

# Why going to university in Britain is still a wise investment



**Dennis A. Ahlburg** responds to the [argument](#) that there is no return on investment in higher education in Britain. He writes that, whilst there is no guarantee that all graduates will have higher incomes, for a large subset this will indeed be the case. He highlights the importance of helping students to make more informed decisions about which university to attend and what to study, so that they can make better economic choices.

In a [recent article](#) in *The Political Quarterly* Alan Ware claimed that for most students, higher education was not worth the cost. He claimed that there is no “need” for higher education, that higher education does not result in higher earnings, higher education does not impart useful skills, nor does it facilitate social mobility. In a [recent article](#) in *The Political Quarterly* I evaluated Ware’s claims and found them to be inconsistent with empirical evidence. I agree with Ware that ‘not everyone needs a highly academic form of education.’ But this does not lead to the conclusion that no one does.

On “need” there is considerable evidence that students and employers in Britain are willing to pay for higher education qualifications, and indeed any education qualifications obtained in formal education. [Blundell et.al.](#) report an average return of 27% for those completing higher education relative to anything else. A [recent report](#) on graduate earnings released by the Department for Education also found very substantial earnings advantages for graduates. These and similar findings refute Ware’s claims that higher education is not needed and does not result in higher earnings.

Ware stresses the increase in the supply of graduates – ‘too many graduates’ – and concludes, incorrectly, that for most students ‘there is no graduate premium’. However, his claim largely ignores demand. In fact, he states ‘education credentials are worthless if everyone has them’. A direct examination of the hypothesis that the increase in the supply of graduates resulted in a fall in the higher education premium found no evidence in support of it.

Ware also predicts a devaluation of ‘good’ degrees as they become more common and further unproductive investment in postgraduate education as students try to distinguish themselves from the mass of graduates. However, the market has rewarded university education more highly even as more people acquired it. The return to university education is higher now than it was in the 1970s when relatively few people attended university. Growth in the demand for educated labour explains these results.

While I disagree with Ware that ‘for many there is no graduate premium’, it is true that for *some* there is no graduate premium. The dispersion of returns to graduate education increased substantially from the mid-1990s to the mid-2000s. Consequently, some students will earn substantially less than the average but some will also earn substantially more. A study in the UK showed that earnings of graduates exceed those of non-graduates for about 80% of graduates. That is, there is a graduate premium for *most* graduates.

Regarding skills, [recent research](#) by Deming has shown that the growth of employment and earnings is greater in jobs that emphasise “soft skills” – that is, the skills that are acquired at university such as problem solving, critical thinking, analytical reasoning, and communication skills. These are a better preparation for cognitive non-routine jobs which are of increasing importance.



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On social mobility: with the expansion of university education, one may expect that mobility, however measured, increased. This did not happen. Over time, the correlation between family income and children's higher education has increased so that the expansion in university education has disproportionately aided children from more affluent families. However, a significant portion – but probably not all – of this under-representation is explained by differences in previous academic achievement. So it is likely that it is not university education primarily that is failing to fuel social mobility but education at the pre-university level and at less selective institutions.

I reject Ware's claim of 'too much higher education'. As I have argued, university education is an attractive option for many if not most secondary school leavers. However, we must not oversell the returns of higher education, although on average they are historically high. Students must be informed of the variability of returns and, particularly, the variability of returns by institution and degree program within an institution. Like other investments, higher education does not come with a guaranteed return for all but information can help improve decision-making. The provision of league tables in the 1990s and the knowledge of differences in reputation they provided affected the behavior of employers and prospective students. But league tables are not sufficient.

The [publication in June 2017](#) of earnings data one, three, and five years after graduation by sex, higher education institution, and for 23 subjects combined with information on earnings for those who do not attend university will greatly enhance a student's ability to make informed decisions about whether to attend university, what to study, and where to study it. Although a huge advance in informing student decision-making these data still do not allow the student to answer the most pertinent question, that is, 'what can a student like me expect to earn taking this subject at this university?' nor do they allow for full accountability because they do not control earnings for differences in the pre-university achievement nor the school backgrounds from which they came. In the jargon, the data do not measure 'value added' or 'contextualized value added'. But an attempt to do so is made by reporting for each university a rough estimate of the average attainment of students prior to commencing studies and an indicator of disadvantage of the area from which students came. In principle, students now have information that will allow them to make better economic choices.

For most graduates there is a return to higher education in Britain although higher education is not a guarantee of higher earnings for all graduates. The evidence supports the conclusion reached by [Britton and colleagues](#): 'there is no doubt that a degree offers a pathway to relatively high earnings for a large subset of graduates, from across a range of institutions', that is, for most students going to university in Britain it is a wise investment.

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Note: the above draws on the author's [published article](#) in the *Political Quarterly*.

### About the Author

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