

At a time of austerity, questions have been raised about the merits of investing in higher education. Higher education is, indisputably, a cost to government and therefore to taxpayers. Yet beyond its potential to expand horizons and transform lives, higher education also conveys substantial benefits – both monetised and non-monetised – to the individual, society and the economy. *What's the Value of a UK Degree?*, part of the joint million+ and London Economics *Behind the Headlines* series, explores the nature and scale of these benefits.

What's the Value of a UK Degree? establishes that funding higher education leads to the creation of a substantial number of direct and indirect benefits. Some of these direct benefits – enhanced employment and earnings outcomes for individuals, enhanced Exchequer tax receipts, the competitive advantages of having a better skilled workforce, for instance – are well known and understood. Other indirect benefits – including the export potential of higher education, increased firm level productivity, competitiveness and profitability, the spillover effects of a highly skilled workforce – are less understood but no less important.

Overall *What's the Value of a UK Degree?* finds that higher education remains an exceptionally good investment for individuals and the taxpayer. It concludes that any reduction in participation will have significant and measurable long term consequences for the United Kingdom. Indeed, if it transpires that 30,000 fewer undergraduates enrol in higher education in 2012-13¹ then this would lead to an equivalent loss of £6.6 billion to the UK economy over the next 40 years.

The main findings are as follows:

- **For individuals**, the average net earnings premium associated with obtaining an undergraduate degree, over a working lifetime, is £115,000; a Master's degree adds an additional net premium of approximately £59,000 for an individual.
- **For the Exchequer**, the net benefit of financing an undergraduate degree is £94,000, which is equivalent to a Exchequer rate of return of 10.8%; the Exchequer benefit from a Master's degree is approximately £62,000, or a 25.0% rate of return.
- **In terms of wider benefits**, the value of UK higher education exports are estimated at £8.788 billion in 2012 prices, of which approximately £7.576 billion is associated with foreign students coming to study in the UK. In per student terms, the UK economy receives approximately £7,088 per EU and international undergraduate student per annum in tuition fee income, as well as a further £11,988 per student per annum in non-tuition fee expenditure. The corresponding estimates for postgraduate students stand at £8,204 and £14,666 respectively.

¹ Previous analysis by London Economics forecast that the change in fees and funding arrangements would result in a reduction in first time undergraduates of approximately 45,000 (both full-time and part-time). In *What's the Value of a UK Degree?*, London Economics utilise a more conservative figure of 30,000 to provide a lower estimate of the impact of changes in fees and funding on economic outcomes.

- **Any fall in higher education participation will lead to significant and measurable long term consequences for the United Kingdom:** if it transpires that 30,000 fewer undergraduates enrolled in higher education in 2012-13 then this would lead to an equivalent loss of £6.6 billion to the UK economy over the next 40 years.

The research therefore supports the OECD (2010) view that public investments in higher education are rational even in the face of running a deficit in public finances.

About million+ and London Economics

For more information please contact Jean Candler, Head of Public Affairs on 0207 717 1659 or out of hours 07900 277 819.

- million+ is a leading university think-tank, working to solve the complex problems in higher education www.millionplus.ac.uk.
- London Economics is one of Europe's leading specialist economics and policy consultancies, and undertakes work for a range of public and private clients, including Government.

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