in brief...
Economics of higher education

The funding and performance of universities is an area of considerable policy debate as well as the focus of a growing body of economic research. Gill Wyness and Richard Murphy have launched an online forum for discussion of key issues in the economics of higher education between academics and policy-makers.

There are many economists working on higher education, but they don’t always talk to each other or the outside world. And yet there are substantial economies of scale from knowledge sharing, peer review and discussion of findings from which we could all benefit. Moreover, it is important for policy-makers and the public to be informed of findings in the increasingly dynamic policy environment of higher education.

For these reasons, we recently formed the Economics of Higher Education network (http://economicsofhe.org/). The goal is to provide an online platform for new findings, so that academics, policy-makers and the general public can learn about the workings of higher education systems in the UK and elsewhere in the world. We hope that a centralised hub of current research will help to inform policy, generate debate and stimulate new research.

The network was launched in November with an event sponsored by CEP, the Economic and Social Research Council and Universities UK. The meeting brought together a range of higher education researchers and policy-makers from government departments, funding agencies and university membership organisations.

The LSE’s Nicholas Barr, whose work has been a major influence on the reform of higher education funding in England, described the difficulties that academics face in relating to policy-makers. He mentioned the importance of networks and provided advice for young academics on how to get their research into policy: a combination of choosing the right minister, keeping it simple and intellectually honest and, most importantly, having patience.

The Economics of Higher Education network aims to inform policy, generate debate and stimulate new research.
Steve Gibbons, director of the Spatial Economics Research Centre, reported his work on the impact of student satisfaction scores (as measured by the National Student Survey, NSS) on the number of applications a university receives. This shows that NSS scores do have an impact on the demand for places, and that these effects are larger for courses that are taught at many institutions.

Louisa Darian of Which?, the consumer product-testing and campaigning charity, said that while measures of student satisfaction – and other elements of university league tables – are important drivers of demand for particular universities, the way that the information is presented is also important. Her organisation has recently launched a student guide to higher education (http://university.which.co.uk/); and audience debate at our conference compared such specialist independent surveys with other channels of information, such as the government’s Key Information Set (http://unistats.direct.gov.uk/).

CEP’s Georg Graetz presented his research on the financial returns to degree class, which combines LSE undergraduates’ exam results with data from a survey of their incomes after graduation. He finds that the average first wage premium for a First compared with a 2:1 is small at around £1,780, although there is a larger difference between a 2:1 and 2:2, which is worth about 7% higher wages. These results are driven by men, as there are no significant gains for women getting a better degree.

CEP research director Stephen Machin has been investigating the rise of postgraduate qualifications and its impact on wage inequality and social mobility. He noted that the supply of UK and US postgraduates has been increasing, as have the returns to a postgraduate qualification, a combination that reflects increasing demand for highly skilled labour. But the recent widening across social groupings of participation in higher education at undergraduate level has not been happening in the postgraduate sector, which remains socially segregated. Given the increasing returns to postgraduate qualifications, this has negative repercussions for social mobility.

During the discussion at our conference, it was asked why there should be increased government support for postgraduate students, considering that both the numbers and returns are rising. Conor Ryan of the Sutton Trust pointed out that without financial support for underprivileged students, the higher returns will only be available to those who can afford the courses.

CEP’s Esteban Aucejo outlined affirmative action policies in elite US universities, showing that students from certain ethnic minorities have considerably lower entrance exam scores than their white counterparts. His research shows that without continued support throughout their time at these institutions, the outcomes for these students are not necessarily improved.

Tessa Stone of the Brightside Trust, whose goal is to improve access to universities for underprivileged children, applied these findings to England, where contextual data are increasingly being looked at as a way of having a ‘fairer’ admissions process.

Gill Wyness and Richard Murphy are researchers in CEP’s education and skills programme.

The Economics of Higher Education website (http://economicsofhe.org/; Twitter: @EconomicsofHE) is open to quantitative researchers wishing to post short, non-technical summaries of recent work on higher education. Please send submissions to Gill Wyness (g.wyness@lse.ac.uk) or Richard Murphy (r.j.murphy@lse.ac.uk).