

## Yes, a Fraud: A Response to Johnston

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ALISON Johnston seems to misunderstand some of my main arguments, introduces subjects irrelevant to them, and misses an opportunity to engage with emerging and important debates that are linked to my own analysis. Furthermore, in saying that my ‘arguments about the great “fraud” of British higher education could not have come at a worse time’, she is revealing a misplaced sympathy for the universities and none for their students.

Johnston and I are in agreement on one point. As in all post-industrial economies, there is a trend towards polarisation in the British labour market: the proportion of highly skilled jobs is increasing while there remain a large number of low-skilled and unskilled jobs, though mainly of a different kind than in the mid-twentieth century. Obviously, as Johnston says, the former produce high wages while the latter do not. However, much of what she goes on to argue about the incentive to engage with higher education—‘With the sorting of British jobs between two skills extremes, an individual’s economic need for a higher education qualification is obvious’—is either false or misleading.

The current labour market only partly resembles her vision of it, and will probably not approach it during the rest of this century. While the increase in highly skilled jobs is marked, it started from a low base. As the research contained in the recent report by the Chartered Institute of Personnel and Development (CIPD) confirms, most graduates are not doing, nor will their successors have, jobs at a skill level comparable to the barristers and doctors whom Johnston cites elsewhere in her Reply.<sup>1</sup> Their employment is in mid-range sectors that Johnston thinks will disappear as labour market bipolarisation proceeds. Unquestionably some jobs will disappear, and currently there are those who argue that the

revolution in robotics will now achieve what was widely, but incorrectly, predicted of robots in the 1960s—that they will take over much human labour.<sup>2</sup> However, at present this intermediate sector remains large; many graduates are employed there, performing tasks that several decades ago were not regarded as being at an appropriate skill level for a graduate, such as estate agency. Unquestionably, long-term technological innovation will result in the elimination of some careers, but many of those in which human interaction and judgement is both important and valued will survive. This not because of limitations in human ability to further develop artificial intelligence, but because most humans simply do not trust aspects of non-human decision-making unless it is supervised in various ways by humans. (Only an estate agent, and not a speaking robot, might stand a chance of convincing someone that some appalling apartment is actually well suited to their needs; similarly, most parents would prefer the judgements of a qualified human nanny to those of a robot.) These supervisory roles are among the kinds of careers utilising intermediate-level skills that will be developed.

In any case, none of the predicted changes are occurring at a speed that affects an *individual’s* calculations as to the (financial) value of their obtaining a degree. Instead, three factors affect this value today. First, that access to educational credentials has become an arena of intense positional competition; second, the availability of relevant information about their likely future earnings; and finally, family resources that can be used in support of them. For some the incentive to engage with the competition is strong, while for others it is entirely rational not to be ‘aspirational’, to use the current buzz-word, because they stand so little chance of being a winner.

Fred Hirsch first argued that education was becoming positionally competitive in 1977.<sup>3</sup> In such competition, the value of what you have is related directly to what others have; what matters is position in a hierarchy. The value of a degree in the labour market depends on how many others have degrees—the more people who have similar qualifications to yours, the less valuable is yours. In the educational system, competitors are far from being equal. Not only is there great variation in inherent capacities for academic study, and hence being highly competitive in the positional economy of education, but the resources some families can utilise on behalf of their children greatly enhance their chances of ultimate success. This is why the private school and private tuition industries are thriving at primary and secondary school levels and there are massive distortions in housing markets where ‘desirable’ state schools are located.

The reason for this scramble among likely winners of the competition for relative advantage via the education system lies in how firms now recruit employees for more skilled positions. Relevant information as to how potential employees compare is scarce. Firms need some means of reducing long lists of candidates to manageable proportions for selection purposes. Educational credentials appear to them to be a means of filtering out large numbers of those who, *in aggregate*, seem less likely to constitute the most appropriate employees, even though an academic education develops only some skills. Typically, therefore, employers who can do so opt for candidates with good degrees from higher ranked universities, and possibly a Masters degree in addition. As the number of graduates with good degrees rises so the filter has to become more finely meshed, which is one reason why graduates from the most prestigious universities, those in the upper reaches of the Russell Group, are disproportionately occupying the ‘best’ jobs. However, the pursuit of advantage has little direct effect on pupils in relatively poor-performing schools. Irrespective of their innate abilities, such pupils know that they are unlikely to make it through the highest filters. Even among those who do take A levels, access to the best universities, and hence later the higher paying careers, is

improbable. To settle for something less is more rational.

In the pursuit of the ‘something less’, going to university may not be rational. It depends on whether a degree actually increases the person’s value in the labour market despite the various costs entailed by academic study. For Hirsch it was rational for individuals to seek higher educational credentials under positional competition, otherwise their own competitiveness in the labour market would be reduced; the ‘irrationality’ of positional competition lay at the social level, with increasingly more being spent on education although the jobs available could still have been done satisfactorily by those with lower qualifications. However, in Britain not only has there been this kind of social waste, but in addition some graduates have wasted their own resources because relevant information about their likely future earnings was not available to them.

Costs necessarily transform incentives for an individual. Thus the spiralling cost of college in the US is leading to rising rates of early exit, and increasing educational downward mobility. More stringent requirements for student loan repayment than in Britain make American students all too aware of the cost of their own education. In Britain the obvious and direct financial cost of an education for a student is less, because lower income earners do not have to repay their loans subsequently, but they still incur major costs, including the loss of full-time income during their three or four years of study. These are much less apparent to an individual and reduce the likelihood of their actually making long-term calculations about the financial net value of a degree. Moreover, the strong incentive for British universities to recruit even more students means that they do little to provide accurate information about the labour market prospects of non-high-flying students.

The presentation of official data obfuscates this as well. Indeed, Johnston’s discussion of the so-called graduate earnings premium and her use of the OECD data is a textbook example of how to use data uncritically and in a misleading way. Historically British graduates were not well-paid in their twenties but their incomes started to rise

significantly thereafter, generating the eventual 'premium'. Many of their successors will not be so lucky. As I noted in the article, intergenerational comparisons of income differences between graduates and non-graduates take no account of the relative size of the graduate population in each age cohort. Graduates in their forties and fifties now earn a lot more than their contemporaries because they were such a small minority of their own age cohort; they could become well remunerated in middle age because there were so few of them. Those who will reach that age in twenty or thirty years' time will be far more numerous and employed in a world where the number of highly skilled jobs has increased at a lower rate than that of the graduate population. Of course, until between about 2035 and 2050, we will not know how much they are actually earning by then. However, as one third of all graduates since 1997 have been outside the graduate labour market five years after their graduation, we can predict that many will not be enjoying the graduate 'premium'. Few of them are high-flyers taking an extended gap year with good prospects of entering a graduate career late; most are part of the education's social waste, and some will not have improved their lifetime earnings by studying for a degree.

The apparently high average graduate 'premium' is an artefact of building into data, such as that of the OECD, the minority of highly skilled, high-flying graduates whose earning capacity has been boosted during three decades of increasing inegalitarian trends in pay. If every graduate could enjoy the 'premium' then we would not be faced with more than 43 per cent of all tuition loans never being repaid. Furthermore, the 'premium' also appears large simply because unskilled, low-paid workers are necessarily included in the category of 'non-graduates'. Yet if you are interested in the financial incentive to enter higher education, the really important comparison is about the *margin* and not the *average*—between the less well-qualified university graduates and those who had earlier left school with some A levels, but had not then gone on to university. This data is hardly ever compiled. Neither the universities nor successive governments, pushing for a much

expanded graduate population, have any incentive to do so. Yet it is crucial for decision-making by individuals in determining whether it will pay to take a degree, especially for those who are not high-flyers.

The demand for university places remains high in Britain despite clear evidence that many graduates will earn relatively little, simply because of a lack of information about the actual financial benefits of a degree. This aspect of the 'fraud'—perpetuated by universities and government agencies—comes close to being a swindle of the Emperor's Clothes variety. Higher education is sold as a solid investment in your future—even if you don't become a doctor or a barrister, you could still have a good career. But these too are available only to those close to being high-flyers. Many graduates who are not end up, probably to their surprise, in jobs that, in terms of their interest and remuneration, do not remotely resemble the well-paid worlds of the older professions.

Let me turn now to other claims made by Johnston. First, she says that I fail to 'acknowledge that the innovations in academic research can create new and dynamic economic sectors and, in turn, shape the skill sets that are required for them'. Well, of course, they do; however, there is no connection between having institutions that do this research and the provision of mass education. At the forefront of innovation in the US—and constituting a clear majority of its most highly ranked universities—are the elite private universities, nearly all of which admit few students at the undergraduate level. Arguably, if you want innovation, organising research so that it largely occurs within institutions that provide *mass* education could impair both activities. Having elite universities located in the same vicinity as various institutions that provide training for a labour force is an entirely different matter. The ability of the latter to provide relevant local labour for activities and firms that are spin-offs from research in those universities is indeed a stimulant in hastening their dissemination in the economy.

Second, far from seeing the era of the apprentice system as a 'golden age', which Johnston seems to think I do, I regard the particular way in which it often operated as

pernicious. My argument is that the managing of the transition from that earlier apprenticeship regime produced a system that in many, though very different, ways is just as undesirable. For more than four decades, self-interest on the part of the private sector combined with policy failure by successive governments has resulted in many young people taking degrees that leave them over-educated for the jobs they will actually do. At the same time, economic change has reduced the alternatives for them.

Third, Johnson's point that employers value critical thinking primarily relates to matters not directly relevant to my article. As it happens, I agree with her that both here as well as in the US there is growing evidence that some employers really do value the skills that degrees in subjects like philosophy help to develop.<sup>4</sup> Certainly some prefer them to the alternative of employing a 'techy nerd'; and so they should! Moreover, this is precisely what the mission of universities was originally, even though, as Johnston rightly argues, the specialisation of British university programmes tended to work against it. However, what she does not mention is that there is usually a tension between developing a large, mass education system and providing the environment—close contact with academic staff (and not graduate students), small seminar groups, and so on—in which critical thinking can be developed most effectively. One of the problems with British university expansion has been that, except in the best-endowed universities, it has been achieved at the price of downgrading the experience of honing critical thought. In its place, students are now examined more on what they know

and less on how *they* (rather than other commentators) can go about analysing that knowledge critically.

Perhaps the most disappointing aspect of Johnston's reply is that she has missed the opportunity to move the discussion forward. There are two important debates emerging. One is how to make access to educational credentials more socially just, of which the role of lifelong learning forms a key element. The other, not discussed in my article, is how to deal with the social waste created by the large pool of overeducated graduates. As the CIPD report of August 2015 demonstrates, that there are far too many graduates in the labour market now is not in doubt. While I remain sceptical about any British government having the political will to address the problem on the scale needed to make much difference, the possible policy options available must be a prime arena for future public debate. It is becoming increasingly impossible for anyone to maintain, as does Johnston, that the Emperor is wearing any clothes.

## Notes

- 1 Chartered Institute for Personnel and Development, 'Over-qualification and Skills Mismatch in the Graduate Labour Market', Policy Report, August 2015.
- 2 See, for example, E. Brynjolfson and A. McAfee, *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*, New York, W.W. Norton, 2014.
- 3 Fred Hirsch, *Social Limits to Growth*, London and Henley, Routledge and Kegan Paul, 1977, especially pp. 41–54.
- 4 On the US see, for example, <http://www.forbes.com/sites/georgeanders/2015/07/29/liberal-arts-degree-tech/> (accessed 5 August 2015).