

# Is British Mass Higher Education Really a ‘Fraud’? A Rebuttal to Ware

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THERE is very little to look forward to in UK higher education these days. In an early drive to reduce fiscal spending, the Chancellor of the Exchequer, George Osborne, has placed higher education directly in his austerity firing line, mandating that the Department of Business, Industry and Skills prepare for half a billion pounds worth of cuts.<sup>1</sup> Higher education institutions (HEIs) are mobilising considerable efforts to justify their financial usefulness not only to government but also to students, who, with the introduction of tuition fees, are increasingly perceived as consumers rather than pupils. In such an environment, Alan Ware’s argument about the great ‘fraud’ of British higher education could not come at a worse time.

Ware seeks to debunk four myths about British higher education (HE): first, that there is an economic need for all to obtain HE qualifications; second, that post-secondary education qualifications result in higher incomes; third, that there is a good match in skills taught at university and those required by the labour force; and fourth, that the attainment of these credentials boosts social mobility. Ware’s core message in response to these myths (particularly the first three) is that the UK higher education sector has flooded the labour market with graduates who do not possess the skills that employers require, and therefore the economic returns for a higher education degree have declined substantially over time as ‘wasteful’ student surpluses have increased. This is not entirely the fault of universities, and Ware acknowledges the crucial role of government policy in expanding mass higher education.

While Ware makes a number of good points, his pessimism about the usefulness of HEIs’ skills training is exaggerated. Ware cites a number of examples of how British employers are dissatisfied with graduates’ skills. Yet his premise rests on the

conceptualisation of ‘adequate skill sets’ as *exogenous*—the definitive set of skills that graduates need, and that, according to Ware, they are not learning in HEIs, are determined by employers and not the academy. There are two problems with this argument. First, *empirically*, it is not entirely valid. Employers are not only satisfied with some skill sets provided by HEIs, but they also desire *additional* academic competencies that, unfortunately, are not available en masse to students due to the specialised nature of British higher education.<sup>2</sup> Ware cites surveys from the Confederation of British Industry (CBI) about employers’ dissatisfaction with graduate skills, namely teamwork and leadership, ignoring that these reports refer to vague skill-sets and pay no attention to *profession-specific* skills that are required for certain career paths, such as the diagnostic skills of a doctor or the legal knowledge of a barrister.

Yet even if we acknowledge that CBI surveys are helpful, Ware fails to acknowledge their bright spots. According to these same CBI reports, employers indicate substantial levels of satisfaction (96 per cent of all employers surveyed) with graduates’ IT skills.<sup>3</sup> Employer satisfaction is not limited to tech-related skills, but also extends to the humanities, which has been credited for providing the critical thinking skills that Ware claims graduates lack. For example, despite the greater increase in philosophy graduates since the introduction of tuition fees, their employment rates have also risen disproportionately to other subjects, particularly within finance, marketing and advertising, due to employers’ desire for their analytical strengths.<sup>4</sup> Moreover, employers’ dissatisfaction with a lack of adequate foreign language skills (62 per cent of those surveyed) and their challenges in recruiting graduates from STEM subjects (46 per cent of relevant

employers cited a shortage of STEM graduates as a key recruiting barrier) are difficulties that, contrary to Ware's central message, can be addressed by channelling *more* students into these strategic fields rather than narrowing the population going into HE.<sup>5</sup>

The (second) *theoretical* problem with Ware's assumption of a 'competency-based' skill set is that he fails to consider that employment skills can be *endogenous* to the higher education sector. Ware's discussion of skills required by the labour market fails to acknowledge that innovations in academic research can create new and dynamic economic sectors and, in turn, shape the skill sets that are required for them (the tech sector being a prominent example). University research, and the innovation it produces to move sectors forward, rarely operates outside of students' orbits. University start-up incubators that play important roles in knowledge transfer to enterprise have been credited by industry for supporting students' development of entrepreneurial skills and business ideas.<sup>6</sup> More often than not, HE educators are cognizant of how technological and social change transforms the required *profession-specific* skill sets for careers within the fields they teach. Universities, too, are cognizant of the need for their graduates to adapt to these evolving skill sets, as the implications of outdated knowledge are too severe to ignore (it is difficult to imagine, for example, that British HEIs would fail to provide civil engineering students with updated knowledge of robust materials and building structures, or that medical programmes would fail to teach the evolution of diseases in epidemiology courses to students, especially if faculty are on, or familiar with, the cutting edge of these developments). While British employers may lament graduates' lack of leadership or teamwork skills, it is not entirely clear how abandoning the 'social waste of too many graduates'<sup>7</sup> would rectify these problems, especially considering that these vague skill sets are those that are either learned through prolonged social experiences and/or inherent in individuals' personality traits.

But let us assume that Ware is right, and UK higher education institutions are failing to provide students, en masse, with skills that meet the growing needs of the labour

market. Even if this were the case, one could still refute his first and second myths by arguing that the economic need to obtain a higher education degree remains high, especially from an *individual* level. Frequently in his piece, Ware hearkens back to the golden age of the British apprenticeship system that underpinned the manufacturing sector. These forms of job-specific learning seem like an attractive alternative to the formalities of a higher education degree. However, de-industrialisation has effectively closed off these opportunities to school leavers. In 1980, 30 per cent of the British labour force was employed in manufacturing and mining; by 2007, this had dropped to roughly 10 per cent.<sup>8</sup> The reduced need for the types of skills that could be delivered by a manufacturing-centric apprentice model can be attributed to a number of factors. The first is a contentious government industrial policy in the 1980s and 1990s to shift the British economy away from goods-based sectors (especially mining) that required manual-based skill sets towards service-based sectors. The second, more subtle factor that significantly transformed the British labour market was skill-biased technological change, which reduced the demand for middle-skilled workers (whose jobs were being replaced by new technologies).<sup>9</sup> This long-term trend effectively stratified the British labour market into two types of jobs: high-skilled (which Machin describes as 'complements to new technologies')<sup>10</sup> and low-skilled. The former, for which higher education degrees are essential qualifications, produce high wages while the latter, for which higher education is not essential, produce significantly lower wages.

With the sorting of British jobs between two skills extremes, an individual's economic need for a higher education qualification is obvious. Individuals seek a degree even if, according to Ware's suggestion, it does not provide the necessary skill sets, in order to signal to employers that they are suitable for high-skilled jobs. The failure to obtain higher education qualifications destines a school leaver to join a pool of low-skilled workers, in a labour market where the value (real wage) of low skills is in perpetual decline. This stratification, and the individual economic necessity for a degree,

is present in wage structures in the UK; in 2012, the UK had the fourth highest earnings gap in the OECD—behind Chile, Turkey and the US—between 25–34 year olds with a HE degree and 25–34 year olds with less than a secondary education.<sup>11</sup> While Ware is dubious about an earnings premium for a degree for current graduates, citing that those in their twenties earn the same as non-graduates, he misreads these data by focusing exclusively on the short term. Previous studies measuring differences in annual salaries between graduates and non-graduates that use earnings data for older cohorts also find that graduates in their early and mid-twenties earn roughly the same as non-graduates;<sup>12</sup> significant discrepancies do not emerge until individuals reach their thirties and forties, when graduates settle into more definitive career paths. Current OECD data also refute Ware's claim that the higher education earnings premium has disappeared for newer cohorts of graduates. Though the earnings gap between graduates and non-graduates has declined for the 25–34-year-old cohort relative to Britain's 55–64-year-old cohort, the drop (roughly 10 per cent) is not substantial and, as mentioned above, Britain's wage gap remains considerable when comparing it to other OECD countries.<sup>13</sup> Furthermore, ONS data confirm that there is an *employment* premium for new graduates (those that graduated in the past two years) during the Great Recession—the employment rate for recent graduates is almost 15 percentage points higher than non-graduates.<sup>14</sup> While the earnings and employment benefits of a degree may not be immediately obvious after graduation, they do grow persistently over time.

In sum, Ware indicates that that mass higher education in Britain has failed the labour market, by providing it with graduates who are unable to secure high earning returns given their relative lack of skills 'competency'. But he largely ignores the direction of the causal arrow. One could also argue that mass higher education in Britain is a *symptom* of the changing nature of Britain's labour market rather than the perpetrator of its ills. The increasing stratification of high and low-skilled employment within the UK, coupled with an increasing graduate

pool, makes the stakes of *not* obtaining a degree higher for school leavers than ever before. Hence, the economic need for a degree remains high; also, this need will only increase as the polarisation of British employment between high-paid and low-paid sectors becomes even more acute. Ware may be right that the UK labour market is reaching saturation point for graduates. However, the rapid expansion of zero-hours contracts, precarious employment and the lack of a living wage for a growing sub-set of Britain's (in-work poor) employment pool makes the alternative to a degree far too costly to the individual. Unless the increasing precariousness of the British labour market changes, individual demand for mass higher education, at least among those who can afford it, is unlikely to wane.

## Notes

- 1 J. Grove, 'Universities in firing line as BIS faces almost half a billion in new cuts', *Times Higher Education*, 4 June 2015.
- 2 Contrast the British system with a liberal arts model where students take a selection of courses in a number of disciplines, including mandatory foreign language requirements.
- 3 Confederation of British Industry, 'Gateway to growth: CBI/Pearson Education and Skills Survey 2014', London, Pearson, p. 49.
- 4 J. Shephard, 'I think, therefore I earn', *The Guardian*, 20 November 2007.
- 5 Confederation of British Industry, 'Gateway to growth', pp. 28, 49.
- 6 J. Elmes, 'How to create a successful start-up incubator', *The Times Higher Education*, 20 November 2014.
- 7 A. Ware, *Political Quarterly*, this issue.
- 8 UK sectoral employment data from EU KLEMS Database (2014), <http://www.euklems.net/>.
- 9 See S. Machin and J. Van Reenen, 'Technology and changes in skill structure: evidence from seven OECD countries', *Quarterly Journal of Economics*, vol. 113, 1998, pp. 1215–44; S. Machin, 'Skill biased technology change and educational outcomes', in G. Johnes and J. Johnes, eds, *International Handbook of the Economics of Education*, Cheltenham, Edward Elgar Publishing, 2004, pp. 189–210.
- 10 S. Machin, 'The changing nature of labour demand in the new economy and skill-biased technological change', *Oxford Bulletin of Economics and Statistics*, vol. 63, 2001, pp. 753–76.
- 11 OECD, 'Education at a glance 2014: OECD indicators', Paris: OECD, 2014, p. 141, Table A6.1a.

- 12 L. Dearden, E. Fitzsimons, A. Goodman and G. Kaplan, 'Higher education funding reforms in England: the distributional effects and the shifting balance of costs', *The Economic Journal*, vol. 118, no. 526, 2008, pp. F100–F125. The authors employed a copula method to construct lifetime earnings paths for graduates, using data from the UK Labour Force Survey, covering the period 1993–2003. They find that earnings for graduates immediately out of college are, like those for their non-graduate counterparts, quite low and do not reflect the lifetime graduate premium.
- 13 OECD, 'Education at a glance'.
- 14 Office for National Statistics, 'Graduates in the labour market, 2012', London, Office for National Statistics, 6 March 2002.