PRESS RELEASE

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UNIVERSITY EXAM RESULTS MATTER

As thousands of undergraduates across the country approach their final exams, a new study from the Centre for Economic Performance (CEP) reveals the importance of the results for subsequent earnings – specifically the value of a First compared with an Upper Second and the difference between an Upper Second and a Lower Second.

Andy Feng and Georg Graetz have analysed the (fully anonymised) exam marks of London School of Economics (LSE) undergraduates between 2005 and 2010, in combination with a survey of where these students landed jobs in the first year after they graduated. The research finds that:

- The average wage pay-off to a First compared with a 2:1 is pretty small – around a 3% higher expected wage.
- There is a bigger difference between a 2:1 and 2:2 – a 2:1 is worth about 7% higher wages.
- There is a substantial gender split – men get about 6% in higher wages from a First, but women basically get nothing.
- In cash terms, this means that the men get a bonus for a First of about £1,780 in today’s money. If this difference remains over a 40-year career, this would be worth about £71,000.

To find out whether students’ final grades make a difference to their subsequent labour market earnings, the CEP researchers look at the expected wages of students who were just above the threshold of getting a First (Upper Second), compared with those who were just below and therefore got an Upper Second (Lower Second).

Since the critical threshold at LSE is getting Firsts in at least four papers (out of nine), they look at the mark of the fourth highest exam. Those who got 70% in their fourth paper should get a First; those who got 69% in their fourth paper should only get a 2:1.

This technique, known as ‘regression discontinuity design’, works well because there shouldn’t be any difference in how smart or hard-working students are around this exact threshold, so this is a near-perfect control for ability. The only difference is the random luck of whether a student managed to get over the cliff for a First or was stuck with a 2:1.

The same technique can be used to examine the difference between a 2:1 and a 2:2 (the critical mark is 60% in the fourth exam in this case).

The authors comment:
‘Remember this is not a pay-off to anything you might have learned at university or even your natural brilliance that the degree just puts a stamp on. It is the pure fortune of being lucky enough to get a First rather than a 2:1.’

‘Of course, the bonus for a First or Upper Second may actually wear off over time as employers figure out you are really a bit of a duffer. Or it may be that it gives you a leg up the greasy career pole.’

‘The difference between monetary gains for men and women is a puzzle. Perhaps men are more likely to ask for or be given a higher wage offer. We honestly don’t know.’

‘Our study is probably the best evidence available that exam results matter, but there’s a lot more work to be done in understanding what drives the gender split and figuring out if the differences in pay-offs by degree result eventually go away.’

ENDS

Notes for Editors:

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