



Our plan for higher education

Diverse, employment
focused, value for money



Foreword

Up and down the country, young people are starting university with the inflated promises of politicians, society and university prospectuses ringing in their ears – *that a degree is the passport to a good job, to career progression and to a high salary.*

Those days are gone. This may have been more or less universally true in 1960 when just 5% of young people went to university. Now that close to half of young people move on to higher education, a degree *per se* is ceasing to be an effective signal in the labour market. The graduate premium is waning and varies hugely between institutions and courses.

We need more higher and degree apprenticeships, more part-time courses, more Level 4 and Level 5 qualifications to create a **diverse** sector that offers more options to suit a range of young people and industries.

As we progress through the fourth industrial revolution, the nature of our economy is changing more rapidly than ever. Universities must work in partnership with employers



to ensure that every student's experience is **employment-focused**, preparing them for work.

Higher education provides benefits to young people and society, but with tuition fees at their current levels, students are expected to bear the vast majority of the cost. When combined with a waning graduate premium, this has resulted in too many young people feeling that they were 'mis-sold' their degrees. The system must be rebalanced and include a greater range of variation to ensure

that all individuals see clear **value for money** for their investment.

The English higher education sector rightly has much to be proud of. To maintain its reputation and continue to be a powerhouse for the economy, it must learn from the most effective practice both here and abroad, becoming more **diverse**, more **employment-focused** and offering more rigorous and visible **value for money**.

Lord Kenneth Baker, *Chairman of the Edge Foundation*



1. The changing world of Higher Education

England benefits from a world-class higher education (HE) sector, with growing student numbers. In general, graduates achieve stronger labour market outcomes than non-graduates and yet many graduates are not in high-skilled work. However, the graduate earnings premium appears to have started waning and varies widely between subjects and higher education institutions. At the same time, the cost of tuition in terms of student loan debt has risen rapidly. As a result, many students are questioning the value for money of traditional higher education, or even claiming to have been ‘mis-sold’ its benefits.

A WORLD-CLASS HIGHER EDUCATION SECTOR

There are a number of internationally renowned measures of performance in the higher education sector and across many of these, the UK consistently emerges as a very high performer.

The UK has the second highest number of universities in the Times Higher Education’s Top 100 after the United States (Figure 1), boasting 16 institutions in the table for 2016-17. This ranking includes measures to reflect teaching, research, citations, knowledge transfer and international outlook amongst those institutions that teach undergraduates.

Figure 1: **Number of universities in the Times Higher Education World Rankings Top 100, 2010-2017**

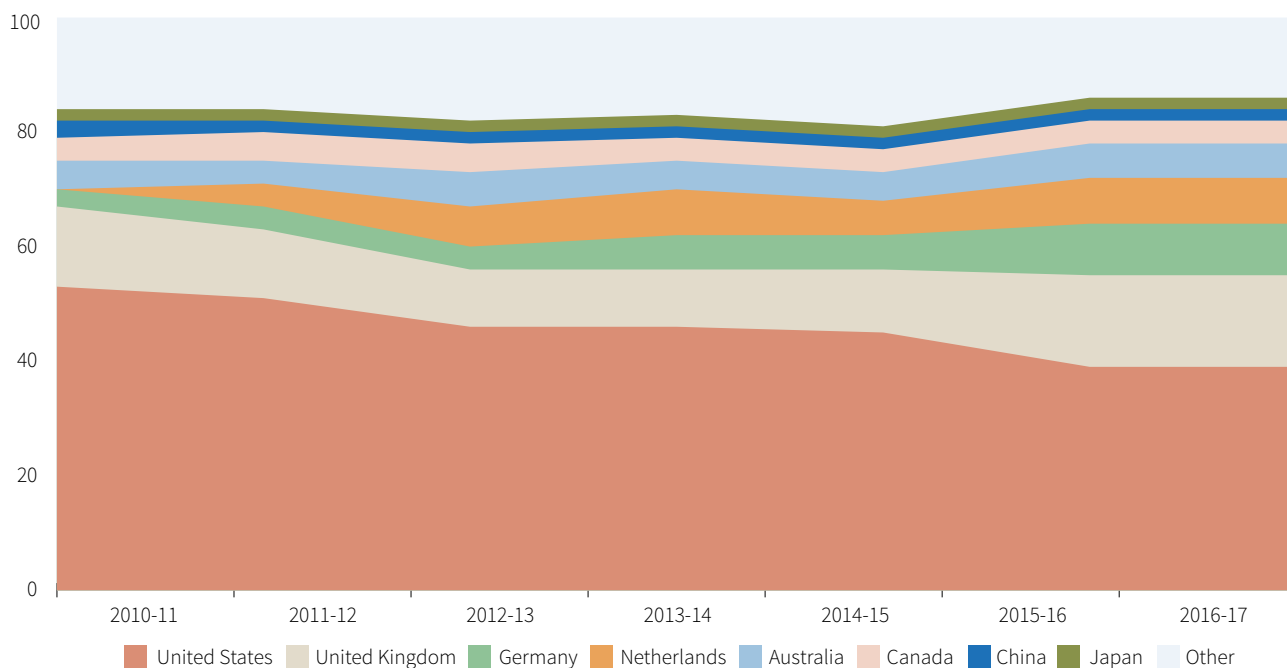
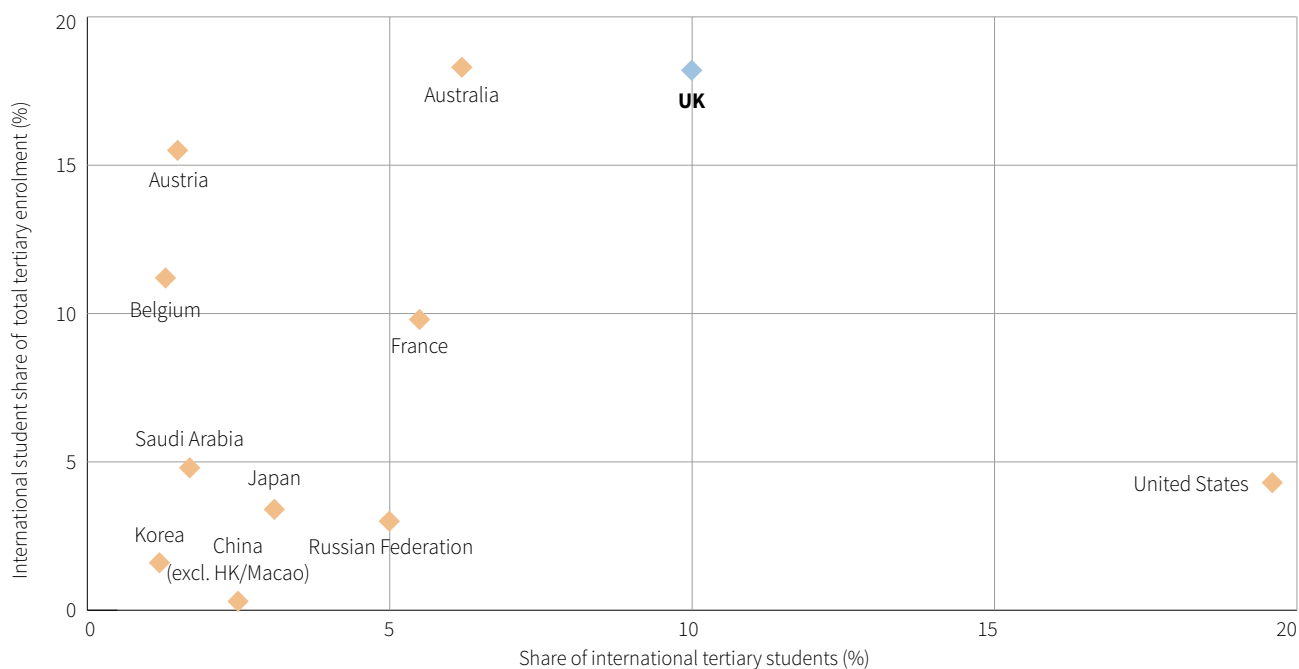


Figure 2: Tertiary education demand from overseas, 2014



Mirroring the university ranking data, the UK has established a very strong position in the world market, becoming **the second most popular destination for international tertiary education students**. Figure 2 draws on UNESCO data to present this absolute measure alongside a relative one, which looks at international tertiary students as a proportion of total enrolments. Even recognising the importance of external factors such as a country's visa system and the strength of the labour market, this represents a clear endorsement of the international reputation of UK higher education.

Another key measure of higher education effectiveness is its research output. We can compare data on all citable documents produced by academics, such as articles, reviews and conference papers to provide a measure of the scale of research activity. In doing so, **the UK again comes near the top of the list, with a total of 2.5 million citable documents** from 1996 to 2016, behind only China at 4.5 million and the United States at 9.2 million.¹

With such a strong base and international reputation, it is not surprising that the UK's higher education sector makes a significant contribution to the overall economy. Figures from Universities UK demonstrated that **the**

sector generated an estimated £10.7 billion in export earnings in 2011/12 and contributed 2.8% to overall UK GDP.²

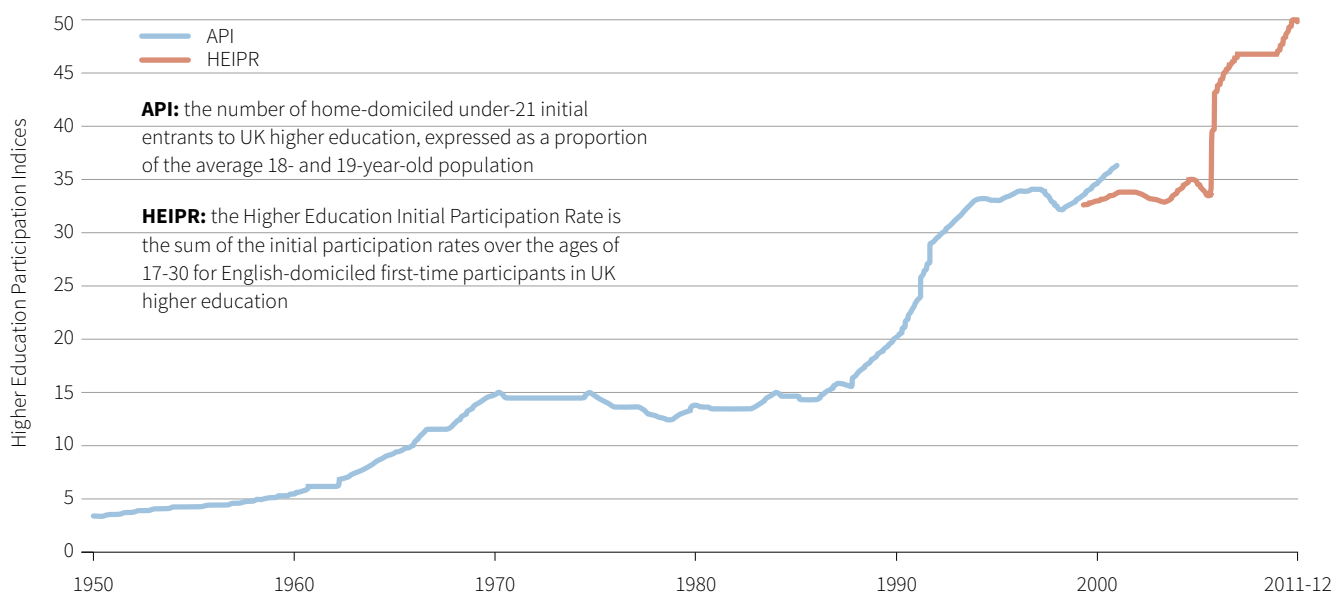
As well as illustrating the apparent strength of the sector, these measures also demonstrate one of its challenges – **we expect higher education to perform a number of separate roles simultaneously and to excel at all of them**. Academics and departments must provide excellent tuition at a variety of levels from undergraduate to post-graduate, perform cutting edge independent research, be a pillar of civil society and act as highly effective commercial organisations attracting funding from external sources.

A GROWING UNIVERSITY POPULATION WITH RECORD DEBT

During the 1950s, barely 5% of young people in the UK attended higher education and even up to the early 1990s this figure remained around 15%. **Since then we have witnessed a dramatic increase** (Figure 3), **fuelled in large part by Tony Blair's aspiration for half of the population to benefit from a university education**.³ That pledge has almost been fulfilled with close to 50% of people in England now expected to have attended a

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Figure 3: **The growth in higher education participation rates, 1950-2012**



higher education institution by the age of 30. Looking specifically at the age of 18-19, when most university experiences take place, UCAS data shows a steady increase over the last decade, with 43% of the cohort entering HE in 2014/15.⁴

Since the mid-2000s there has also been a significant focus on widening participation in higher education. The rate of direct entry has increased significantly for state school pupils eligible for free school meals – from 9% in 2006 to 16% in 2016. At the same time, it has also risen from 25% to 33% for their peers who did not receive free school meals. The difference between the two groups has remained stubbornly around 15-17 percentage points over the decade. Meanwhile, latest statistics from HESA suggest that the university dropout rate for students from disadvantaged neighbourhoods is almost 50% higher than their peers (9% compared to 6.5%).⁵ Taken together, this **calls into question the overall impact of a decade of work to narrow this gap in the interests of social mobility.**

Whilst overall numbers of students increased, the payment regime for universities remained strikingly stable between the 1950s and 1990s, with the taxpayer effectively covering the full cost of tuition. **Since then, we have seen the introduction of and dramatic increase in tuition fees and consequently of student debt.**

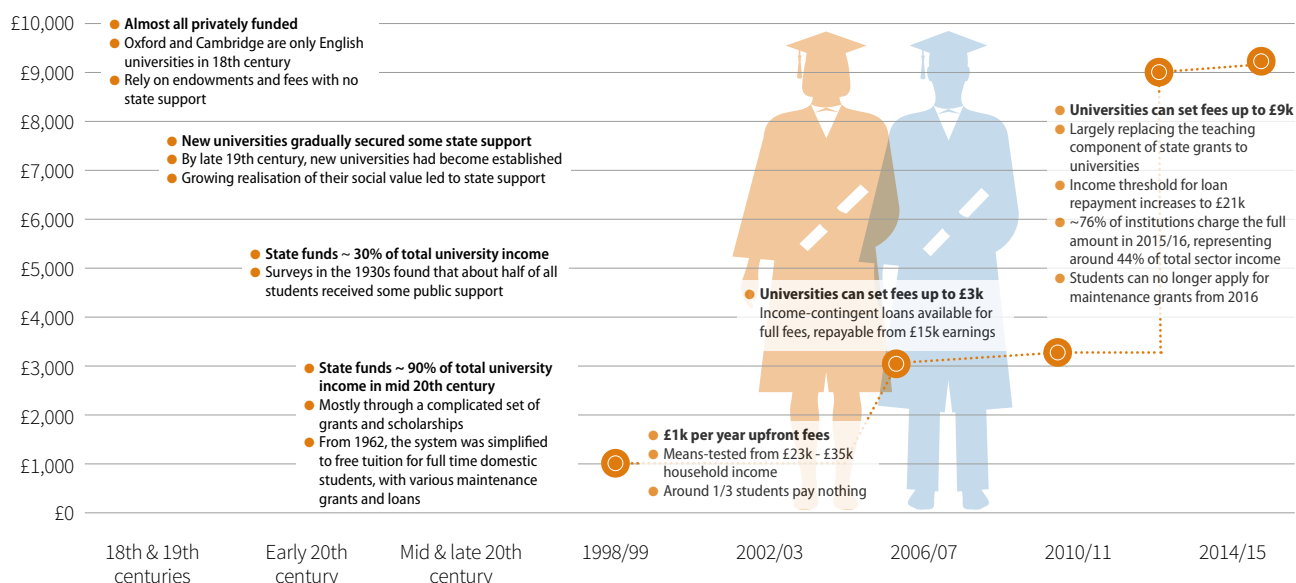
Figure 4 provides a long-term view of direct student payments from the Eighteenth Century to the present, drawing on Robert Anderson's work as Emeritus Professor of History at Edinburgh University and on recent Government announcements.⁶

The changes implemented in 2012/13 have returned the **funding regime to something close to the position throughout much of the Eighteenth and Nineteenth Centuries**, with students themselves incurring most of the cost of their tuition. There are however two important differences:

- First, **fees are generally identical across courses, institutions** present cost as a signifier of quality and most universities charge the maximum allowed for all courses. This is despite the obvious differences in cost as a result of equipment, tutor time, fieldwork and cohort sizes.
- Second, these **fees are commonly accrued as student debt rather than paid at the time of study.** With the recent changes to the level of fees, students in England graduate with average debts in excess of £50,800, while students from the poorest 40% of families entering university in September 2017 will emerge with an average debt of around £57,000⁷.

The changing world of Higher Education

Figure 4: Historical view of university tuition fees, 1800-present



With this level of student debt, it is perhaps unsurprising that analysis by the Institute of Fiscal Studies in 2017 suggests that **three-quarters of university leavers will never pay off their student debt**, even if they continue contributing into their 50s.⁸ In many cases, this is because interest accrues faster than the standard repayment rate. The Office for Budget Responsibility estimated in July 2016 that net total student debt would reach 10-12% of GDP by the early 2030s, up from 4-5% today.⁹ Taken together, this high level of debt and low level of repayment does question **whether the current funding regime is any more than an accounting mechanism to reposition the cost of higher education into the Treasury's long-term budget.**

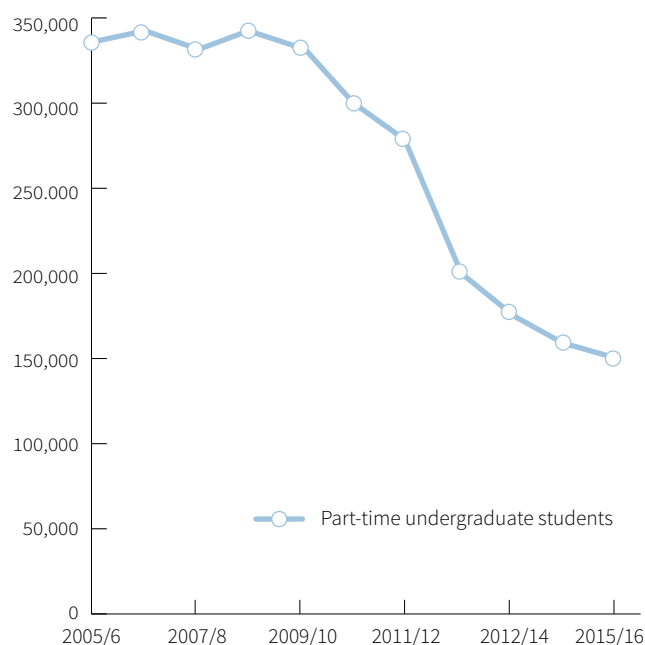
AN INCREASINGLY HOMOGENOUS HIGHER EDUCATION SECTOR

Alison Wolf's recent work¹⁰ has highlighted the **very small and shrinking number of learners who achieve tertiary awards below the level of degrees**, such as HNCs and HNDs:

A grand total of 4,900 learners achieved level 4+ awards under the college budget in 2014/5. This was a fall of 36 per cent since the previous year. In that same year, higher education in the UK recorded 745,000 awards (undergraduate and postgraduate) of which 395,580 were full first degrees: a figure eighty times higher.

At the same time, the last decade has seen part-time undergraduate student numbers more than halved.

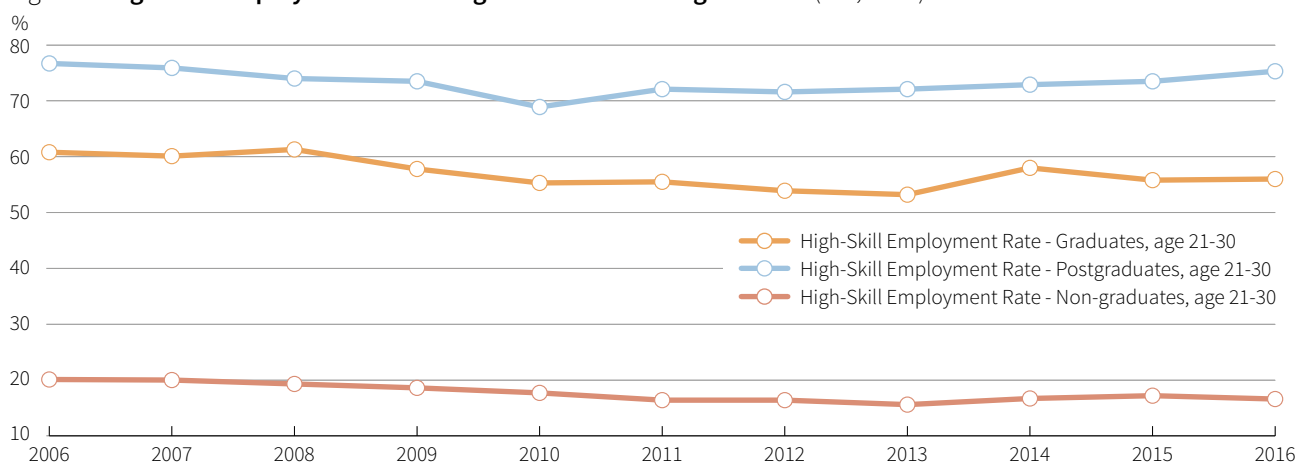
Figure 5: The decline in part-time undergraduates, 2005-2016



The reduction in part-time learning and in sub-degree awards are themselves **worrying signs of a reduction in the diversity of the higher education sector**, which is built around full-time undergraduate degrees priced at the maximum level allowed. It may also point to a concerning **increase in distance between higher education and the labour market.**

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Figure 6: **High-skill employment rates for graduates and non graduates** (BIS, 2016)



The significant reduction in sub-degree tertiary awards is of concern for two reasons:

- First, as we set out in *Our Plan for 14-19 Education*¹¹, the economy is changing significantly as a result of pre-existing skills gaps, the digital revolution and Brexit. In that context, the economy requires significantly more technicians qualified at exactly this level. These opportunities should be expanding not contracting if we are to meet that demand.
- Second, with the rapid growth of university student debt, these courses are often shorter and considerably cheaper, as well as being linked more directly to what a job requires. In value for money terms for both the student and taxpayer, they should be available as a viable option for young people.

This pattern of change is highly unusual in the international context, with other governments actively encouraging a varied higher education sector, with a broader range of courses. Alison Wolf's research points to Canada's well-resourced tertiary colleges, Germany's Fachhochschulen and the polytechnics of the Netherlands and Finland. All of these are a far cry from a college sector in England suffering from a crisis in both funding and reputation.

The Government has much celebrated the creation of Degree Apprenticeships and, as we shall see in Chapter 3, there is very promising work in this area. However, at present numbers remain very small, with just 1,300 starts reported at Level 6 and 7 in August 2016–April 2017.¹²

UNDEREMPLOYMENT AND THE WANING GRADUATE PREMIUM

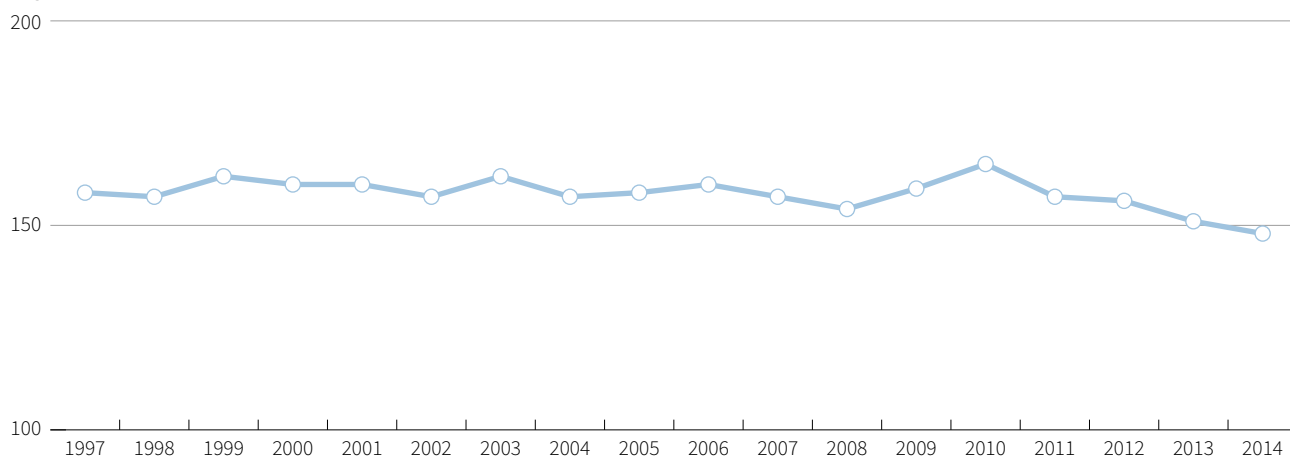
Labour market statistics continue to show that overall, **the level of salary for graduates and post-graduates aged 21-30 is significantly higher than those without a degree.** The median salary for graduates is around a third higher than for non-graduates, whilst post-graduates earn on average slightly more than half again than non-graduates.

However, at the same time, as our own research in 2015 showed¹³, a high proportion of graduates are not entering high-skilled employment, giving **the UK one of the highest rates of graduate underemployment in the world.** Only around 55-60% of graduates enter high-skilled employment and this appears to have waned slightly over the last decade (Figure 6). This means that two out of every five graduates are doing a job that does not or should not require a degree, beginning to **call into question both overall value for money and the returns experienced by a significant number of graduates.**

Annual data from the OECD's Education at a Glance series shows a recent year-on-year decline in the UK's graduate premium (Figure 7) – a measure of increased earnings as a result of having a higher education qualification – since its peak in 2010. **The average premium in the UK when comparing those with degrees to those with A-Levels or equivalent qualifications had fallen from 65% in 2010 to 48% by 2014.** Given that the premium is measured across the whole labour market (25 to 64-year-olds) and so

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Figure 7: Graduate premium, indexed against average earnings for A-level or equivalent holders at 100, OECD



the vast majority of respondents will have graduated many years before, even small changes in the overall measure suggest dramatic differences for new graduates.

Andreas Schleicher, Director for Education and Skills at the OECD, commented in September 2017 that while:

*the UK system is probably the most sustainable, the one caveat I would make is that the returns are becoming more volatile and more varied. The earnings returns in England are not as good as in some other countries.*¹⁴

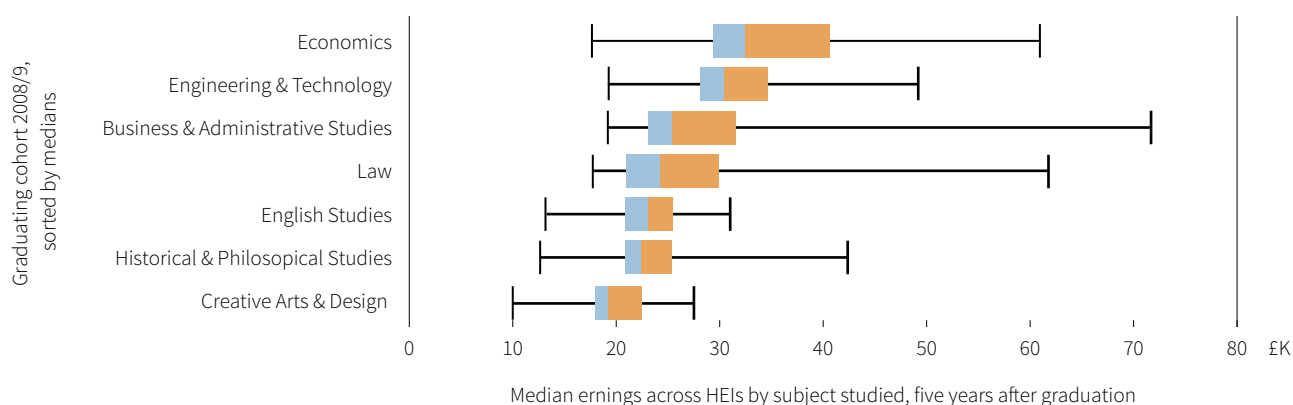
Similarly to the OECD report, recent analysis by the Institute of Fiscal Studies concludes that, whilst the graduate premium was broadly stable during the 1980s and 1990s, **there is ‘already some sign of this decline in the private sector’**.¹⁵ The Department for Education’s own Longitudinal Education Outcomes (LEO) dataset reveals that median annualised earnings for women three years after graduation

for the 2008/09 cohort was £21,000, with the lower quartile at just £15,000. These graduates were significantly out-performed by their peers who undertook apprenticeships – after two years, on average someone who has completed their Level 5 apprenticeship earned £27,800; after five years, the average graduate reached £26,000.¹⁶

These concerns are even more acute when considering the variation by institution and subject.

An analysis by PwC identified a range in the graduate average lifetime graduate premium from £340,000 for medicine to below £35,000 for an arts graduate.¹⁷ A major study in 2016 using the tax and student loan records of 260,000 individuals found that creative arts graduates earn no more than non-graduates and that in 23 institutions male median earnings ten years on was below that of male non-graduates.¹⁸ The Longitudinal Education Outcomes (LEO) dataset similarly illustrates very clearly the wide range of earnings levels (Figure 8) for graduates by subject.¹⁹

Figure 8: Distribution of median annualised earnings for specific subjects, five years after graduation



Source: Longitudinal Education Outcomes (LEO) dataset

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VALUE FOR MONEY

Young people's expectations of the returns they should gain from higher education have been set high by politicians and society over the last couple of decades. Undoubtedly this is the case for particular degrees at particular universities, but we would question the extent to which it exists *per se* for any degree. In 2002, Margaret Hodge as Minister for Higher Education said:

The extra money you earn just by virtue of getting a degree, over your lifetime is somewhere in the region of four hundred thousand pounds... Remember this terrible British disease: Going to university is seen by us as a cost. It's actually an investment, it's an investment which gets you better jobs, better prospects, much more exciting career opportunities and therefore we've got to persuade middle classes, working classes as well as the traditional elite that this is good for them as well as good for Britain.²⁰

This message was reinforced almost a decade later when David Lammy said that “a degree is a strong investment which stands graduates in good stead for a long and successful career”.²¹ The aspirational language continued in the coalition government where David Willetts as Universities Minister said that “Graduates continue to earn dramatically more than non-graduates”.²² Interestingly, most recently Jo Johnson as Universities Minister has pointed to wider outcomes beyond the financial: “Graduates also enjoy better health, longer life expectancy, and higher levels of civic participation”.²³

During the period since 2002 **the estimates quoted for the lifetime additional earnings for graduates fell dramatically.** The £400,000 figure quoted by Margaret Hodge was drawn from OECD data at the time. A study by PwC for Universities UK in 2007 put the figure at just over £150,000²⁴, whilst London Economics' work for Million+ in 2013 placed it at just over £100,000.²⁵

The high expectations set by politicians are reinforced further by university marketing materials, which have become increasingly sales-focused over time, reflecting the growing market dynamic of higher education.

Potential students are told that “you can become a global expert of tomorrow” or that “you can shape the future”. Many of these statements are broad and subjective, but **recent research suggests that marketing materials and university branding also sometimes contain inaccurate or misleading statements**²⁶ and a review of 59 inspections from the Quality Assurance Agency for higher education from 2004 to 2006 revealed 14 instances where marketing information was criticised for being inaccurate or misleading.²⁷ More recently, some universities have been asked to remove such information.

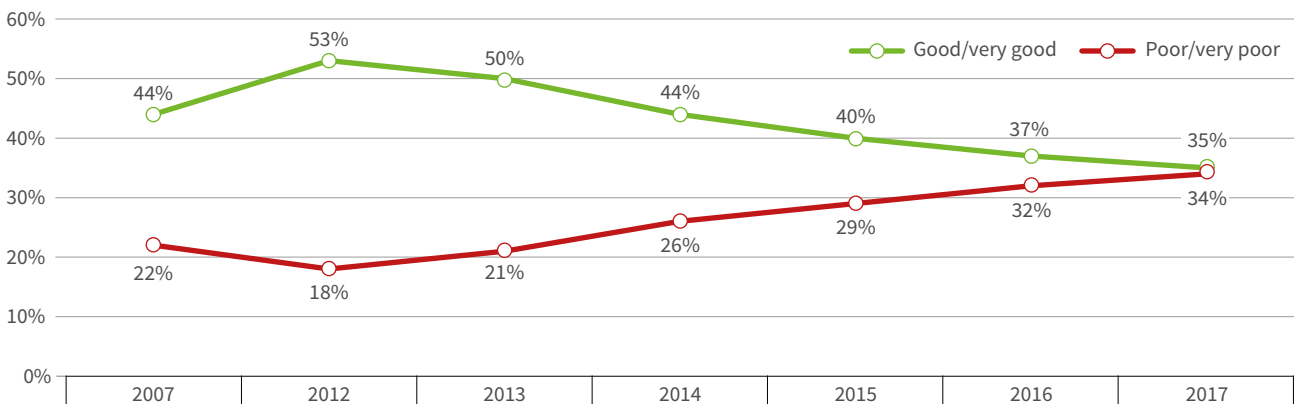
Given the tendency of both politicians and higher education institutions to strongly push the benefits of going to university, **what young people need in this space is a range of viable options, with clear and independent advice about what is available and a realistic assessment of their likely rewards.**

Unfortunately, as we set out in *Our Plan for 14-19 Education*, the availability and breadth of careers guidance is notoriously poor as schools have been given the responsibility but no additional funding for this area. In the area of higher education, it is hampered further by a cultural perception amongst parents that university remains the gold standard – a quarter of parents said that there was “nothing to talk about” for career options as their child would be going to university.²⁸ Meanwhile, teachers have typically come through the higher education route themselves and so often feel comfortable talking about their own experience. In addition, Ofsted has found that “insufficient training or up-to-date information” is available to teachers help them to provide a wider range of advice.²⁹

Young people choosing the university route over the last couple of decades have therefore entered it with understandably high expectations of financial returns. The rapid increase in the level of tuition fees and student debt (page 5) and the simultaneous erosion and variability of the graduate premium (page 7) have led some to **question whether the returns they were promised would ever materialise.** An annual HEPI survey (Figure 9) has tracked the increase in students being critical of the value for money they get from courses, from around 18% in 2012 to nearer 34% in 2017.³⁰

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Figure 9: Student perceptions of value for money, 2007-2017 (Higher Education Policy Institute)



Source: HEPI

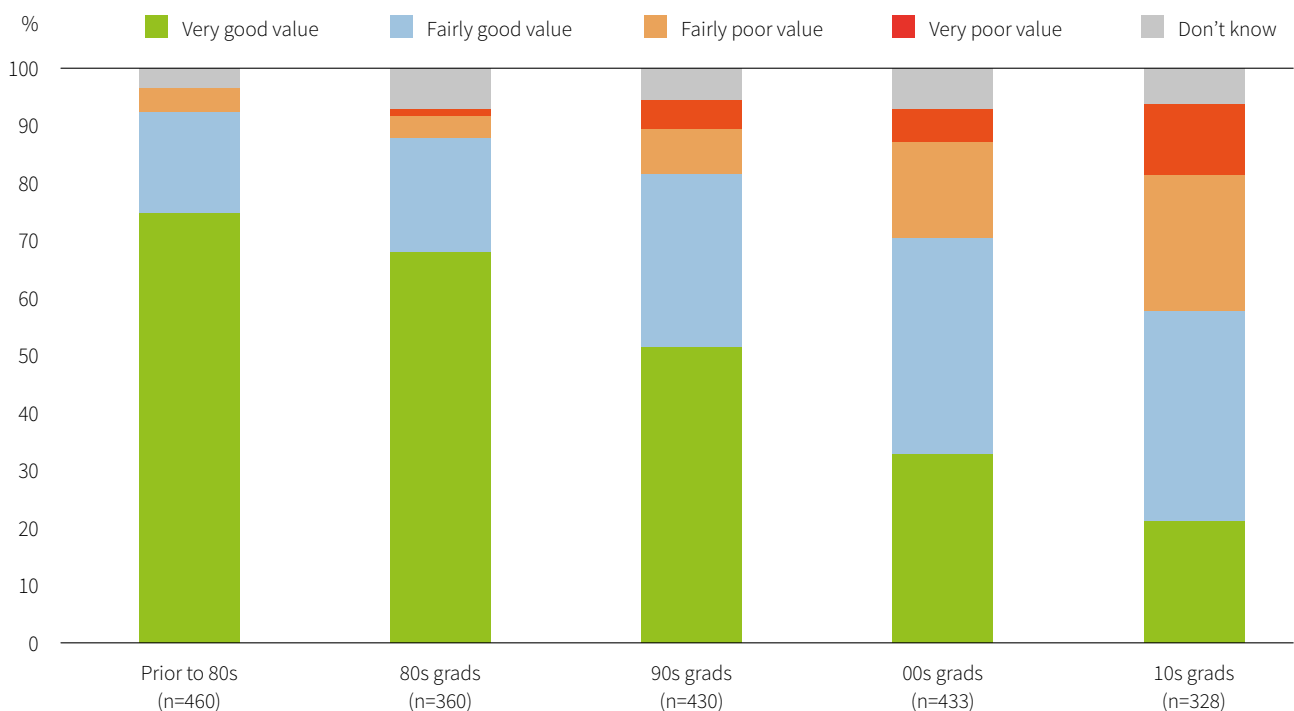
New data commissioned by the Edge Foundation from YouGov³¹ clearly shows the longer term decline in perceptions of value for money from higher education as the labour market and fee regimes have changed.

Amongst those who achieved their first university degree prior to the 1980s, 93% felt that their first degree offered good value for money. This has fallen successively so that amongst those graduating from 2010 onwards, **less than**

three in every five graduates (58%) felt that they had received good value for money.

Ironically, when we asked graduates about their main motivation for going to university, the proportion who said that this was predominantly to further their career prospects was stable at around 50% between the 1980s and 2000s, but **rose sharply to 60% amongst those graduating in this decade.**

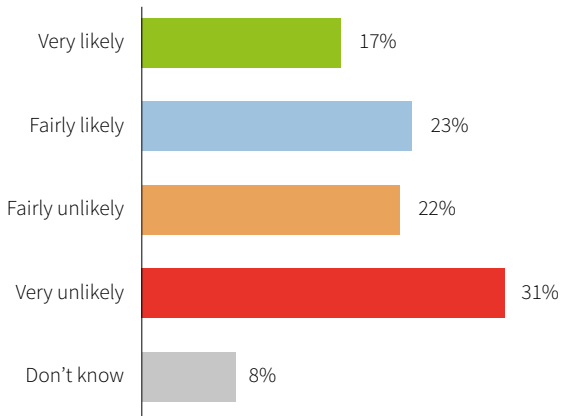
Figure 10: Survey responses to whether your first degree offered good or poor value for money, 2017 (Edge / Yougov)



Source: YouGov, commissioned by the Edge Foundation.

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Figure 11: **Survey responses to whether you would go to university under the current financial regime, 2017** (Edge / YouGov)



We explained the current fee regime to graduates from all decades and asked them, with this in mind, how likely or unlikely they would be to go to university nowadays.

The majority of existing graduates (52%) said that, if they had their time again, they would be unlikely to go into higher education under the current financial regime.

Graduates we surveyed said:

Degrees are seen as a must-have in the world of finance that I operate in. I would never had done a degree if the cost was £9,000 per annum and I am sure the same sentiment would be true of many of my peers.

1995 Accounting graduate

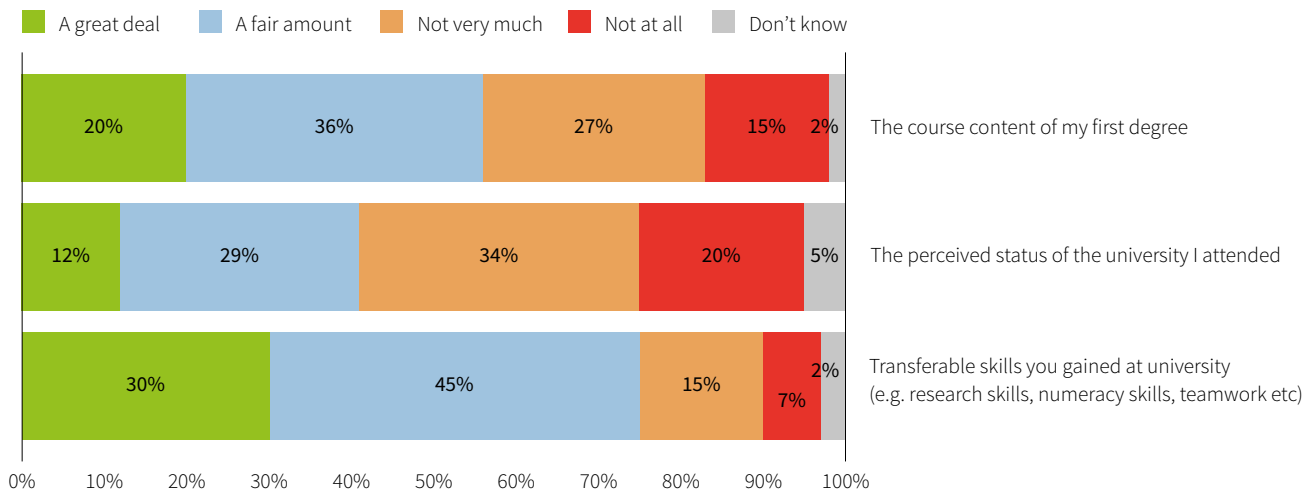
A 21-year-old me would now look for different options to a Uni course – study abroad perhaps, get sponsored, start work with A levels – anything but take out a loan for a course that isn't much value these days.

1985 Engineering graduate



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Figure 12: Survey responses to whether aspects of your degree contributed to career success, 2017 (Edge / YouGov)



We will see later on (page 34) whether the small concessions proposed by the Prime Minister for introduction in 2018 had a significant impact on these views.

This new data also makes clear that what graduates found most effective in increasing their career prospects were the **transferable skills (75%) which can be gained effectively in different educational settings**, over and above the course content (56%) or perceived status of university (41%).

CONCERNS ABOUT 'MIS-SELLING'

As the results of our polling reinforce, comparing the aspirational promises from political rhetoric with the reality of the graduate premium and levels of student debt, it is perhaps unsurprising that **some student dissatisfaction has turned to anger, with a feeling amongst some that they were 'mis-sold' the benefits of a university education.**

In 2016, an open letter from Simon Crowther, a graduate from the University of Nottingham, to Vernon Coaker MP went viral on social media. It said that he felt that he had been '*mis-sold the loan*' and felt '*cheated by a government who encouraged many of us to undertake higher education*'.³² This kind of language has become increasingly common in the debates around tuition fees. In this context, the Intergenerational Foundation called on politicians in 2016 to **stop using the 'carrot of higher graduate earnings' to entice students to pay fees and that those who did so 'should be charged with gross mis-selling'** on the basis that average earnings premium data is unreliable and variable.³³

The recent debate on tuition fees has seen ever sharper language in this debate. Nick Timothy, one of the current Prime Minister's former chiefs of staff, **described the current fee policy as an 'ultimately pointless Ponzi scheme'** in reference to student debt being deferred and often not repaid.³⁴ Lord Adonis, who helped devise the scheme in 2004 based on lower fees and lower interest





rates, has attacked universities for running a fee ‘cartel’, highlighting the lack of variation in fees, and leaving students with a ‘Frankenstein’s monster debt’.³⁵ Others are referring to the repayment of student loans as a ‘graduate tax’.

As feelings and language in this area escalate, what is clear is that young people have been told from an early age that higher education continues to provide a more or less guaranteed passport to success. **Few if any will also have had their expectations managed with the reality that around four in ten graduates will end up in low- or intermediate- skilled employment after graduation.**³⁶

SHAKIRA MARTIN, PRESIDENT OF THE NATIONAL UNION OF STUDENTS



It is clear that the current system of piling debt on students to fund their own education is not working, and the disparities of experience between poor students and their richer counterparts are just one part of the evidence for this.

We believe that education should be free for all students, at all levels, and that a student gains more from their educational experiences than just the ability to command a higher salary. Having an educated society benefits us all; it is not an individual transaction – and so education must be funded by the taxpayer as a public good. It is not enough just to abolish tuition fees, however – full maintenance funding for students will enable them to thrive in education.

This is not a problem which can be solved just by looking at higher education funding: the vocational and technical education sector must be built up to truly achieve the parity of esteem we can see in other countries, and give students realistic options to make informed choices about education that builds the futures they want.

CONCLUSION

In this Chapter, we have argued that:

- **English universities have a strong international reputation. Domestic student numbers have increased dramatically over recent decades and alongside them the level of student fees.**
- **The higher education offer has become less diverse, with a falling away of part-time degrees and sub-degree qualifications like HNCs and HNDs and a very small but growing volume of Degree Apprenticeships delivered so far.**
- **There is a high level of underemployment amongst graduates. The graduate premium appears to be waning and is very variable between different degrees.**
- **Young people’s expectations of returns from higher education have been set very high. In the context of the waning premium and increasing debt, perceptions of value for money are falling rapidly.**
- **As a result, there is a perception amongst a group of students that they were ‘mis-sold’ their higher education qualification, and the associated debt, on the basis of returns that have not materialised.**

Taken together these factors suggest that two of the pressing issues that the higher education sector needs to address are the **diversity of the offer** and the **value for money**, both real and perceived, provided by its qualifications.

In the next Chapter we will look at some of the possible reasons behind the reduction of the graduate premium and the mismatch between graduates and employment to understand what more might be done to address these issues.

2. Higher Education and the labour market

In Chapter 1 we saw evidence of the reduction and variability of the graduate premium, with significant numbers of people with a degree doing jobs that do not require one. It is essential that we understand the range of factors that are driving this change. These fall both on the supply side – the way universities prepare their students for work – and on the demand side – the changing structure of the labour market.

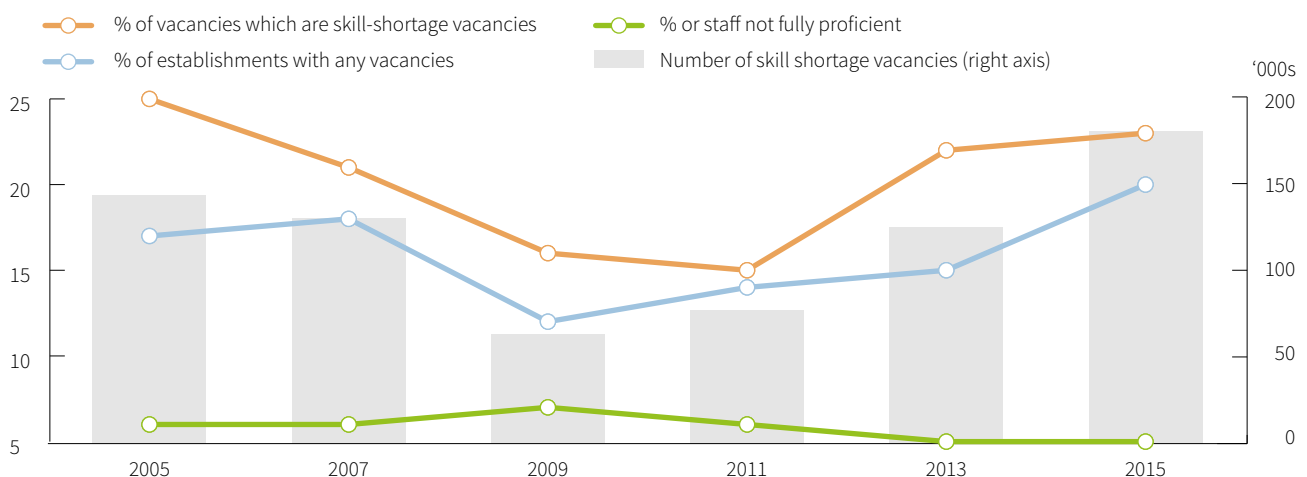
THE SUPPLY SIDE – EMPLOYMENT-FOCUSED HIGHER EDUCATION

Successive Governments have been clear that they want to give employers a greater stake in the skills system, and ownership of elements such as the new apprenticeship standards. Employers in turn consistently raise a concern that the education system as a whole is not producing

the skills they need and that **graduates are not always sufficiently prepared for work in their industries.**

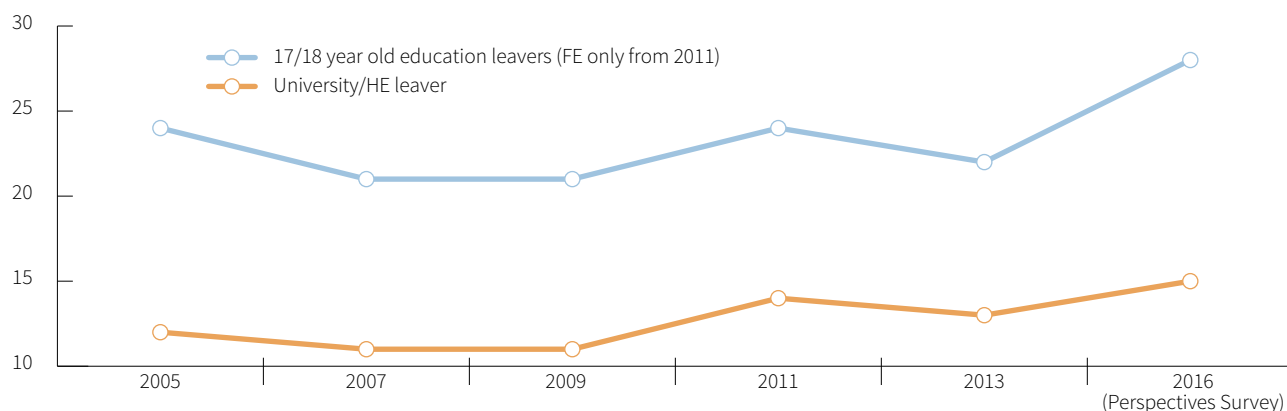
Data from the Employer Skills Survey³⁷ shows that **the number of skills shortage vacancies has grown steadily since 2009** (Figure 13), with particular shortages in key growth sectors for the UK economy, such as construction and financial services.

Figure 13: **Growth in skills shortage vacancies 2005-2015** (Employer Skills Survey)



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Figure 14: **Employer perceptions of recruits who are poorly or very poorly prepared for work, 2005-2016** (Employer Perspectives Survey)



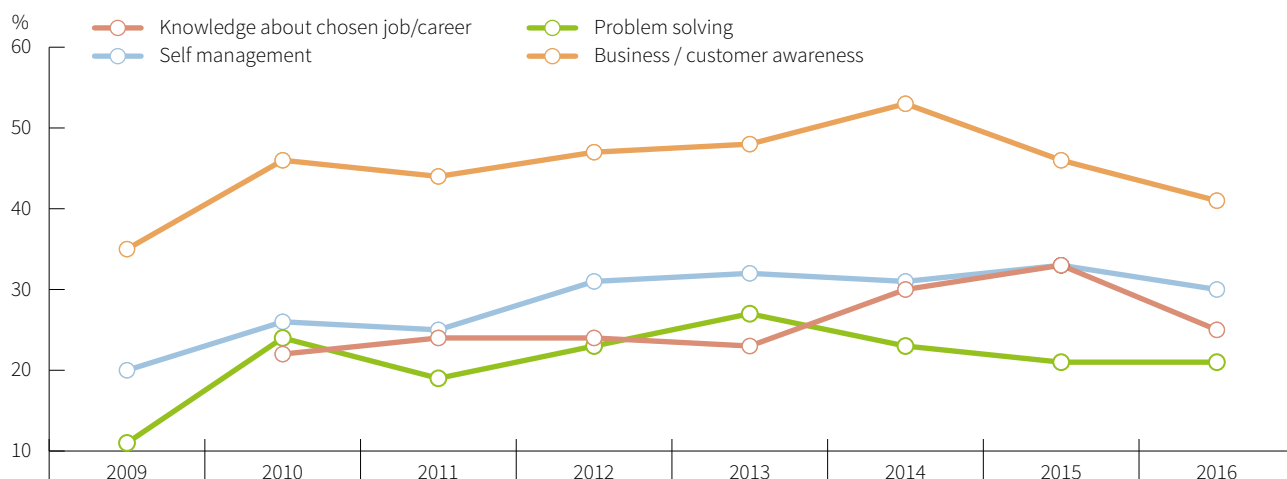
The same survey also asks about perceptions of the work readiness of those recruited directly from education. The **percentage of employers dissatisfied with the skill level of higher education leavers has grown slightly over the last ten years, reaching 15% in 2015** (Figure 14).

The CBI's Education and Skills Survey, which has been running annually since 2008, provides a useful insight on employer perspectives, covering a range of sectors and sizes of firm. **The level of employer dissatisfaction with certain graduate skill levels has remained frustratingly persistent over much of the last decade.** About 40% of respondents were dissatisfied with graduates' business and customer awareness, around a third with their self-management (a key skill that should distinguish university leavers from most school leavers) and just over 20% with their problem solving and knowledge about their chosen career or job (Figure 15).

The persistence of these concerns may point to a lack of responsiveness in the higher education sector, despite fairly clear and consistent messages from employers. In 2009, the CBI Education and Skills Survey concluded that **"82% [of employers surveyed] believe that universities should prioritise the teaching of employability skills [...]** The mechanisms for achieving this – dedicated employer brokerage in university careers advice centres, for example – are not cost-intensive, and bring enormous benefits to students, universities and businesses". The Employer Perspectives Survey eight years later found that employers value work experience above even English and maths when hiring (Figure 16).³⁸

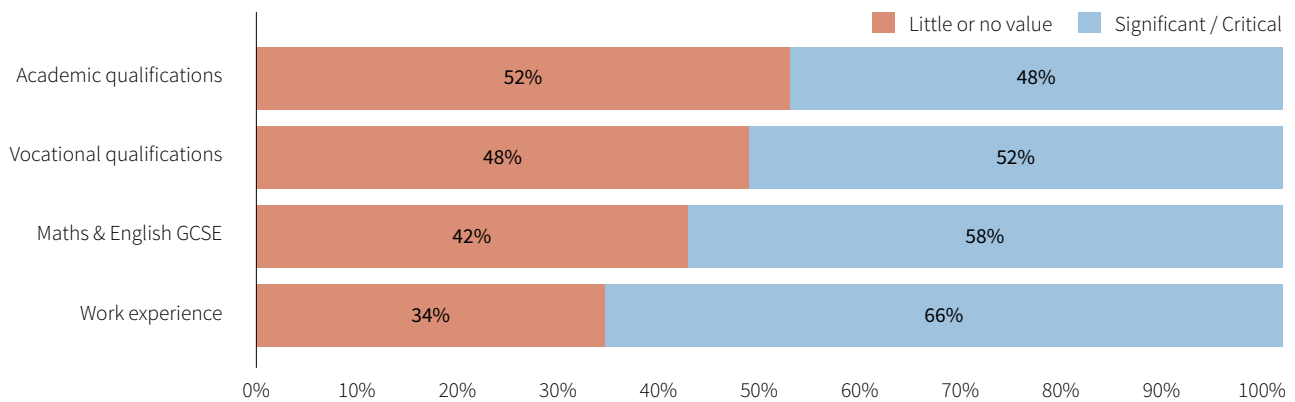
The desire for work experience and employability skills is similarly echoed by students themselves when asked about the careers advice and employment support provided by their universities. The HEA UK Engagement Survey 2016

Figure 15: **Employers dissatisfied with graduate skill levels in selected areas, 2009-2015** (CBI)



Higher Education and the labour market

Figure 16: **Value placed by employers on different qualifications and experience when hiring, 2016**
(Employer Perspectives survey)



finds that **only half of undergraduates feel they have strongly developed employability skills**. It is clear from this that employers and students feel strongly that more attention should be paid at university to providing the skills and advice required for successful employment.

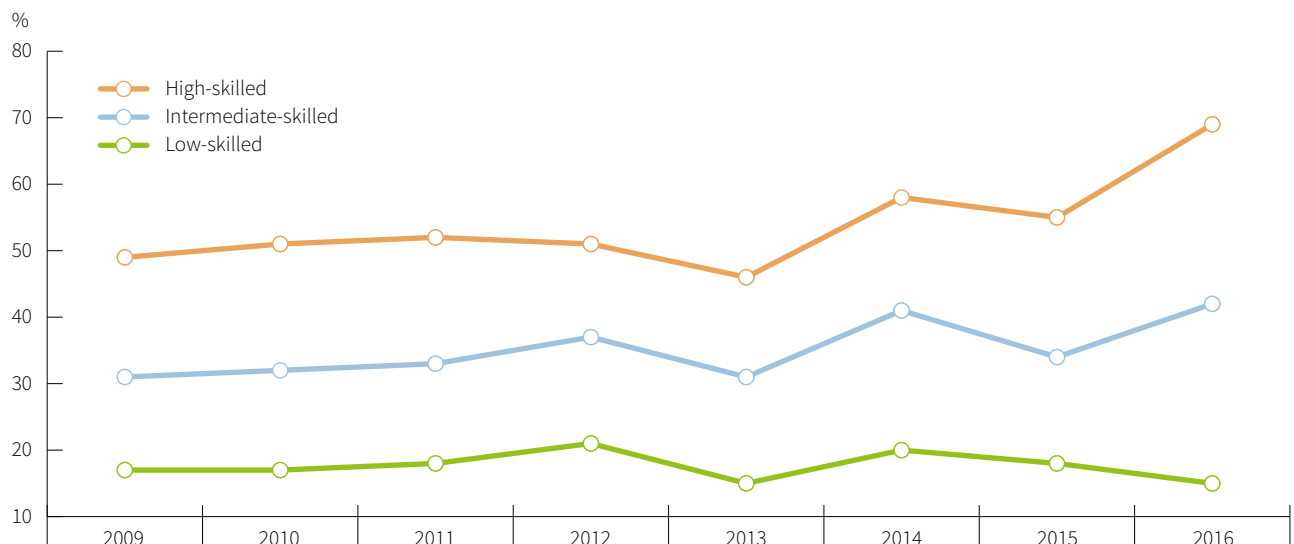
Looking to the future, employers are also clear that there needs to be a step change in the approach of higher education if we are to fill the skills gaps that are widening as the digital revolution and Brexit hit the economy. Despite the increase in higher education numbers, **employers' anxieties about access to higher skills in the future have continued to increase steadily since 2009** (Figure 17).

THE DEMAND SIDE – STRUCTURAL CHALLENGES IN THE ECONOMY

Looking at the Employer Skills Survey (2015) from a different angle, it provides strong evidence for widespread 'under-utilisation' where staff, including new graduates, have skills that they are not using in their current role. In 2015, across the UK, **nearly two-fifths of establishments reported having employees with qualifications more advanced than they required for their current job role**. This reflects around 2.6 million workers, or 9% of the workforce.

This suggests that there may be structural issues with the range and level of jobs available in the economy that are impacting on the ability of graduates to find graduate-level jobs, a phenomenon explored in the following article.

Figure 17: **Employers not confident they can access employees by skills level in the future, 2009-2016** (CBI)



Creating graduate skills, using graduate skills

PROFESSOR EWART KEEP

DIRECTOR OF THE SKOPE RESEARCH CENTRE, OXFORD UNIVERSITY



The expansion of mass higher education in England was predicated on a set of assumptions about the rise of a knowledge-driven economy, the adoption of new technologies, and the impact of globalised competition. **All of these were predicted to increase demand for higher education.** At the same time, it was widely believed that an increase in skills supply would create a ‘supply-push’ effect whereby firms would adjust their product market and competitive strategies to take advantage of a more highly educated workforce, reduce competition based on price and move up the value and quality chain.

Unfortunately for all concerned, **these beliefs proved to be, at best, only partially correct.** There are knowledge-driven sectors and occupations, but large swathes of low paid, relatively low-skilled work remain. Technology can de-skill and reduce job discretion as well as drive upskilling, and the supply-push effect has, to date, had a limited impact. Data from the Longitudinal Educational Outcomes (LEO) database, showing 25% of graduates, ten years after graduating, not earning £20,000 per annum, is a **sign of just how badly awry things have gone.**

Nor can it be written off as some kind of labour market transition problem. **To be low paid a decade after graduating suggests larger forces at work.** Whatever issues we have with the quality and appropriateness of supply, demand for higher skills is lower than anticipated, and, as our productivity figures show, many workplaces struggle to deploy higher skills to any great effect.

Weak demand for skills is a major problem. The OECD’s 2013 adult skills survey (PIAAC)³⁹ demonstrated that the UK had the **2nd lowest (after Spain) demand from employers for workers educated beyond compulsory schooling.**

At the same time, the way we use skills is often sub-optimal. In the 2013 UK-wide ESS survey, **48% of employers admitted that they had staff who were**

over-skilled and over-qualified for the job they were currently doing, amounting to 4.3 million workers or 16% of the total workforce. PIAAC also indicated we have the 2nd highest levels (after Japan) of workers over-qualified for their jobs (30%).

One of the key reasons for this is that too many workplaces continue to design work in ways that **stresses routine and repetitive processes.** A Microsoft survey of 3,000 British office workers⁴⁰ (*The Daily Grind*, Microsoft, 2013) illustrates this problem. Process-driven tasks dominate many workers’ lives - **71% thought ‘a productive day in the office’ meant clearing their e-mails;** 51% of 18-25 year olds believed that attending internal meetings signifies ‘productivity’. When asked, ‘when was the last time you felt you made a major contribution to your organisation?’, 23% responded that they believed they had never managed this. Only 8% thought they had made a major contribution in the last year. 45% said they had less than 30 minutes a day to think without distractions. 41% did not feel empowered to think differently. 42% did not think they had the opportunity to make a difference at work. Many of these workers will be graduates.

These issues are a huge challenge for traditional supply-led policies. As the OECD suggests, we need to think how we can better link skills, economic development, and business improvement in order to boost underlying levels of demand for skill. We also need to explore the kinds of innovation support that countries such as Finland offer to enable greater workplace innovation, and to help organisations **re-think work organisation and job design to make better use of the skills and knowledge we are creating.**

For more information, see www.skope.ox.ac.uk/?person=improving-skills-utilisation-in-the-uk-some-reflections-on-what-who-and-how

Higher Education and the labour market

PROBLEMS WITH TRANSMISSION – QUALIFICATIONS AS LABOUR MARKET SIGNALS

At all levels, one of the primary functions of qualifications is to act as labour market signals to employers. As the proportion of good passes in school-based qualifications has increased and higher education numbers escalated, **employers have increasingly turned to degrees as a sifting mechanism.** The CIPD, which represents HR professionals, has raised the possibility that in some cases “HE is acting as a filtering device to identify the most able individuals and that these individuals are no more or less productive in such jobs than their mothers or fathers”.⁴¹

In other words, **we have witnessed a kind of inflation over recent years.** This concern is highlighted by the CIPD’s analysis of individual occupations which saw a significant increase in graduate share from 1994 to 2007, ranging from 8 to 34 percentage points. In more

than half of cases this increase occurred alongside a competition effect (where graduates replace non-graduates with no material change in the role) or even deskilling and mismatch, where graduates may be more poorly suited to roles than non-graduates.⁴² We have seen this phenomenon strongly in recent years in the public sector where, in the interests of increasing standards, Government has made professions such as teaching, nursing, social work and now policing exclusively the preserve of graduates.

Speaking in August 2017, Nick Hillman, the Director of the Higher Education Policy Institute (HEPI), directly exposed this inflation when he explained that:

*as more and more people go to university, having a degree is less significant. **If you want a sure-fire ticket to the middle classes, which is what a degree used to be, then it helps if you have an MA or MSc too.***⁴³



Our plan for Higher Education: *diverse, employment-focused, value for money*

At the same time, Jo Johnson MP used his September 2017 ministerial address to the Universities UK annual conference to raise concerns and propose solutions about another kind of inflation:

In the last five years alone, HESA figures show the proportion of students who gained a first class degree has increased by over 40 per cent, with almost a quarter of students now securing the top grade, up from 17 per cent in 2011/12. With a huge and fast-expanding 2.1 class, almost three-quarter of students now secure a first or upper second, compared to 66 per cent in 2011/12 and fewer than half in the mid-1990s... I am today calling on you to take swift action to define and agree sector recognised standards for all classifications of degrees.

This helps to illustrate that, as well as the challenges identified on both the supply and demand sides, the huge expansion of higher education that we saw in Chapter 1 has inevitably made **having a first degree, regardless of its grade, less relevant as a differentiating factor in the labour market than it used to be.**

Graduates we surveyed said:

First degrees don't make a candidate stand out. Second degrees are more relevant.

1993 Geography graduate

Degrees have become devalued as far too many people are going to university to study subjects which are not of direct use. Far more school leavers should be directed to apprenticeships or workplace training, particularly in industries where skills are lacking.

1981 Engineering graduate



CONCLUSION

In this Chapter, we have argued that:

- **There has been a consistent message from employers and students to universities to provide an increased focus on the skills and advice needed for employment.**
- **Nevertheless, many surveys suggest that a significant proportion of employers remain dissatisfied with both the overall and specific level of skills demonstrated by university graduates.**
- **The structure of the wider economy means that there are insufficient graduate-level jobs for the over-supply of graduates to go into.**
- **As a result, there is a high degree of skills under-utilisation where individuals have additional skills not used in their current role.**
- **The vast expansion of higher education and simultaneous grade inflation has reduced the importance per se of having a first degree as a labour market signal.**

Taken together, these factors suggest that, as well as the issues of diversity and value for money identified in Chapter 1, we must continue to strive for closer contact between universities and employers to ensure that higher education is **employment-focused** and preparing young people fully for work. In the next Chapter we will look at promising models from England and abroad that are helping to address these issues.



3. Promising new approaches

In Chapters 1 and 2 we have set out the trends that have been affecting the English higher education sector for decades – mass expansion with growing numbers of graduates seeking employment, the waning graduate premium and high levels of graduate under-employment. These point to three key issues to address – diversity, employment focus and value for money.

This Chapter explores promising emerging models in England and further afield that are already addressing some of these challenges and that could be developed and extended further over the coming years.

Diverse higher education provision is necessary in order to meet the needs of a very varied group of young people, offering a wide range of approaches to teaching, learning and training. The examples in this chapter include **South Devon College delivering higher education programmes, Degree Apprenticeships at Middlesex University and Edge Hotel School in partnership with the University of Essex.**

Careers advice and the integration of employment skills are crucial for students to secure skilled work after graduation. **Sheffield Hallam University’s Careers and Employability Centre** provides an excellent example of flexible support. Looking further afield, Germany is known for its high quality work-based learning, which is clearly demonstrated by the example of **Duale Hochschule Baden-Württemberg Stuttgart**. The **Minerva School** based in the US provides an insight into the future of truly digital higher education.

Our plan for Higher Education: *diverse, employment-focused, value for money*

HIGHER EDUCATION DELIVERED IN FURTHER EDUCATION

Higher education already takes place in a variety of settings but the diversity of provision remains far too low (pages 5-6). **Further education colleges have a key role in meeting the needs of their local community and offer a wide range of higher education programmes**

CASE STUDY – SOUTH DEVON COLLEGE HIGHER EDUCATION

Alastair Wilson, *Higher Education Manager and Academic Registrar, South Devon College*



Recently re-branded as University Centre South Devon (UCSD), the higher education provision at South Devon College is underpinned by five key principles; locality, support, accessibility, community and excellence.

UCSD offers the local community a platform to achieve their goals. All of the degrees at UCSD are delivered in partnership with the University of Plymouth, including a range of both foundation degrees, full honours bachelor's degrees and degree apprenticeships. The curriculum is developed with employers to ensure individuals gain relevant skills for the local job market - for example, UCSD works with NHS partner Chime Social Enterprise, a leading audiology service, to offer paid training posts for Assistant Practitioners.

The College offers a range of support services ensuring that prospective students receive guidance covering the academic, social and financial dimensions of their choices. There are informative pre-induction events aimed at supporting student transition and building a shared culture with staff and fellow students. Students and staff are regularly nominated for the annual awards at the University of Plymouth Students' Union helping to create a real sense of community with the University.

Students are placed at the centre of curriculum planning to ensure that services and provision are as accessible as

in partnership with local universities. Around 159,000 students follow higher education programmes in colleges across England and the example of South Devon College provides an insight into how effective this model can be.

possible. One example of the support offered is around mental health, where the College Students' Union won the NUS Campaigns Award 2017 for their work to raise awareness and provide workshops and events to access support and advice.

South Devon College focuses on building a strong community of employees and students. It aims to model excellent employment practice as the only College in England to have achieved Platinum Investors in People



DEGREE APPRENTICESHIPS

Degree Apprenticeships (DAs) were introduced in 2015 by the coalition government to combine the best of academic study and practical work experience. Businesses and higher education institutions (HEIs) jointly deliver these industry-designed programmes and students are employed as full-time apprentices while spending at least

accreditation. It aims to increase diversity in the higher education market further by securing foundation degree awarding powers in the near future.

UCSD has welcomed the introduction of the Teaching Excellence Framework (TEF), the system for recognising excellent teaching and learning in higher education, and has been awarded 'Gold'. The most recent results from the National Student Satisfaction Survey showed a 92% satisfaction rate.



20% of their time doing off-the-job study towards their degree. Learning may be delivered as block, distance or blended. Degree apprentices finish their apprenticeship with a university qualification, significant employment experience and no student debt. **The number of degree apprentices is growing rapidly, albeit from a small base. The model presents an excellent vocational alternative to traditional higher education.**

The College shows how higher education opportunities can be delivered successfully within a further education college environment, making them far more accessible to a wide range of individuals. As one of their former student's experience shows:

I studied for an FdA in Illustration Arts as a mature student single parent. I was apprehensive about returning to study, but I was soon made to feel welcome. The course was challenging, fun and informative. On completion of my course I proceeded to University of Plymouth to complete my BA (Hons) Degree in Illustration. After my studies, I set up my own illustration business with my partner James called 'Flossy and Jim'. We are now a registered brand working for major global companies. Our illustrations have been published in several children's books worldwide, used in cartoons, and used on a global messenger app. We've been lucky enough to work with major clients such as a Hollywood film director, Heat magazine, ASOS and Apple, to name a few. I'm extremely happy I completed my course at University Centre South Devon, as it's given me the freedom to do a job I love!

Lynette Jordan of 'Flossy and Jim'



Dr ELIZABETH MILLER, PEARSON COLLEGE LONDON

Interviews I conducted while researching⁴⁴ Degree Apprenticeships (DAs) revealed that the programme offers advantages for young people and for employers. One is the fact that, as an employer explained, DAs offer companies the chance to ‘*mould talent*’ and to ‘*choose and emphasise the skills we need as well as giving students the chance to get further skills from our partner university*’. This means industry has the chance to shape graduate skills and that businesses and universities are working together in new ways to ensure DAs provide a wide range of skills and knowledge.

Another key advantage of this programme is its potential to widen access to university study. A representative from a post-1992 university explained that DAs offer opportunities for students who “*hadn’t previously wanted to progress to HE*”. A representative of the British Computer Society similarly argued: “*If someone starts on an apprenticeship at Level 2 but progresses and years later ... [wants] to go to university, they should have the path and the opportunity to do that*”. He said DAs offer this chance by emphasising the value of vocational routes into higher education.

An interview I conducted with the Head of Junior Talent at a large, multinational corporation said that the Apprenticeship Levy was helping drive the company’s investment in young degree apprentices who came from diverse backgrounds and brought great new ways of

thinking to the business. However, the programme is still in its infancy and there is not yet enough information about the backgrounds and destinations of degree apprentices to determine whether it is an effective tool for social mobility.

One participant explained that while the idea that a debt-free degree would appeal to students from disadvantaged backgrounds makes “*intuitive sense*”, many higher education institutions and employers are promoting DAs at schools and careers fairs in middle-class areas in an attempt to recruit “*the brightest*” students. If this continues, it is likely this chance to obtain to a degree through work-based study will be dominated by groups able to pursue more traditional routes into higher education and undertaking DAs as a cheaper alternative route to the same end.

If employers and institutions work closely together to design and deliver these programmes, this could help to reduce the vocational-academic divide, creating clear vocational routes into higher education. This is undoubtedly a good thing. However, employers and universities and colleges must work together to ensure that a wide range of students are recruited if the government’s aim of using this programme to widen participation in higher education is to be achieved.



A number of leading universities and employers are **already embracing the opportunities that Degree Apprenticeships can offer**. The example of Middlesex University shows how they have used the development

and delivery of degree apprenticeships in sales to raise the standards and reputation of the profession, whilst offering young people the opportunity to learn and earn at the same time.



CASE STUDY – DEVELOPING THE BUSINESS TO BUSINESS (B2B) SALES PROFESSIONAL DEGREE APPRENTICESHIP

The UK sales industry employs over 3.6 million people of which 661,000⁴⁵ are B2B sales professionals, making it one of the largest employment groups in the country. However, until recently, sales had not been widely thought of as a profession with industry-wide working standards or training. The development of the B2B Sales Professional Degree Apprenticeship has provided an opportunity to directly address this.

The Trailblazer process for developing apprenticeships in England requires that employers are firmly in the driving seat. However, the process for developing a Degree Apprenticeship allows the inclusion of universities with degree awarding powers so that these can be created in partnership.

The Trailblazer Group for the B2B Sales Professional Degree Apprenticeship was chaired by Royal Mail and included other key employers such as BAE Systems, WorldPay, BT, Whitbread and Premier Inn. The group also included three universities: Middlesex University, Anglia Ruskin University, and the University of Portsmouth, all of which had previous experience of delivering higher education programmes in sales.

The collaboration between employers, the professional body for sales and the universities proved extremely fruitful and resulted in the development of a nationally-approved Apprenticeship Standard for B2B Sales Professionals.

The Degree Apprenticeship Standard has ethical sales practice at its core and articulates the knowledge, skills, professional behaviours and values required in a way that is also consistent with the standards required for the award of degrees in the UK. More than this, the collaborative working between employers, Approved Provider Standard and universities established shared expectations and benefits that may not have occurred otherwise.

All three universities highlighted the importance of workplace mentoring and coaching to support apprentice development. Employers embraced this idea and saw it as an important opportunity to develop the coaching capabilities of their teams. This led to the collaborative development of a Workplace Coaching Handbook, induction materials and online learning tools for management staff supporting degree apprentices. Degree Apprenticeship development can provide opportunities for employers and providers to work together to contribute to the enhancement of the standards of professional practice.

Dr Darryll Bravenboer, Director of Apprenticeships and Skills at Middlesex University said:

The development of this Apprenticeship Standard firmly establishes sales as a profession for the first time. This illustrates what can be achieved when employers, professional bodies and universities work together from the outset. Universities with expertise in work-integrated learning can make a valuable contribution to meeting the needs of employers and all apprenticeship development could benefit from such a collaborative and inclusive approach.

Our plan for Higher Education: *diverse, employment-focused, value for money*

ACCELERATED DEGREES AND EMPLOYER ENGAGEMENT

Another aspect of diversity that is to be encouraged is considering the timescale over which degrees are offered. A small but growing number of accelerated degrees offer **full qualifications over a more intensive two year course.**

One such leading example is the Edge Hotel School, which was established in Colchester in 2012 in partnership with the Edge Foundation and the University of Essex. The hotel school also provides an excellent example of directly employment-focused provision, with students operating a commercial hotel as part of their course.

CASE STUDY – EDGE HOTEL SCHOOL

One of the things that makes the Edge Hotel School unique in the UK is that all their degree and foundation degree programmes are accelerated. Students can achieve a BA (Hons) in Hotel Management or a BA (Hons) in Event Management with Hospitality, in just 24 months. Equally students can complete foundation degrees in just 16 months and can then apply to progress to study a 6 month BA Hons top up course.



The degrees are validated by the University of Essex, on whose Colchester Campus the Edge Hotel School is situated. Students undertake their academic and theoretical learning at the Hotel School itself and, while they do this, they also put their knowledge into practice by working with industry professionals to operate the 4* Wivenhoe House Hotel, located next to the School. This supports the School's commitment to industry engaged education.

The unique combination of academic learning and practical education that we offer has not only captured the imagination of students, it has also appealed to managers in the industry who are looking for talented young professionals to take hospitality forward.

Andrew Boer, Principal, Edge Hotel School

At Wivenhoe House the students work alongside the professional team in each department progressing to duty manager level by the time they complete their course. At level 6, the students also undertake an in-depth consultancy project for an industry client. The quality of the research and analysis produced has astounded

business managers and often leads to job offers for the students upon graduating.

Industry support is embedded throughout how the EHS operates. Leading figures from the hospitality industry deliver masterclasses, offer scholarships and network on a one to one basis with the young professional students. As part of the #EHS100 campaign, a range of high profile organisations including The Ritz London, Shangri La at the Shard and London

EDITION are providing some students both the opportunity to shadow key members of the management team, and to gain a customer's perspective by staying in one of these prestigious hotels.

In 2017, 88% of graduating students found employment and EHS alumni can now be found worldwide in the hospitality industry and as far afield as the 5-star Sydney Harbour Marriott Hotel.

Graduate Charlie Johnston is now based in the heart of London as Rooms Division Graduate for The London EDITION, part of Marriott International.

My experience at the Edge Hotel School was instrumental in getting this role. Not only did I have to earn my degree within two years, but I also developed a highly professional approach to work through the experiential working element in the Wivenhoe House. These factors have really supported my transition from the academic world and allowed me to make an immediate and positive contribution to my new employer.

These examples show the importance of creating a range of diverse higher education opportunities for young people to choose from. They also emphasise the importance of developing the wider skills that young people need to secure skilled employment, which is one of the ultimate goals of education. **Alongside high quality**

tuition, excellent careers guidance and employer engagement are essential components of an employment-focused university experience. Sheffield Hallam University's Careers and Employability Centre is renowned for its work in this area.

CASE STUDY – SHEFFIELD HALLAM UNIVERSITY – CAREERS AND EMPLOYABILITY SERVICE

Sheffield Hallam has a history of focusing on employability and high quality careers support for their students. They have recently refocused their university strategy to focus on employment outcomes:

To be the world's leading applied university, achieving outstanding outcomes for our students and our city, and showing the world what a university genuinely focused on transforming lives can achieve.

Employability is a key feature of their strategy and over the last 15 months the Careers and Employability Service has had a pivotal role in shaping their new model of 'institutional employability'. The idea is that everyone in the university plays an important role in developing students' employability – this is not exclusively the domain of the careers service. Individual members of staff have been given accountability and responsibility for ensuring that all students, irrespective of their background or discipline, achieve excellent outcomes.

The university makes a promise to all of their students:

Every student will be prepared for high skilled employment or further study upon graduation - delivered through an innovative, impactful and consistent employability offer.



To deliver against this promise, the University is focusing on four key strands:

- **Engaged and skilled staff** – including offering all staff access to employability related CPD and online resources.
- **Better prepared students** – including giving every student access to specialist employability support linked to their course and help to develop a personal and professional development plan.
- **Innovative and applied curriculum** – with every course informed by employers and professional bodies at every level.
- **More and better jobs** – including through a regular series of employer events and a commitment that every student will engage in work experience as part of their course.

This strategic focus has made the Careers and Employability Centre visible as a hub for this activity. The service features qualified and experienced staff who are active members of professional guidance bodies. They offer a professional and confidential service providing impartial advice and guidance, as well as working in partnership with departments to provide services like specialist placement support and graduate job search advice.

Last year the Careers and Employability Service delivered almost 9,000 one-to-one appointments with students and graduates and almost 20,000 more engage with the service in other ways. Their own follow up research with graduates shows that those who actively engaged with the service were 21% more likely to be in highly skilled or graduate employment than those who did not.

Our plan for Higher Education: *diverse, employment-focused, value for money*

AN INTERNATIONAL PERSPECTIVE

Finally, turning to international examples, Duale Hochschule Baden-Württemberg Stuttgart (DHBW) shows what can be achieved when **an entire higher education institution is focused on preparing students for**

employment, working in tandem with employers and providing theoretical learning coupled with practical training in real work settings. The example of DHBW provides an insight into how our higher education system could look with a massive expansion in degree apprenticeships.

CASE STUDY – DUALE HOCHSCHULE BADEN-WÜRTTEMBERG STUTTART (DHBW)

DHBW is unusual as a higher education institution because it was set up by employers, such as Daimler Benz, Bosch and SEL, achieving full university status in 2009. The close cooperation between the university and employers permeates every aspect of the organisation.

DHBW offers Bachelors and Masters programmes with practical on-the-job training and focuses on three key areas – business, engineering and social work. It embodies the widespread German concept of dual study – combining theoretical learning and practical training, with secure employment at the end of the student's course. Dual universities have lower dropout rates and offer a smooth transition from university to employment.

As a state, Baden-Württemberg has a strong history of apprenticeship education that helps to create the right culture for DHBW to thrive. Businesses and social services

providers discuss their workforce needs with the university and then agree student places to be advertised on the employers' websites, at DHBW and in job centres. There is a multi-round selection process which involves employers throughout – it is the employers who choose their students and a contract is signed between the student and the employer. This helps to support very low dropout rates.

There are over 9,000 employers involved in DHBW, which includes global and national, large, small and medium size enterprises (SME) and social services providers. Regardless of size the university applies a set of criteria and selects the employers they work with. Not all employers are accepted by the university as a partner.

Throughout each student's course there is regular communication between university tutors and their employers. A Head of Department is responsible for a cohort of 35 students, developing individual personal contact with them and having regular meetings with their employers. During their training students have to write a report about their placements, which is assessed jointly by the employer and tutor.

Recognising the challenges of filling places in engineering, DHBW organises two-week pre-university summer courses in mathematics and physics that are strongly recommended for in-coming students to attend. For those not joining the university directly from school, *Semester Zero* provides a part-time pre-DHBW course.

The success of DHBW is clear from their outcomes. Student dropout rate is less than 5% and more than 80% of students secure employment with the company where they have been trained.



Promising new approaches

The **Minerva Schools** based at Keck Graduate Institute in California provide an insight into the truly innovative digital future of higher education. Lectures are non-existent, replaced by small seminar groups and one-to-one feedback time. All classes take place online in an advanced digital environment, supplemented by intensive real world project learning in cities across the globe. All students take a common first year that gives them the critical thinking skills they need before diving into their specialism and without a physical campus this is delivered at half the cost of an average US university.

At Minerva, our students learn the skills they need to be successful in life. We have a structured curriculum that teaches them how to think critically, think creatively, and to communicate and interact effectively. With a solid foundation of core competencies, our students select a major in one of five colleges and enjoy deep academic learning in a specific discipline. We systematically use the science of learning and apply

it to all our classes. Every class session is a small seminar, enabling all students to actively participate to enhance their learning. We complement this intense academic program with our global rotation, and Minerva students spend semesters in seven different cities where they can put their classroom learning into practice engaging in projects with local partners. Minerva students are smart, motivated, and driven and come from countries across the globe. Each one has tremendous potential, and our goal is to enable each student to make a positive difference in the world regardless of what they choose to do. We owe it to our students to prepare them to make decisions of consequence in this complex and ever-changing world.

Robin Goldberg,
Chief Experience Officer,
Minerva Schools





CONCLUSION

In this chapter we have seen how leading examples in England and abroad are already helping to address the key issues established in Chapters 1 and 2 by:

- **Increasing the diversity of provision by offering higher education qualifications within further education colleges and through Degree Apprenticeships.**
- **Offering an alternative to traditional three-year degrees through accelerated two-year courses, which can also help to reduce living costs and improve value for money.**
- **Providing students with a promise of high quality employability training and work experience, making a demonstrable impact on their employment outcomes.**

- **Intensively engaging employers in all aspects of provision from student selection to course design and assessment to ensure that graduates are ready to thrive in their businesses.**
- **Refocusing tuition from lectures to seminars and small groups, and from the real world to virtual learning environments.**

In the final chapter we will look at how the lessons from these examples could be applied to support the higher education sector as a whole.



4. The future of Higher Education

The higher education sector has much to be proud of, but if it is to remain at the cutting edge and make real inroads into addressing our growing skills gaps, it must focus on becoming more diverse, more employment-focused and providing demonstrable value for money.

The widespread description of higher education as an emerging market provides a useful organising framework. We will consider first how to address information failures that can result in young people having unrealistic expectations of higher education. We will then look at the supply side, at the demand side and at the sharing of information and experience between employers and higher education institutions.

Our plan for Higher Education: *diverse, employment-focused, value for money*

ADDRESSING INFORMATION FAILURES

As we saw in Chapter 1, a growing number of young people feel that they have been ‘mis-sold’ their degree. This is principally because **the experience of achieving their higher education qualification did not match the broad and very positive statements about university education made by politicians and society** more generally.

It is undoubtedly still true that a degree from a particular university in a particular subject can be a very strong labour market signal, which may result in significantly improved prospects in terms of career progression and pay. But as we have moved from 5% to almost 50% of young people entering higher education, **gone are the days when any degree would set an individual significantly ahead of another when looking for or progressing in work.**

As we set out in *Our Plan for 14-19 Education*⁴⁶, following the devolution of responsibility for careers guidance to schools without any additional funding in 2010, the vast majority of young people are failing to receive adequate information, advice and guidance on their future options. Information about higher education options is no exception. Research we commissioned through the Institute of Employment Research at Warwick University showed that **57% of young people felt that they received an inadequate level of information from universities whilst at school**⁴⁷.

Graduates we surveyed said:

I wish I had appreciated the importance of working on a career when I was at college. I think it is something younger people are more conscious of now.

2001 graduate

I felt at school that the only option after A-levels was to go to university, but I don't feel that a degree has benefitted me at all. As the cost is so high now, people should only go if they do a degree which leads to a career they want.

1992 Law graduate

STEVE STEWART, EXECUTIVE DIRECTOR, CAREER ENGLAND LTD



Making the right career choice or deciding on the best learning route has never been so challenging. In choosing a university course, young people now make a huge financial investment. Just as with any major monetary decision – choosing a place to live, buying a car – people need high quality advice, including the likely impact on job security and salary.

That is why independent high quality careers information, advice and guidance matters. When we get it right, more young people make the right choice first time and fewer change direction or regret their decision. This benefits individuals, communities and the national economy.

There is no doubt that advice in England, including around higher education options, is in dire need of investment and development. There is some excellent practice of course, but most young people and their parents I speak to say that they haven't been made aware of all the options, like apprenticeships, or the real returns from higher education.

The future of Higher Education

NICK CREW, EXECUTIVE PRINCIPAL,
UTC SHEFFIELD



All schools need to ensure they work closely with universities so that young people have a connection to higher education. This is already built into the University Technical College (UTC) model. UTCs are very different to mainstream secondary schools. As a specialist technical school, our curriculum is designed with employers and has support from our university sponsor, Sheffield Hallam University.

As a result, our students have the opportunity whilst at still at school to have meaningful contact with both employers and higher education. This helps them to make an educated choice of career and route, including university, apprenticeships and skilled employment. Our destination data speaks for itself – every young person leaves here with a clear plan and into a positive destination. None are NEET.

Young people clearly require **more information about the university route whilst at school in order to become well-informed consumers** in this market.

However, we also need to go further if we are to make this information as helpful as possible to young people:

- The information must be **more realistic and nuanced**. It is much better for young people to understand *before* they make a choice about whether and where to go to university, the range of returns and labour market outcomes that are likely from different course and institution choices. This will allow them to make an informed judgement and significantly reduce the risk of feeling ‘mis-sold’ at a later date.
- We should encourage a **longer-term approach to planning**. Too often post-16 and then post-18 choices can become short-term defaults, with young people feeling in retrospect that they simply ‘drifted’ into the next step of their education⁴⁸. Where possible, teaching in higher education should be seen more often as

a *means to an end* rather than an *end in itself* with a broad career goal in mind from the start, whether in academia, research or the wider economy. This will help to encourage young people to build the wider skills that employers are looking for (page 15).

- Developing much closer **links between universities, further education and schools** so that young people get real contact with university staff through participating in activities in school or university that inspire them and give them a try-before-you-buy experience of the future product. Very few schools currently achieve this level of partnership, an exception being University Technical Colleges which all have local higher education institutions on their boards.

DIVERSIFYING THE SUPPLY SIDE

Just as we need to make the information we provide to prospective applicants more personalised, so we must diversify the products available in the higher education market to suit a much wider range of young people, industries and future job roles. As we have seen in Chapter 2, with the exception of the growth of Higher and Degree Apprenticeships from a low base, higher education has become more homogenous in recent years and it is essential that we reverse this tendency through four key changes.

The first important way to achieve this is through a continued **significant expansion in Higher and Degree Apprenticeships** so that they become a well-established product in the higher education marketplace over the coming years. This will not only offer a wider range of options to students, but also comes with an inbuilt connection to employers and future career opportunities, helping to address another key challenge in this market. Three ingredients are required to ensure this:

- More **universities need to embrace the concept of Degree Apprenticeships** as a key element of their offer, as the University of Middlesex has done (Case Study on page 23), or even consider moving to a model where this is their main or sole focus like the DHBW (Case Study on page 26).

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- In turn **government needs to be more demanding about what is required, but give universities more freedom to design it.** Degree Apprenticeships need to be freshly designed from the bottom up not created from existing courses lightly tweaked to increase their level of employer engagement. Within that expectation, universities need to be given greater freedom to work with employers to design these, collaborating on standards that meet their needs.
- Finally, **more employers need to embrace the opportunity that Degree Apprenticeships offer** as an alternative to traditional graduate programmes, providing the opportunity to train individuals in the specific context of their organisation. For larger companies this also gives them the opportunity to spend the apprenticeship levy on this training.

Second, we need to **reverse the decline of HNCs and HNDs with a significant expansion of Level 4 and 5 technical awards** that will train a new cadre of technicians to drive forward economic growth during the digital revolution. As Alison Wolf concludes in her powerful analysis in *Remaking Tertiary Education*⁴⁹:



We can predict, confidently, that if current policies are maintained, then 5 and 10 years hence, England will be producing even more undergraduate degrees, in absolute and relative terms, and even fewer intermediate technical qualifications than at present. We can also predict that the result will be huge costs for both the taxpayer and for students carrying loans for university study.

The government should update and redevelop the country's qualification framework so as to recreate a high-status public equivalent to the 'Higher National' qualifications created by its 1970s

predecessors. These qualifications should provide a sub-degree tertiary route open to entrants from a wide variety of secondary programmes as well as adult entrants. They should be designed for flexible delivery through further education colleges, without direct university involvement, as well as by universities should they so wish.

As well as being offered through partnerships with further education and private training providers, these **Level 4 qualifications should be available and funded as part of stretching provision in schools.** This is already a feature of the excellent international P-TECH school model, which we featured as a case study in *Our Plan for 14-19 Education*⁵⁰. This allows pupils in schools like P-TECH Brooklyn to achieve their High School Diploma and an Associate Degree as they leave High School. The same opportunity should be available to our young people.

Third, we should look to **diversify the range of ways in which courses are organised** to ensure that they are better able to suit a wider range of individuals and employers. This should include:

- Significantly expanding the number of first degrees offered as a **2 year accelerated programme** as the Edge Hotel School does (Case study, page 24), which would also be a helpful means to address costs.



The future of Higher Education

Graduates we surveyed said:



It is perfectly possible to compress three years of university education into two given the high cost.

1989 Psychology graduate

University course are too long. They should be pared down to the core elements that are essential to a career. If students wish to spend three years on a degree, and have the funds to do so, then fine, but people should have an option to study the key components in one year.

1986 Law graduate



- Growing the number of **part-time students who are able to study for higher education qualifications alongside work**, exploring methods like distance learning, online learning and reduced fees for courses with less tuition time. This can be a complementary route to the Higher and Degree Apprenticeships.
- Offering more **sandwich degrees with a year spent in industry** to build real world experience before completing the academic degree with a capstone year.

Finally, **we should diversify the higher education market by encouraging new providers into it**, to increase competition and a wider range of options and approaches that will suit more individuals. We support

the steps that the government has already taken through the Higher Education and Research Act (2017) **to lower the very significant barriers to entry in this market**. Rather than having to deliver degrees for four years before they can even apply for registration, the new Act creates an opportunity for new institutions and established employers to have probationary awarding powers, which will be reviewed and, if all is working well, will be made permanent. Some leading employers, including James Dyson, have already set out their plans to take advantage of the new legislation. The Dyson Institute of Technology on the company's factory site will offer a Bachelor of Engineering degree whilst students have a full-time paid job at Dyson's Research and Development Campus.

Taken together, these steps will help to **create a much richer and more diverse higher education sector**, providing much needed challenges to traditional ways of working, greater competition and a broader choice of routes. This will also lay the foundation for richer relationships with employers.

ENSURING COSTS ARE REASONABLE

The quality of the higher education that young people receive and its connection to the labour market are only one part of their calculations – **the cost of that education is also crucial to their choice and to their perceptions of value for money**. It is undoubtedly the case (page 5) that the cost of higher education courses has risen dramatically in recent years. To some extent this has been offset by the fact that in most cases these costs are covered by student loans that are not repaid

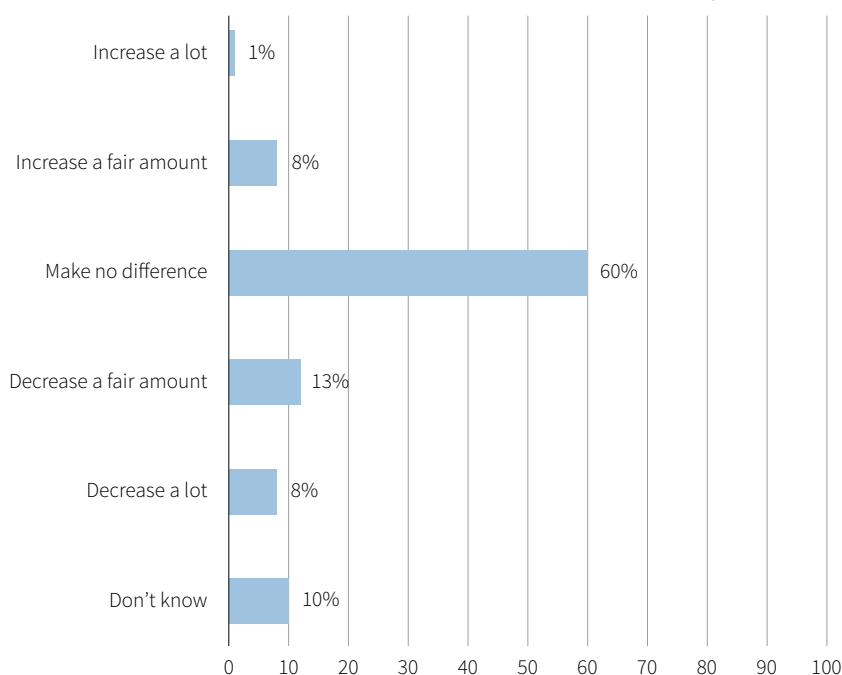


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Figure 18: **Survey responses to whether proposed HE concessions will impact value for money, 2017** (Edge / YouGov)

New data commissioned by the Edge Foundation from YouGov clearly shows that these small concessions will make negligible difference to views of the value for money of higher education.

When asked if implementing these changes would increase or decrease the value for money of undergraduate degrees, **just 9% of respondents said that it would, while 21% feared it would have the opposite and the majority (60%) said that it would make no difference:**



until the individual earns an income of more than £21,000. But during the time they are studying and all through the subsequent period before they are paid back, these loans are accruing significant interest.

It is certainly the case that some courses offer strong returns and that, on a purely economic basis, they offer good value for money for the initial outlay. As we have seen though the graduate premium overall is falling (page 7) and is already highly variable depending on the specific course and institution (page 7). **It cannot therefore be right that the cost of courses is continuing to increase and that almost all charge the highest possible rate as a proxy signal for quality.**

Following the strength of debate in this area, the Prime Minister has made some recent concessions on student finance, cancelling a further proposed increase in the maximum level of fees from £9,250 to £9,500 in 2018 and increasing the threshold for repayment from £21,000 to £25,000⁵¹. Whilst a small step in the right direction, **this does not go nearly far enough in re-adjusting the cost-benefit balance of higher education in the current climate.** New data from our YouGov poll (Figure 18) shows that the vast majority of people agree.⁵²

We do not object in principle to students paying something towards the cost of their higher education tuition as this can help to ensure more of a conscious decision and greater ownership around the route. The consensus across the vast majority of the political spectrum seems to be that **this should be much less than currently – at most the level of around £3,000 that was the norm before tuition fees were almost trebled to £9,000 in 2012.** Taken together with the other reforms outlined here, that would be enough to significantly realign the value for money calculation.

A graduate we surveyed said:

Although I agree with university fees, I do not believe it is value for money. A fixed sum of £4,000 to £5,000 would be reasonable per year.

1994 Business graduate



The future of Higher Education

As UK2020 have set out eloquently in their recent *Timebomb* report, universities have been involved in another kind of market failure – market control or cartel behaviour. Together with an overall reduction in the tuition fee cap, there should also be a **much greater diversification in the level of fees charged**. We support the government's move through the Higher Education and Research Act 2017 to ensure that in future the Teaching Excellent Framework (TEF) scores will play a role in deciding what increases a university can make in their fees. **This should be strengthened further so that this is a decisive factor in the level of fees to ensure value for money, with all higher education institutions required to participate in TEF.**

LORD ANDREW ADONIS
and **OWEN PATERSON MP**

...we are united in our desire to find a solution to the crisis in how students and universities are funded. Both our parties played a role in shaping the current system and we believe a cross-party approach is needed to fix its problems...

...The original concept of tuition fees, set at a reasonable level, with graduates and the government co-funding teaching to put universities on a more independent financial footing, was the right one...

Financial worries should not put young people off going to university, but we are concerned that fewer of them will want to do so unless urgent steps are taken to address the levels of debt they are incurring. Under the current system, more and more students will fail to repay and the taxpayer will suffer a growing, unsustainable cost as loans are forecast to rise to £1 trillion in cash terms over the next 30 years.



ADDRESSING THE DEMAND SIDE

If we are to ensure that the higher education system functions as effectively as possible in terms of outcomes, it is also essential that we address the demand side. This is important in order to **ensure that young people and higher education providers understand exactly what is required from employers**, the eventual consumer of one of their key products - skilled and highly trained individuals.

It is clear (pages 17-18) that as the number of young people who go to university has increased, and the proportion of them who achieve high marks has grown, **the overall effectiveness of a degree per se as a labour market signal has decreased**. Indeed, we have seen (Figure 17) that when surveyed employers say that they value relevant work experience above English and Maths, vocational qualifications above academic ones.

When we speak to employers, they consistently tell us that what they are looking for is eager individuals with the right mind-set and a core set of behaviours that includes communication, and team working, but **all too often this does not translate through to their selection process**, which falls back on asking for a degree as a sift criterion for roles that do not require one.

A graduate we surveyed said:

I wish employers were more open minded about an individual's skills and the abilities they can bring to the workplace. A degree doesn't always make one candidate better than another, sometimes it makes them worse. Employers need to improve their ability to assess individuals and their potential worth to their company.

1970s Psychology graduate



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RACHEL MORRIS, SUSTAINABILITY ASSISTANT, BRITISH GYPSUM



As a business, we sometimes see individuals wanting to enter the world of work with plenty of academic qualifications, but missing some of the skills they need for working life, for example responsibility, team work and excellent communication skills. With more and more people going to university, having a degree has inevitably become less of a differentiator in the selection process for many roles. However, there is far more to an individual than their qualifications.

When we interview candidates we want to know who that person is, how they've used their talents and interests to learn and develop as an individual and why they've chosen to apply to our company. We also want to know they have the right attitudes, behaviours and potential to develop so that we can understand what that individual can bring to our business in the widest sense, which goes far beyond paper certificates.

We've noticed that some young people struggle to communicate that clearly. Whilst at school and university, these young people would benefit from more contact with the world of work so that employers like us can help them understand the things they can do to get ready – building their experience, understanding different industries and learning how to communicate their strengths.

We spend a lot of time in local communities providing opportunities for students of all ages to approach us to find out more. We would love to see more employers, large and small, doing the same to help jointly develop our pipeline of talented individuals for the future.

Some enlightened employers are already translating what they are looking for into a skills based application process rather than relying on traditional qualifications-based labour market signals. **More employers should take this approach, articulating more clearly the skills and qualities they are looking for.** This is an essential part of solving the information failures in the system by providing a clear articulation to young people of what they need and how, or if, a higher education qualification can help them to achieve it.

As we saw in Ewart Keep's essay (page 16), as an economy we also need to find ways to better support businesses to **refocus their organisational structure and job design** to make better use of the skills and knowledge we are creating, effectively smoothing the balance between supply and demand in the higher education market.

IMPROVING THE LINKS BETWEEN HIGHER EDUCATION AND EMPLOYERS

As employers better articulate the skills, knowledge and behaviours they require, we must find ways to improve the connections at all levels between higher education and the world of work. As we explored in *Our Plan for 14-19 Education*, it is essential that these links start early on in education with young people from at least the age of 14 being able to see the relevance of what they are learning to the real world. This is no less important as they move into higher education.



The future of Higher Education

Graduates we surveyed said:

Careers education was, and still is, shamefully poor. There needs to be a more linked-up provision of careers and university courses, including apprenticeships.

2007 Physics graduate



Careers guidance in school could have been a lot better. Careers guidance in university could, and should have been, a lot better.

1990 English graduate



It is essential that a high quality careers service sits at the heart of the university helping to provide students with preparation for employment and, most importantly, links to real employers. Universities should make developing and promoting their careers service provision one of their top priorities.

However, as Sheffield Hallam's 'institutional employability' approach (Case Study, page 25) shows, it is **not enough for preparation for the world of work to be seen as exclusively the preserve of the university careers service – employability should be everyone's business.** All members of a higher education institution's staff should be able to regularly articulate to students how the work they are doing together is giving them skills and

experience that are relevant to the workplace. Faculties and departments should regularly engage with real employers to:

- Provide a real world context for learning, which can include setting projects or discussing live issues from their work setting.
- Keep staff knowledge and understanding of current practice in the sector, which is particularly important in fast changing areas of the economy.
- Offer further experience of the world of work to students, including employer visits, summer placements and internships.



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NEIL CARMICHAEL, SENIOR ADVISER, PLMR, FORMER MP AND CHAIR OF THE EDUCATION SELECT COMMITTEE

With Brexit looming large alongside forecasts of massive change in the workplace, the UK's twin problems of poor economic productivity performance and low social mobility must be tackled, especially through the higher education sector engaging more directly with the world of work.

The challenge is to make sure universities help to deliver opportunities for students to make the most of their education as they develop careers. This about refining life skills, matching degree courses with employment prospects, and, crucially, involving business and the professions more directly in university life.

There are several helpful drivers at work. Firstly, tuition fees must translate into clear value for money for the student; second, talent is, increasingly, being nurtured and valued – a precondition to enhancing productivity; and, third, boosting social mobility is also encouraging personal aspiration. More, however, must be done.

Universities playing a leadership role in their cities and city regions can help forge the right business connections, stimulate economic growth through investment and research, and, above all, reach across the whole education sector to help bring about a new and positive attitude in preparing young people for the world of work.



The future of Higher Education

Taken together, this will help to better connect higher education to the world of work, not only making teaching more relevant but most importantly, as the positive impact of Sheffield Hallam's approach shows, **helping all students to prepare more effectively for skilled employment.**

CONCLUSION

We are facing an unprecedented period of economic and social change as demographics continue to widen the skills gap, the digital revolution makes widespread changes to the labour market and Brexit restricts the supply of skilled workers from abroad. We have a strong higher education sector, which should be a key asset in addressing these challenges.

The proportion of young people going to university has risen from 5% to almost 50% over the last five decades. As leading expert Professor Ewart Keep argues, demand for graduates has not kept up with supply. Meanwhile, employers are clear that not all graduates have the skills they need to start work.

As a result, the graduate premium shows signs of waning and has become very variable between courses and institutions. The UK is one of the world leaders in terms of graduate unemployment. Student debt has risen above £50,000 and as a result many students are reporting that they feel 'mis-sold' their degrees.

To address these issues, the higher education sector must become more:

- **DIVERSE.** Students need access to a wide range of course settings, including **higher education in further education colleges, new providers and accelerated courses.** We need a massive expansion in **higher and degree apprenticeships**, the re-emergence of quality provision at **Level 4 and 5** and **part-time and sandwich courses** that allow students to combine higher education and work.
- **EMPLOYMENT-FOCUSED.** Whether that employment is in research, academia or outside the higher education sector. We need high quality **careers services** at the heart of every institution and to make **employability everyone's business.** Employers need to be invited to provide **real world context, exchange staff, offer placements and collaborate on projects** to give students the best chance of moving on into skilled employment.
- **VALUE FOR MONEY.** Young people need to receive **high quality and realistic advice** while at school about the range of options and their likely returns to prevent them later feeling mis-sold. **Tuition fees need to be reduced** and much **more differentiated** between courses according to their outcomes, which should be **measured principally on long-term student destinations.**

Implementing these changes has the power to transform higher education over the next decade. **We look forward to working with you to do so.**

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