

# Policy Paper *Enrol for free*

The case for a new  
university offer for  
those on Job Seekers  
Allowance and  
short-time working

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## Introduction

With the prospect of up to 3 million people looking for work in 2009, the Government must look at new ways of avoiding long-term unemployment. One way would be to improve access to university for those who have lost their jobs or are facing long periods of short-time working. *Enrol for free* would offer new opportunities to study part-time at university for those on Job Seekers Allowance, the UK's main out-of-work benefit, and those whose employers introduce short-time working in response to the recession.

The reasons and need for these proposals are obvious: if the UK is to avoid a cycle of long-term unemployment the Government will have to look beyond short training courses if it is to improve the re-employment prospects of those with lower qualifications. *Enrol for free* would have the advantage of providing individuals with improved prospects of future employment *and* earnings. It would also have the added advantage of building the high value skills for the economy and society of tomorrow on the basis of investment today.

million+ has worked with London Economics on a cost-benefits analysis of an *enrol for free* policy targeted at claimants and those on short-time working which would promote new opportunities to study part-time at university. This policy would offer new chances to many to study at university for the first-time and have wider, long-term benefits for individuals, their families and the taxpayer.

### Enrol for free: why now?

Many younger students with appropriate pre-entry qualifications will access university as full-time students direct from school or college. There are already indications<sup>1</sup> that university applications to study full-time are rising as unemployment opportunities contract. This response to changes in the youth labour market can be expected as qualified younger students who might have entered local employment, opt for higher education as a means of improving their future employment prospects as the supply of locally available jobs contracts.

This linear progression from school or college to university is by no means universal. For example, the average age of graduates at post 92 universities is 26. 43% of university students already study on a part-time and more flexible basis – often because of care or work commitments and because they want to improve their lives and careers. DIUS research<sup>2</sup> has already recognised that promoting opportunities for adults to access university is vital in view of changing demography and the number of adults who are already in the workforce and qualified to study at university but did not progress when they were younger to a graduate Level 4 qualification.

*Enrol for free* would offer a new route forward for claimants and those on short-time working and would enable more adults to study at university in line with the Government's objective to widen access by age. *Enrol for free* would also be an additional but important measure which would help to reduce the prospect of long-term unemployment being one consequence of the global recession.

There would be other obvious economic advantages if the policy outlined in this paper were adopted. million+ estimates that the total life-time economic benefit of this *enrol for free* scheme would be approximately *three times* the associated costs in today's money terms.

The policy would have the long-term advantage of providing the Exchequer with an estimated positive revenue benefit of some £523 million compared to initial costs in the region of £400 million. *Enrol for free* would provide positive encouragement to individuals to access university on a part-time basis to help them to refocus their lives careers when they were out of work or facing the prospect of short-time working and an uncertain future.

million+ recommends that the *enrol for free* scheme should be part of the standard offer available through Jobcentre Plus and should be backed and promoted by Government and universities.

### Background

Job Seekers Allowance is the main UK 'out of work' benefit. There are some common myths about the extent and level of support received by JSA claimants which is much more limited than many people imagine. Although JSA allows some claimants to access certain other benefits e.g. free school meals or housing benefit, the most that claimants can expect to receive if they are over 25 is £60.50 per week. Under 25s receive £47.95. Contributions-based JSA is paid for 6 months to claimants who have paid enough national insurance (NI) contributions over the previous 2 years. If claimants have not paid enough NI and they have savings above £6000 they will receive less. If they have savings over £16000, they will receive nothing. If the partners or civil partners of claimants work for 24 hours or more a week, claimants are not usually entitled to any JSA apart from the 6 months contributions-based Allowance. Claimants must sign up to a jobseeker's agreement and Job Seekers Allowance can be stopped if claimants turn down work or training. (JSA rates are summarised at Appendix A).

### University tuition fees

JSA claimants and those on short-time working face a major barrier if they want or need to study at university part-time because, like other part-time students, they have to pay university tuition fees upfront. This arises as a result of the exclusion of part-time students from the provisions of the 2004 HE Act. This legislation introduced variable tuition fees in England but provided a system of loans and grants for full-time students at university enabling them to defer payment of tuition fees. In England full-time students receive some kind of grant up to household income of £50,020<sup>3</sup> and are entitled to a much more generous (if complex) system of loans.

This means that those claiming Job Seekers Allowance who might consider studying part-time for a graduate qualification face the problem of having to pay tuition fees upfront at the very time when they are facing challenging financial circumstances. Similarly, those employed by companies which are attempting to retain skilled workers by reducing hours may access the Government's schemes for short courses – but they are much less likely to gain support for the costs of tuition fees for longer university courses which might help re-focus their careers.

As predicted<sup>4</sup>, the requirement to pay tuition fees upfront has proved to be a major disincentive to part-time enrolments at university. Official statistics<sup>5</sup> confirm that in England full-time enrolments increased by 3% from 2006/07 -2007/08 but part-time enrolments fell by 3% in the same period.

The forthcoming fees review in England is likely to consider the merits of a holistic and more flexible system. However, any new scheme will not be in place before 2011 at the earliest. This is of no assistance to those who have already lost their job or who find themselves unemployed in 2009.

It is unfair and counter-intuitive to expect those out of work and those on short-time working to pay part-time university fees upfront. An *enrol for free* policy would allow publicly funded universities and higher education institutions to enrol those on Job Seekers Allowance and those on short-time working, for free if they applied to study part-time on courses leading to graduate qualifications for which they were suitably qualified.

### Meeting Government objectives

The *enrol for free* policy would fulfill a number of key Government objectives. First, it would be 'the investment for today in order to meet the needs of tomorrow' which the Prime Minister<sup>6</sup> and other Ministers have advocated. It would provide new opportunities for individuals to improve their qualifications and would ameliorate the prospect of long-term unemployment. It would provide access to university for older students – an objective<sup>7</sup> highlighted by the Department of Innovation, Universities and Skills. It would provide individuals with the prospect of enhanced lifetime earnings since graduate qualifications continue to attract a higher earning premium than Level 3 vocational qualifications. It is likely to improve social mobility – an objective of all of the UK's main political parties – by providing new opportunities for those who had not previously been able or encouraged to study at university.

In addition, Government Ministers<sup>8</sup> have recently stated that they want universities to consider more applicants with Level 3 vocational qualifications. Many universities already recruit applicants with these qualifications but many individuals likely to benefit from the *enrol for free* policy are also likely to have Level 3 vocational qualifications. The policy would therefore support Government aspirations to encourage admission by universities of applicants with pre-entry 'non-traditional' and vocational qualifications.

<sup>1</sup> UCAS application statistics for 2009/10 16 Feb 2009  
<sup>2</sup> *University is not just for young people* – DIUS Research Report 0806: Pollard, Bates, Hunt and Bellis Institute of Employment Studies 2008

<sup>3</sup> With effect from 2009/10  
<sup>4</sup> CMU evidence to DfES Select Committee Inquiry Feb 2005  
<sup>5</sup> HESA statistics 29 Jan 2009

<sup>6</sup> Rt Hon Gordon Brown speech in Bristol 28 Feb 2009  
<sup>7</sup> *University is not just for young people* ibid  
<sup>8</sup> Rt Hon John Denham speech DIUS HE Consultation 24 Feb 2009

### Cost-benefits

*Enrol for free* will require forward investment and a cross-departmental approach in Government backed by an understanding of the likely benefits for both the individual and the Exchequer.

million+ commissioned London Economics to undertake a cost-benefit analysis of the policy with the objective of providing an estimate for Government of the likely outcomes in today's money terms of encouraging individuals in receipt of Jobseekers Allowance or on short time working to undertake part time study at university. The analysis demonstrates clearly that an *enrol for free* policy would have a positive long-term outcome both for individuals and for the Government.

### Assumptions

In order to provide a realistic estimate of the cost-benefits of the introduction of an *enrol for free* policy for part-time students, a number of assumptions were made.

*Prior qualifications:* It was assumed that potential applicants on JSA or short-time work would have already attained at least Level 2 and probably Level 3 qualifications

*Time spent on JSA or short-time working:* It was assumed that the *enrol for free* scheme would not require individuals to fulfill any 'waiting period' on JSA or on short-time working. The primary reason for adopting this approach was to avoid individuals being subject to arbitrary waiting periods (and potentially a lengthy time lag) according to when their Job Seekers Allowance or short-time working commenced and when a university course commenced. It was also considered that this approach would be more likely to encourage individuals to explore the *enrol for free* offer as

soon as they became eligible for JSA or faced short-time working and was likely to encourage the fulfillment of any requirements e.g. access courses, that might assist in successful application and admission to study part-time at university.

*Costs of part-time fee waivers and teaching funding:* Universities are already responding to the recession in respect of short courses and other Government initiatives and would need to be reimbursed for fee waivers for students admitted to study part-time on the *enrol for free* programme and receive the costs of teaching through the Higher Education Funding Council (Hefce). Hefce costs were calculated on the assumption that those taking up this offer would be distributed across course subjects in a similar way as existing part-time students with an allowance made for completion rates. The average part-time fee was estimated to stand at £821 per annum in 2005/06 – equivalent in today's money to £910. In reality the cost of the annual part-time fee waiver might fall below this figure according to the intensity at which an individual studied. *Enrol for free* would require DIUS to allow Hefce to provide universities with additional student numbers but the costs would be funded as part of the scheme.

*Benefits to individuals and the Exchequer:* It was assumed that individuals would gain life-time earnings benefit from improved qualifications and that there would be additional benefit through tax income to the Exchequer.

Combining the information relating to number of individuals in receipt of Jobseekers Allowance as at June 2008 and those on short-hours contracts, the costs of part-time fee waivers and publicly funded teaching costs on current Hefce schedules, possible take up and completion rates, and the information on the lifetime benefits associated with qualification attainment, the economic benefits associated with the *enrol for free* policy were estimated for individuals and the Exchequer.

### Individuals

Significant volumes of research have investigated the economic returns to both traditional academic and vocational qualifications, highlighting the enhanced earnings and likelihood of employment associated with increasing qualification attainment. For instance, previous findings have indicated that possession of an undergraduate degree adds approximately 23.5% to average earnings<sup>9</sup>; enhances the probability of being employed by between 4 and 6 percentage points<sup>10</sup>; and increases the labour market resilience of individuals in possession of those qualifications during periods of economic uncertainty<sup>11</sup>.

The analysis used information from six quarters of the Quarterly Labour Force Survey to estimate the returns to individuals associated with holding undergraduate degrees, controlling for other personal, regional and job related characteristics.

The returns to undergraduate degrees were estimated using pooled information from six quarters of the Labour Force Surveys from January 2007 to June 2008<sup>12</sup>. This dataset has uniquely detailed information on the qualifications held by individuals, as well as their labour market outcomes (in terms of both wage and employment status), and other personal characteristics (such as age, marital status, ethnicity etc).

Using these datasets, the earnings premiums and employment probabilities associated with holding undergraduate degrees were estimated. This ensures that the economic benefits of *qualifications* were assessed rather than (wrongly) estimating the earnings achieved by those in possession of different levels of qualification. This is important, as there are many factors that affect earnings other than the type of qualification attained (such as gender and region of residence).

The lifetime earnings associated with undergraduate degree level qualifications were then estimated (for males and females separately) using the following steps:

- 1 Estimate the earnings premium associated with different qualification levels in 5 year age bands across the working age population.
- 2 Estimate the probability of employment associated with different qualification levels in 5 year age bands across the working age population.
- 3 Estimate the average annual earnings achieved by individuals with no formally recognised qualifications.
- 4 'Inflate' these baseline earnings using the earnings premiums from (1) and the employment probabilities from (2).
- 5 Adjust earnings to account for the fact that earnings would be expected to increase in real terms over time.
- 6 Discount earnings to ensure that any estimates of lifetime earnings are illustrated in present value terms.

Given the average age of individuals in receipt of Jobseekers Allowance and on short-hours contracts, the lifetime earnings premium were only calculated for individuals between the ages of 35 and 64 in the case of men and 35 and 59 in the case of women.

<sup>9</sup> Blundell, R., Dearden, L. and Sianesi, B. (2003) Estimating the Returns to Education: Models, Methods and Results, IFS Working Paper No. WP03/20.

<sup>10</sup> Royal Society of Chemistry (2005) "The economic benefits of Higher Education", report prepared by PricewaterhouseCoopers, January 2005.

<sup>11</sup> Conlon, G. (2000) "The Marginal effect of Vocational Qualifications on Labour Market Performance and Earnings", D.Phil. Thesis, Nuffield College, University of Oxford

<sup>12</sup> The Labour Force Survey (LFS) is a quarterly sample survey of households living at private addresses in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The questionnaire design, sample selection, and interviewing are carried out by the Social and Vital Statistics Division of the Office of National Statistics (ONS) on behalf of the Statistical Outputs Group of the ONS. The data are Crown copyright.

**Figure 1: Economic benefits associated with qualification attainment**



Source: London Economics' analysis of Labour Force Survey

The analysis indicates that the average lifetime economic benefit in today's money terms associated with attaining an undergraduate degree for men who take up the opportunity to study through the *enrol for free* offer, stands at £95,521 and £55,204 for women (assuming the individuals were already in possession of Level 3 qualifications). For individuals in possession of Level 2 qualifications, the lifetime benefit associated with attaining an undergraduate degree stands at £152,563 for men and £88,898 for women (the sum of the lifetime benefits associated with gaining a Level 3 and undergraduate degree level qualification). This is presented in Figure 1.

Overall there would be a total aggregate benefit for all individuals estimated to be £1,413 million made up of

- > a benefit of £589 million for those individuals in receipt of Jobseekers Allowance and
- > a benefit of £824 million for those on short-hours contracts.

**The Exchequer**

It is also possible to estimate the expected enhanced taxation revenue associated with undergraduate degree qualification attainment. Figure 2 shows the expected enhanced taxation revenue over a working lifetime in today's money terms. The average lifetime enhanced Exchequer revenue in today's money terms associated with attaining an undergraduate degree for men stands at £33,438 and £25,436 for women (assuming the individuals was already in possession of Level 3 qualifications). For individuals in possession of Level 2 qualifications, the lifetime benefit associated with attaining an undergraduate degree stands at £54,706 for men and £38,448 for women (the sum of the enhanced revenues associated with gaining a Level 3 and undergraduate degree level qualification). This is presented in Figure 2.

**Figure 2: Exchequer benefits associated with qualification attainment**



Source: London Economics' analysis of Labour Force Survey

Combining the information relating to number of individuals in receipt of Jobseekers Allowance and those on short-hours contracts (and take up and completion rates) and the information on the lifetime benefits associated with qualification attainment, the economic benefits associated with the *enrol for free* policy stands at approximately £589 million for those in receipt of Jobseekers Allowance and £824 million for those on short-hours contracts. The total aggregate benefit is estimated to be £1,413 million.

The Exchequer benefits associated with the policy stand at £523 million compared to costs of approximately £400 million.

Overall the benefits to costs associated with the introduction of this policy are estimated to be 3.51:1 for the individual (i.e. the social benefit). The *enrol for free* policy is also revenue positive to the Exchequer with the ratio of Exchequer benefits to costs standing at 1.30:1.

This analysis demonstrates significant positive long-term economic benefits for individuals as well as a positive and clear benefit to the Exchequer. It shows clearly why as part of the Government's response to the recession, the Treasury, Department of Innovation, Universities and Skills and the Department of Work and Pensions should promote a new *enrol for free* offer to facilitate opportunities for JSA claimants and those on short-time working to study part-time at university.

**Regulations to Review**

In addition to the waiving of part-time tuition fees, there are other barriers to studying part-time at university which DWP and DIUS Ministers should review if JSA claimants on the *enrol for free* scheme are to fully benefit from the new opportunities which would be provided.

The current so called '16 hour' rule prevents JSA claimants from studying on a course for over 16 hours a week. (If JSA claimants are under 20 and in FE this is 12 hours a week). It should be noted that any course defined as full-time by a university is treated as such by the Department of Work and Pensions – even if there are less than 16 hours per

week of actual classes – and students are then ineligible to claim JSA.

There would be considerable merits in the 16 hour rule being suspended – or at least amended – for students opting for part-time study at universities as part of the *enrol for free* scheme. This could be subject to annual review by the Secretary of State for Work and Pensions. A more comprehensive review of the 16 hour rule could also usefully be undertaken to consider whether it is fit for purpose in the current downturn.

JSA regulations also require part-time students to be available for work for 40 hours a week and to give up their course if it clashes with an employment opportunity. This rule is a clear deterrent to up-skilling in particular for those who want or need to study on a part-time basis. As an interim measure, DWP should consider amending or relaxing this regulation to enable JSA claimants who are undertaking part-time study through the *enrol for free* scheme to be given the option of completing their study rather than being required by Jobcentre Plus to take-up a job opportunity that clashed with their course.

**Social and community benefits**

The cost-benefit analysis demonstrates in economic terms why the Government should make this investment. However it does not take into account the other numerous benefits associated with qualification attainment that are just as important.

Unemployment and global recession have wider costs to society which Governments throughout the world have recognised. In addition to the economic benefits captured by this analysis, *enrol for free* would have obvious social and community benefit. Providing those out of work with the opportunity to improve their personal self-esteem, re-focus their lives, improve their qualifications and set off in an entirely new direction would be equally as valuable as the economic benefits which this policy paper documents.

**Enrol for free is an offer to the unemployed and those on short-time contracts which the Government would be wise to fund.**

## Contribution-based Jobseeker's Allowance

Claimants get a weekly rate according to age and national insurance contributions:

Age	Amount
16 - 24	£47.95
25 or over	£60.50

Payments may be reduced if claimants are in receipt of a pension.

## Income-based Jobseeker's Allowance

The maximum weekly rates are:

Status	Amount
Single people aged 16 - 24	£47.95
Single people aged 25 or over	£60.50
Couples and civil partnerships (both aged 18 or over)	£94.95
Lone parents (aged under 18)	£47.95
Lone parents (aged 18 or over)	£60.50

Payments might be reduced if claimants receive income from part-time employment. Payments are reduced if claimants have savings over £6,000. If a claimant has savings over £16,000 they are unlikely to qualify.



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