

## **Value for money in higher education**

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Submission to the Education Select Committee

**Chartered Institute of Personnel and Development (CIPD)**

**October 2017**

## **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has over 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

## General comments

The CIPD welcomes this inquiry into value for money in higher education. Previous CIPD research has examined graduate outcomes in the labour market highlighting widespread graduate over-qualification. This issue, coupled with high fees and rising graduate debt in England, makes it clear that there needs to be a rethink about the value of higher education, for both individuals and the public purse.

Students in England are leaving university in considerable debt because of high fees and reliance on maintenance loans. The IFS has recently estimated that the average student will graduate with an estimated £50,000 debt – and students from more disadvantaged backgrounds, with more loans available to them, will build up debts of £57,000.<sup>1</sup> It is estimated that under current arrangements the majority (77%) of graduates will never earn enough to fully repay their debts, however, the recent announcement on the raising of the repayment threshold will likely increase this proportion.

Successive governments have focused on rapidly expanding the higher education sector. Yet previous CIPD research has highlighted the growing challenge of graduate over-qualification, which suggests that the growth in graduate-level jobs has not kept pace with this expansion. In 2016 we published *Alternative Pathways into the Labour Market* which examined 29 occupations, which together make up just under a third of total employment.<sup>2</sup> The research found that although the proportion of individuals holding degrees in these jobs had increased rapidly since over the last three decades the skill requirements of these jobs had not appreciably changed. For example, 41% of new recruits in property, housing and estate management are graduates, compared with 3.6% in 1979, and 35% of new bank and post office clerks are now graduates, compared with 1979 when just 3.5% of bank and post office clerks held degrees.

Our previous research *Over-qualification and skills mismatch in the graduate labour market* has highlighted a high level of over-qualification in the UK by international standards, with nearly six-in-ten (58.8%) graduates in non-graduate jobs.<sup>3</sup> Over-qualification has a negative effect on measures of employee well-being, and is associated

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<sup>1</sup> Institute for Fiscal Studies. (2017) *Higher education funding in England: past present and options for the future*. IFS Briefing Note BN211. London: IFS. Available at: <https://www.ifs.org.uk/uploads/publications/bns/BN211.pdf> [Accessed 20/10/17].

<sup>2</sup> CIPD. (2016) *Alternative pathways into the labour market*. London: Chartered Institute of Personnel and Development. Available at: <https://www.cipd.co.uk/knowledge/work/trends/alternative-labour-market-pathways> [Accessed 20/10/17].

<sup>3</sup> CIPD. (2015) *Over-qualification and skills mismatch in the graduate labour market*. London: Chartered Institute of Personnel and Development. Available at: <https://www.cipd.co.uk/knowledge/work/skills/graduate-labour-market-report> [Accessed 20/10/17].

with lower levels of job satisfaction and career satisfaction. Alongside this there are implications for UK productivity – evidence from the OCED suggests that the UK has a higher skills mismatch than average and that reducing mismatch to “best practice” level would improve our productivity by about 5%.<sup>4</sup>

Given this background – alongside low levels of student satisfaction with value for money noted already by the inquiry – it is right that The Education Committee has focused on graduate outcomes and the use of destination data. CIPD believes there should be greater focus in the *Teaching Excellence Framework* on how well education institutions are equipping students with not just academic knowledge but also with the transferable work-readiness skills that businesses need.

The full scope of this inquiry lies beyond the CIPD interest and expertise however there are two questions where the institute does have a view.

## Our response:

### Graduate outcomes and the use of destination data

The CIPD has previously commented about the metrics related to graduate outcomes in the Teaching Excellence Framework. The current definition in the TEF of ‘highly skilled’ employment destination includes not just ‘managerial and senior official occupations’ and ‘professional occupations’, but also ‘associate professional and technical occupations’, many of which - such as fitness instructor, estate agent, police constable and dispensing optician – are carried out by people without degrees, and are occupations which the ONS states do not require a degree to do. This definition is extremely misleading – on the government’s measure 77% of recent graduates achieve a ‘graduate level’ job six months after graduation, however, if ‘associate professional and technical occupations are removed this figure falls to just over half. The CIPD believes there needs to be a review of the Destination of Leavers from Higher Education (DLHE) survey including which occupations are classified as ‘graduate level’.

Unpublished CIPD research on the latest DLHE data shows wide variation in employment and salary outcomes for students 6 months after graduation by subject area and institution (CIPD would be happy to share this with the inquiry once it is published). The TEF should include a detailed breakdown of this data to help inform learner choice.

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<sup>4</sup> OECD. (2015) *The future of productivity*. OECD Publishing. Available at: <https://www.oecd.org/eco/growth/OECD-2015-The-future-of-productivity-book.pdf> [Accessed 20/10/17].

The Government has previously suggested that universities and colleges in England that have a TEF award will be able to increase their tuition fees in line with inflation. The CIPD however, believes that there needs to be a more radical shake up given that most institutions are charging the top rate, and that the Government should explore linking tuition fees to graduate employment and salary outcomes.

## Quality and effectiveness of teaching

The CIPD has previously argued that there is a need to embed the teaching of employability skills as an integrated part of the TEF. The CIPD supports the recommendations in the HEPI paper *Employability: degrees of value* for the need for a new framework of employability “embracing knowledge, skills and social capital”.<sup>5</sup> The quality and effectiveness of teaching should not just be about supporting the development of academic knowledge, but also understanding how the knowledge and skills might be applicable in the workplace. For a curriculum to be able to support the development of these skills there needs to be common language understood by students, employers and universities. Students should be encouraged early on to think about future career goals through high quality information advice and guidance and be provided with opportunities – such as, work placements, internships, volunteering and employer visits – to develop the core transferable skills they need to realise their ambitions.

As it currently stands activities related to improving graduate employability are only suggested as potential supplementary evidence that the provider may consider including as part of its submission to the TEF. There is potential to widen the scope of the questions in the National Student Survey to develop better metrics on students’ perceptions on opportunities to build employability skills, as well as satisfaction with, and access to, high quality careers advice and guidance.

**CIPD**

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<sup>5</sup> HEPI. (2015) *Employability: degrees of value*, occasional paper 12, HEPI, Oxford. Available at: <http://www.hepi.ac.uk/2015/12/10/employability-degrees-value/> [Accessed 20/10/17].