, unemployment, etc.)
 - » Faster economic growth
 - » Increased innovation
 - » Greater labour market flexibility
 - » A reduced burden on public finances
 - » Greater social cohesion
 - » Lower levels of crime
 - » Greater social mobility

Cost at the national level



Source: HESA (2015)

- » The government currently provides around a quarter of universities' income in the form of grants
- » In addition, most students take out government loans for tuition fees, the majority of whom will not pay the full loan back

Value at the international level – income

In 2014–15 they were responsible for

£10.8 billion

of UK export earnings.



- » There are currently 437,000 non-UK/EU students studying at UK universities
- » They generate £10.8 billion in export earnings, and support more than 206,000 jobs
- » 31% of academic staff come from outside the UK (22% of teaching staff and 48% of researchers), increasing to 43% for those involved in engineering and technology subjects, according to HESA staff records (2016-17)

Value at the international level – cooperation

- » Professional links overseas will become more important as the UK looks to enhance its diplomatic and trade links with the rest of the world following the vote to leave the EU
- » Universities also support the UK's soft power and global partnerships; they are connected with businesses, governments and research partners worldwide, and count many leading international figures among their alumni
- » 81% of the British public agree that international students have a positive impact on local economies and towns in which they study

Nearly

80%

of former international students plan to develop professional links with the UK.



Source: BIS (2013)

South Korea

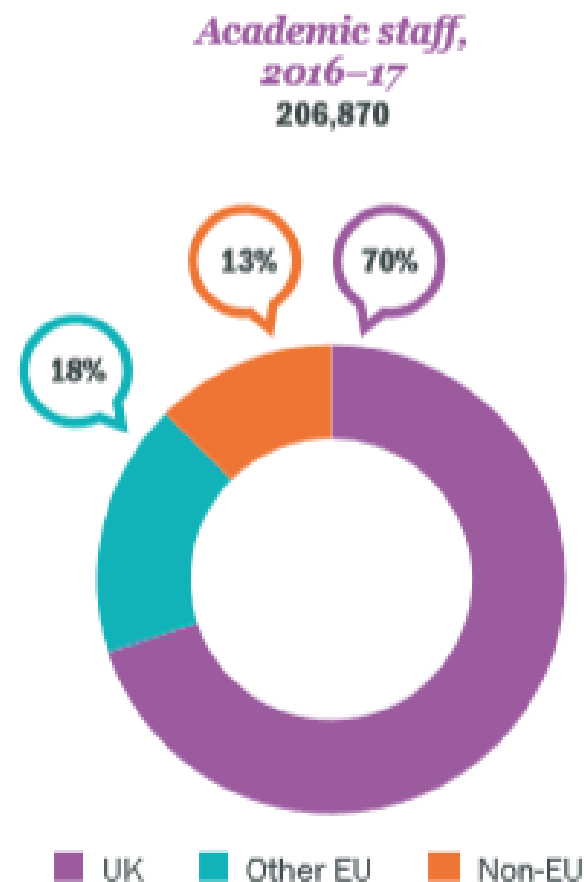
- » Bachelor's degrees are held by 68% of South Koreans aged 25-34, the most in the OECD. 70.9% of high school graduates went on to university in 2014, compared to around 43% of UK school leavers
- » This has created a highly skilled workforce, but has led to the stigmatisation of skilled trade or vocational careers (often known as DDD jobs, 'dirty, dangerous, and demeaning' with low social standing)
- » In addition, university graduates often have difficulty in finding jobs while vocational positions sometimes go unfilled
- » The number of those unemployed with a bachelor's degree was 315,000 in 2017, accounting for a record 32% of the entire jobless population (Statistics Korea)
- » However, some of this can be attributed to the economic slowdown in South Korea

Chile

- » Chile has gone through a complete cycle in the past decade, starting with some of the highest tuition fees in the world relative to average income
- » Violent student protests led to a commitment to remove fees for many students, with a means-tested system of support ('gratuidad')
- » Initially, 50% of students from the lowest-earning families did not have to pay fees, later increased to 60%
- » This is popular with students, but has caused issues for universities, who say the level of per-student student funding is not sufficient and they are picking up extra costs

Next steps – Brexit

- » As well as international students and staff, UK universities receive research income from overseas; in 2016-17, 17% of research income came from overseas, with 11% from the EU
- » Brexit leads to the risks that:
 - » The sector's reputation is weakened
 - » Access to key research funding mechanisms are lost
 - » The UK will fall behind competitors in sending students abroad as part of their degree
 - » The UK will lose existing academic talent from the EU
 - » EU student numbers will decline
- » UUK recommends that the government secures a *'long-term partnership based on strong academic cooperation, collaboration and exchange between the UK and its EU partners'*, and takes the opportunity to enact domestic policy reform and strengthen support for cooperation with non-EU partners



Source: HESA Staff record

Augar Review – aims

- » The key problems to be solved are
 - » The decline in participation in post-18 education since 2010-11
 - » A lack of equity and flexibility in the post-18 system
 - » The rise of ‘low-value’ higher education

Augar Review – findings

- » There are skills shortages and an oversupply of graduates, but the data is limited, and the social value of some professions is not reflected in the salary
- » The cost of delivering lower-cost subjects has increased at a higher rate than the cost of delivering higher-cost subjects
- » English institutions spend more on non-teaching activities than comparator countries
- » While subjects like the creative arts have value, the volume of students studying these subjects is in excess of the value created, compared to a relative lack of provision in subjects like engineering

Augar Review – recommendations

- » Lower the fee cap to £7,500, and supplement fees with teaching grants
- » No real rate of interest charged during the period of study
- » Repayment threshold reduced to the median salary for non-graduates
- » Repayment period extended to forty years
- » Lifetime repayments capped at 1.2 times the original loan amount
- » Re-introduction of maintenance grants of at least £3,000 for eligible students.
- » Increased funding for further education
- » OfS could impose a minimum entry threshold or student number caps on courses offering poor value for money

Augar review – impact

- » Highest earners will repay less, middle earners more and lowest earners the same
- » Institutions offering more STEM subjects will receive more funding and vice versa

Next steps – efficiency

- » The value of the fee cap has fallen by 13% in real terms between 2012-13 and 2018-19, meaning universities have absorbed £911 million in inflationary costs since 2012-13
- » Institutions also now receive less funding for capital investment and widening participation
- » With income effectively falling and costs rising, it is vital for institutions to improve the economy and efficiency of their activities

Case study: Active blended learning:

The University of Northampton has championed the use of active blended learning, replacing traditional lectures with student-centred activities that support subject knowledge and understanding. The university's new Waterside campus has no large lecture theatres, but smaller teaching spaces that facilitate this approach

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Savings realised	£481m	£235m	£386m	£268m	£416m	£912m
% of sector expenditure	2.2%	1.0%	1.7%	0.9%	1.5%	3.2%

Benefits

- » Graduate employment / earnings, increased productivity and greater satisfaction
- » Jobs, spending and volunteering in the local area
- » Income at the national level, and benefits from research and innovation
- » Increased international impact and cooperation

Costs

- » Graduate debt
- » Government spending on loans, grants etc.

Do the benefits outweigh the costs?

Does the sector currently provide value for money?

How can this be improved in the future?



Universities UK

Thank you
