

Giving universities a bad name

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Summary of the findings

1. **Universities which issue more unconditional offers deliver lower earnings for graduates.** The top tenth of universities by share of unconditional offers have considerably lower graduate earnings than the bottom decile. There is a strong negative correlation between the share of offers that are unconditional, and the salaries students can expect to earn five years after graduating.
2. **Earnings from universities issuing the most “conditional unconditional” offers are also lower.** Institutions issuing offers that become unconditional if an applicant makes them their firm choice - so-called “conditional unconditional” offers - deliver earnings that are £3,000 lower than universities make fewer than 1% of offers unconditional. Earnings are lowest for those that issue the most of these offers.
3. **Vice-chancellors who oversee the universities with lower graduate earnings have experienced the sharpest pay increases in recent years.** We find that the universities with the worst graduate earnings have increased the salaries of their vice-chancellors three times faster than universities with the highest levels of graduate earnings.
4. **This follows recent evidence of poor value amongst some universities and courses.** Onward research has already shown that up to 1 in 4 students study degrees that may not be economically worthwhile for themselves or the taxpayer.

There is increased scrutiny of the value of higher education ahead of the publication of the Independent Review of Post-18 Funding, led by Philip Augar, and following publication of detailed institution-level data on graduate earnings, vice-chancellor pay, and unconditional offers.

This note explores the relationship between graduate earnings and universities’ characteristics using the most recent data. In particular, we rely upon the 2017 Longitudinal Educational Outcomes data¹, published by the Department for Education, and the 2019 data, published by UCAS², on the issuance of unconditional offers, which have no entry requirement.

Our results make for important reading ahead of the Augar Review. They raise serious questions about how some universities use unconditional offers to attract students who would have been better off not going to university, or doing an apprenticeship instead. Because these students are unlikely to earn enough to pay back the approximate £50,000 cost of their student loan, the costs of this practice are ultimately borne by taxpayers.

As importantly, we find a negative relationship between vice-chancellor pay and graduate earnings, suggesting that vice-chancellor performance for students - their ultimate customer - is not the driving factor in changes in their remuneration. Over the six years since student loans were introduced, the vice-chancellors deliver lower earnings potential for students have seen their pay grow much more than higher-value institutions.

The Augar Review offers a timely opportunity to put this right - by reducing the number of low-value courses and preventing universities from using unconditional offers to inflate student numbers and funding.

Unconditional offers and graduate earnings

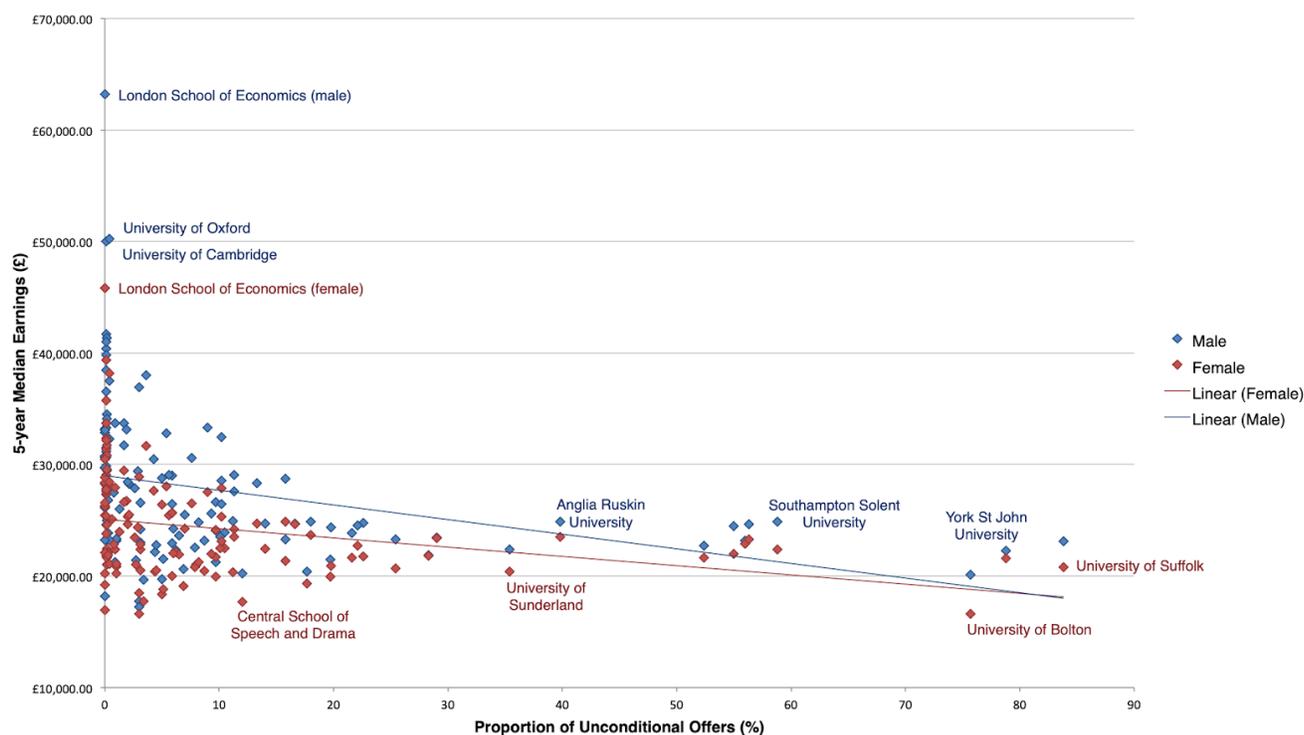
The use of unconditional offers, whereby universities offer a student a place irrespective of their A Level results, has been steadily growing in recent years. So much so that in 2018 the number of unconditional offers issued by universities in England, Wales and Northern Ireland was 22 times higher than in 2013.³ In November 2018, UCAS estimated that 34.4 per cent of 18 year old applicants from England, Northern Ireland, and Wales received an unconditional offer.⁴ In January 2019, UCAS revealed that the majority of these offers were made by just 20 universities.⁵

The growing use of unconditional offers raises questions in and of itself. However it warrants even greater scrutiny when compared to the median graduate earnings data published by the Department for Education in late 2018. When we study the relationship between graduate earnings and the use of unconditional offers, we find that those universities who rely to a larger extent on unconditional offers to attract students deliver median graduate earnings far lower than those that do not.

Male graduates of universities who issue the most unconditional offers - the top decile of institutions by unconditional offers - can expect median earnings of £23,150 per year five years after they graduate. This compares to a median five year salary of £30,180 for graduates of universities which issue the fewest unconditional offers (the lowest decile). This amounts to a 23% gap between the highest and lowest deciles of institutions by unconditional offers, with heavy users of unconditional offers delivering graduate earnings 15% lower than the median. In practical terms, this means that a male graduate who attended one of these universities can expect to earn approximately £4,030 less per year than a graduate who attended a university offering the median amount of unconditional offers. When compared to universities offering the fewest unconditional offers, this pay gap rises to £7,030.

Figure 1: The relationship between graduate earnings and unconditional offers

Sources: DfE (2017) LEO data; UCAS (2019), Unconditional offers data



For female graduates, the relationship is similar. Female graduates of universities offering the highest amount of unconditional offers earn a median salary after five years of £21,890 compared to £26,280 for equivalent graduates leaving universities who issue the fewest unconditional offers. This means female graduates of such institutions can expect to earn an estimated 17% less than their peers attending universities offering the fewest unconditional offers. When compared to universities offering the average amount, they earn 12% less. In practical terms, a female graduate from one of these universities would expect to earn approximately £2,920 less than a female graduate from a university offering the median number of unconditional offers, and £4,390 less than a graduate attending a university offering the fewest unconditional offers.

Across both male and female graduates, there is a strong inverse relationship between the proportion of offers that are unconditional, and the earnings students can expect after graduating. Running a basic regression comparing female and male earnings with the proportion of offers that were unconditional, controlling for increases in student numbers and the rate of pay increases received by vice-chancellors, indicated a strong negative correlation, which was statistically significant.

The use of “conditional unconditional” offers

There is also a strong negative relationship when we consider the use of what UCAS terms “conditional unconditional” offers. These are conditional offers that can be made unconditional if the student chooses the university as his or her primary choice. As UCAS has found, there were no such offers in 2013, but since then the practice has risen considerably. In 2018, there were 66,315 conditional unconditional offers made to students, 6.9 per cent of all offers made to 18 year olds in England, Northern Ireland, and Wales.⁶

In our analysis, we find that universities that issued conditional unconditional offers delivered male and female graduate earnings after five years of £27,119 and £24,162 respectively, compared to £30,689 for male graduates and £26,991 for female graduates of universities that issued less than 1% unconditional offers. Moreover, of universities that do make conditional unconditional offers, those that issue the most such offers (more than 15%) delivered lower earnings than those who offered fewer (less than 15%). If a university issues more than 15% of its offers as conditional unconditional, then male and female graduates can expect to earn £26,470 and £23,705 respectively, compared to earnings of £28,291 and £25,503 if the university issues less than 15% of offers as conditional unconditional.⁷

While some universities have justified the use of unconditional offers to support their widening participation goals, studies of the use of “conditional unconditional” offers reveal that the most advantaged applicants, those in quintile 5 of the POLAR4 scale, are more likely to hold such an offer than the most disadvantaged applicants in quintile 1.³ This undermines the argument that conditional unconditional offers are focused exclusively on delivering wider social value.

Given research has shown that over 60 per cent of students say that receiving an unconditional offer had an impact on where they ultimately chose to study, this raises questions as to whether universities are using conditional unconditional offers to attract students that may otherwise not choose their university, leaving the student poorer in the long-run as a result.

Table 2: Case studies of four universities with high levels of “conditional unconditional” offers

Sources: DfE (2018), LEO data (UK domiciled students)⁸; HESA (2019), Student characteristics; UCAS (2019), Unconditional offers; Times Higher Education (2018), VC Pay Survey

	University of Lincoln	Bangor University	Roehampton University	De Montfort University
Female earnings	£21,387	£19,107	£23,705	£21,620
Male earnings	£23,315	£20,629	£24,900	£23,866
Number of students 2018	10,005	6,625	9,000	16,125
Change in student numbers 2012-18, %	13.44%	4.25%	64.23%	29.78%
Share of offers which are unconditional	15.8%	6.9%	18%	21.6%
Share of offers which are “conditional unconditional”	38.3%	29.2%	65.8%	17.2%
Vice chancellor salary, 2017	£251,000	£248,000	£262,000	£286,000
Change in VC salary 2012-17, %	32.8%	13.24%	29.7%	48.19%

Vice-chancellor pay and graduate earnings

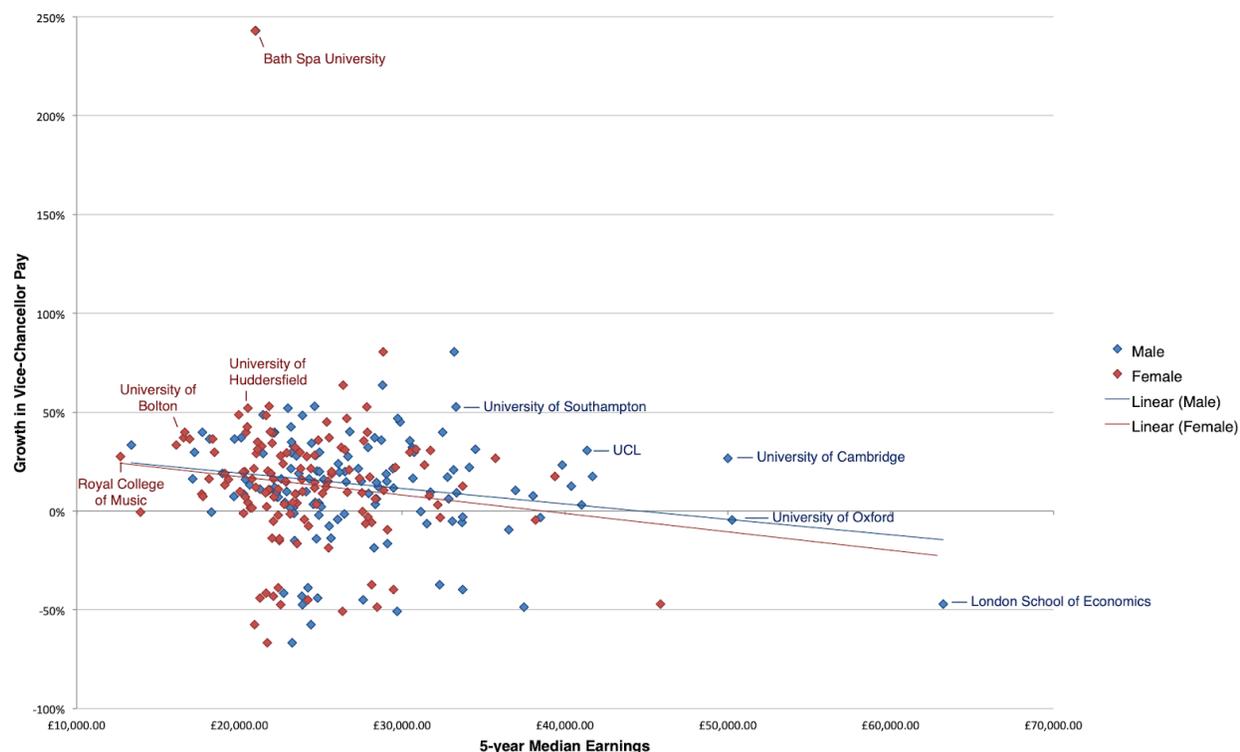
The growth in vice-chancellor pay in recent years is well-rehearsed and often criticised. However, less discussed is the relationship between vice-chancellor pay and the graduate earnings they deliver. There is a good argument to be made that, if a vice-chancellor is increasing the long-term earnings value of their degrees to their students - the ultimate customer - and thus increasing the repayment rate on the government’s student loan liability, a higher salary would be justified on both consumer and taxpayer value grounds.

Unfortunately, our analysis suggests that the opposite is true. Vice-chancellor pay bears little relation to graduate earnings and in some cases has a negative relationship, suggesting that the vice-chancellors of some universities are being rewarded for failure.

In general, the relationship we find across all universities is that those universities with lower graduate earnings have increased their vice chancellor’s remuneration the most in the six years since the introduction of higher tuition fees. We find that the lowest tenth of universities by graduate earnings increased their vice-chancellor salary by 24% between 2012 and 2017. By contrast, the highest tenth of institutions - those that delivered the highest earnings for graduates - experienced average earnings growth of around 7%.⁹

Figure 2: The relationship between graduate earnings and vice-chancellor pay

Sources: DfE (2017) LEO data; UCAS (2019); Times Higher Education (2018), VC pay survey



This is also true in reverse. Graduates attending universities which have increased vice-chancellor remuneration the most since 2012 (the highest decile) have lower graduate earnings five years after graduation than those attending universities that have increased vice-chancellor remuneration the least (the lowest decile). This relationship is not as strong as others, for example the relationship between unconditional offers and graduate earnings above. However, a basic regression controlling for the increase in student numbers and the proportion of offers that were unconditional, still found there to be a negative correlation significant at the 5% level.

Using these figures, we estimate that graduates from universities that increased their vice-chancellor pay the least between 2012 and 2017 could expect to earn £29,488 if they were male and £25,276 if female. This compares to considerably lower five-year earnings of £25,352 for men and £22,788 for women who graduated from universities that have increased vice-chancellor pay the most. Practically, this entails an estimated loss of £4,136 for male graduates and £2,488 for female graduates five years after leaving university.

This does not just reflect a gap between the best and worst institutions. The negative correlation means that those with the highest rises in vice-chancellor pay lose out compared to the median institution; our analysis estimates that male graduates of universities that awarded their vice-chancellor the largest pay rise can expect to earn 8% less than their peers at universities awarding the median increase in vice-chancellor pay. For females, those graduating from an institution that awarded the highest pay rise for their vice-chancellor earned 5% less than those graduating from institutions offering a pay rise at the median.

This creates serious doubts about the extent to which vice chancellor remuneration in the six years since the introduction of higher tuition fees has been based on any meaningful measure of performance. It is clearly wrong that vice-chancellors should receive higher salaries for delivering lower returns to graduates and a lower probability that their student loans will be repaid to the taxpayer.

The value of a university degree

This note follows previous Onward research, *A Question of Degree*, that found that up to one in four students were enrolled on courses that were not economically worthwhile to either themselves or the taxpayer. Using the latest Department for Education LEO data, we found that four in ten graduates studied courses which delivered median earnings of less than £25,000 after five years, meaning they are not repaying their student loan, and one in ten graduates would not earn more than £25,000 a decade after graduating.

This raises very real questions about the number of people going to university, the value that those who do attend generate from the experience, and the expense of tuition. A considerable number of current graduates would have been economically better off studying for an apprenticeship or a technical course that typically deliver higher earnings than some degrees, without the cost of a student loan.

The new evidence set out in this report takes the argument a step further. It reveals how those universities engaged in other worrying practices in the higher education system, including the use of unconditional offers and the rapid growth in vice-chancellor salaries, are statistically more likely to deliver lower earnings value to students, and therefore higher costs to taxpayers. These institutions give universities a bad name.

Table 3: Higher education institutions with high numbers of unconditional offers

Sources: DfE (2018), LEO data (UK domiciled students); HESA (2019), Student characteristics; UCAS (2019), Unconditional offers; Times Higher Education (2018), VC Pay Survey

Institution	Female Earnings	Male Earnings	No. of students 2018	Student growth 2012-18	Share of offers unconditional	Vice-chancellor salary	VC salary change, '12-'17
Anglia Ruskin University	£23,533	£24,878	13,945	53.07%	39.80%	£265,000	3.92%
Bishop Grosseteste University College Lincoln	£22,894	£23,184	1,460	0.69%	56%	£158,222	29.39%
The University of Bolton	£16,578	£20,098	3,490	8.72%	75.70%	£256,284	36.98%
The University of Brighton	£25,669	£28,997	13,000	18.88%	5.90%	£237,585	18.79%
Leeds Metropolitan University	£22,739	£24,539	15,355	-8.52%	22.10%	£222,000	3.26%
Roehampton University	£23,704	£24,900	9,000	64.23%	18%	£262,000	29.70%
The University of Sunderland	£20,385	£22,387	7,550	10.79%	35.40%	£202,000	6.88%
The University of Wolverhampton	£19,950	£21,467	11,515	18.35%	19.70%	£271,000	48.74%
York St John University	£21,588	£22,271	4,960	37.02%	78.80%	£200,000	9.29%
Bangor University	£19,106	£20,628	6,625	4.25%	6.90%	£248,000	13.24%
Average	£24,500	£27,800	1,244,385	11%	7%	£236,830	11.7%

Endnotes

1. DfE (2017), [Longitudinal education outcomes \(LEO\) dataset](#).
2. UCAS (2019), [2018 End of Cycle Report](#).
3. UCAS (2019), [2018 End of Cycle Report](#).
4. UCAS (2018), [Unconditional offers made to a third of young applicants in England, Northern Ireland, and Wales](#).
5. Guardian, '[20 universities account for bulk of rise in unconditional places](#)', 31 January 2019.
6. UCAS (2019), 2018 End of cycle report, [Unconditional offer-making](#).
7. Median earnings of graduates of universities that did not make “conditional unconditional” offers are slightly lower than graduates of universities that did issue such offers. This is partly due to a large number of universities that issued high proportions of conditional offers and delivered low returns to their students, but nonetheless made no offers that were “conditional unconditional”. The presence of these institutions in the group that did not issue “conditional unconditional” offers does not allow a fair comparison and skews down the median graduate salary. This was even clearer when comparing the group that issued less than 1% unconditional offers with the group that offered less than 1% unconditional *and* no conditional unconditional offers. Median earnings in each group were near identical. Moreover, the group that issued no conditional unconditional offers and the group that issued more than 1% unconditional offers have near identical median earnings and contain many of the same institutions (with roughly five exceptions). Thus, we compared institutions that issued any “conditional unconditional” offers with those who issued less than 1% unconditional offers.
8. DfE (2018), [Graduate Outcomes \(LEO\): 2015 to 2016](#)
9. Descriptive statistics for VC pay increases at the top and bottom of the graduate earnings distribution were obtained by calculating the median VC pay rise for universities which delivered 5-year graduate earnings in the lowest decile and the median VC pay rise for universities which delivered 5-year graduate earnings in the highest decile. Here we present a straight comparison between median values within two groups, not accounting for the wider distribution of values.