24. The private and public benefits of higher education

Introduction and aim

Higher education (HE) providers engage in a wide range of activities meaning that assessing the specific benefits can be challenging. There is a range of questions that should be carefully considered, such as whether to look at the total benefits created or the benefits that are generated by specific activities. The basis of the assessment may also need to be changed depending on the question being considered. Finally, we need to assess who gains these benefits, whether it is a single individual or business, or if the benefits shared more widely by society. In practice, HE leads to both private (individual) and public (wider) benefits.

Topics covered

1. Key questions to examine

When judging the value of HE, different users and beneficiaries will focus on particular activities and the associated benefits and impacts. In turn, this affects the questions that need to be asked. How do we judge the value of HE? Who benefits, and who, therefore, should pay? What are the views of government and how do these affect public funding?

2. Private and public benefits

HE typically leads to both 'private' and 'public' benefits. Private benefits are those gained by a single individual or entity. Public benefits are shared more widely (ie. they have an impact on the broader society). For example, following completion of their degree, an individual graduate might expect to achieve higher lifetime earnings (a 'private' benefit), compared to non-graduates[1]. Additionally, they are less likely to be unemployed, enjoy healthier lifestyles and be more active in the community. These elements lead to public benefits: less public spending on welfare payments or health services and a contribution to services for the community.

3. What is the purpose of HE?

Differences between private and public benefit lead to the question of whether the purpose of HE is primarily about the private or public benefit or a combination of the two. For students studying at English HE providers, the government has argued that the private (economic) benefits from undertaking programmes of HE study (eg scale of salary gain and improved employment prospects) are a justification for the introduction of higher tuition fees. Rammell suggests this approach pays insufficient attention to the public benefits of HE[2].

4. Public benefit reporting

The majority of UK HE providers are charities. As a charity, the provider's activities are expected to lead to public benefit (the public benefit requirement). Information about the public benefits is published each year in the provider's annual report and financial statements (Annual Report of the trustees). Typically, the public benefit statements published by HE providers highlight how their activities have advanced education and research and supported widening participation and public engagement. However, as the advancement of education is automatically deemed to be a public benefit, providers are not required to prove how their activities benefit the public or explain how their approach creates specific benefits. Rammell suggests the requirement placed on providers to evidence public benefit should be strengthened[3].

5. Who pays?

Private benefit is a justification for why an individual or business (eg for commercially funded research) pays in full, or part, for receiving the benefits of a HE activity. However, most HE activities lead to both private and public benefits, raising the question of what is the division between private and public benefit, and how this translates into responsibility for cost.

6. Public funding

The generation of public benefits is one justification for the public funding of HE. Support may either enable the activity to take place or allow a greater scale of activity than would occur without such support. The presence of private and public benefits means governments need to decide how the balance of benefits should be reflected in the division between the private and public funding of a HE activity.

7. Economic impact on local economies

Alongside the question of benefit, there is also one of impact. HE providers are frequently amongst the largest employers in their locality, generating significant economic 'multiplier' effects, and being an anchor for businesses[4]. As a result, geographical areas without a HE provider ('cold spots') can be seen to be at a disadvantage.

8. National and local impacts

The balance and impact of a provider nationally and locally will vary. Some providers have largely an international and national focus, whereas others have a strong local/regional dimension. Despite this, all providers have elements of both. Providers with a strong local/regional focus, are more likely to engage in local or regional place-making activity, often seeking to secure additional resources mediated through local structures.

9. The benefits of individual activities

While it is possible to look holistically at the benefits and impacts generated by HE providers, it is also possible to look at these factors in relation to specific activities. Key strands of activity include:

- Teaching and learning
- Research
- Knowledge exchange, including public engagement

Private and public benefits are present in each of the three strands. Individual activities within each strand exhibit considerable variation in the extent to which they generate private and public benefits. Some activities will result in predominately private, and others to predominately public, benefit.

10. Public funding streams

Each activity strand is linked to one or more streams of public funding. These are typically allocated according to different metrics, which measure the level activity or outcomes.

11. Interdependency between activity

Public discourse about the funding of HE is normally focused on an individual strand of activity. However, the different strands are not necessarily mutually exclusive and there are inter-dependencies. Separately considering each element fails to appreciate how one strand may depend on another. As a consequence, this may make the cross-subsidisation between activities more difficult[5].

12. Teaching and research

It is possible to argue that there are strong links between research and teaching (and some forms of knowledge transfer), with research informing elements of teaching practice. Consequently, it could be argued for an element of teaching income being used to support research. Conversely, key researchers may spend little or no time teaching students (particularly undergraduates) or engaging in knowledge exchange. Students may be taught by staff who are not research active[6]. Conversely, a provider may expect senior staff to teach modules to first year undergraduate programmes.

13. Benefits of HE study

Students are the main users and beneficiaries of HE programmes of study. English students pay a tuition fee of currently up to £9,250 per annum to study on a full-time undergraduate degree. Coupled with an increasingly competitive (global) labour market, many students are increasingly concerned about their employment prospects and earnings.

14. Graduate earnings

Research suggests the future earnings of graduates are influenced both by the choice of provider and subject[7]. The evidence also suggests that individuals with postgraduate qualifications typically achieve higher earnings than those only holding a first degree[8].

15. Gaps in student attainment and earnings

At a sector level, there are unexplained differences in the attainment and earnings of students from black and minority ethnic (BME) backgrounds. The evidence raises questions about the impact of HE on students from different backgrounds.

16. Impact on skills and the economy

As human, rather than physical capital, has become more central to national competitiveness, the role of HE in educating the nation's workforce has become more important to governments. If they take an instrumental view of HE, governments may decide to direct public funding towards those subjects judged most likely to support economic growth and prosperity. They may seek to discourage providers and subjects where the evidence points to weak economic outcomes.

17. Access and social mobility

In addition to workforce development, HE is an important factor in facilitating social mobility. Despite some progress in raising participation rates, individuals from disadvantaged backgrounds are still less likely to enter HE when compared with students from other socio-economic backgrounds: a gap remains, and this can be more pronounced in particular providers.

18. Selecting a provider and subject to study

To enable prospective students to make better and informed choices of course and provider, more information about providers and courses is now available. This includes Key Information Sets (KIS).

19. Key information sets

KIS data is published on the UNISTATS website. The KIS data draws information from different sources including the National Student Survey (NSS), Teaching Excellence Framework (TEF) and graduate earnings[9]. The website allows users to compare providers and courses. To what extent prospective students use the website to inform their choice of provider and subject is more difficult to assess.

20. Measuring teaching quality

The TEF seeks to measure teaching quality, despite difficulties in these metrics, with an associated aim being 'to better inform student's choices about what and where to study'. The TEF applies to providers in England and results in the provider being given a single rating. This is determined by a set of quantitative indicators and information submitted by each provider. Based on the information, the assessment panel decides if the provider's teaching should receive a Gold, Silver or Bronze rating. The plan is to extend the TEF to include subject-level assessments in 2020-21.

21.Review of the TEF

An independent review of the TEF is underway. As part of the review, comments have been invited from interested parties. A submission from the Royal Statistical Society, voices concerns about the validity of the TEF ratings.

22. Competitive pressures

Despite their limitations, the introduction of the TEF and the NSS have placed a focus on teaching. No provider wishes to receive a TEF rating or NSS results which are lower than those of its peers. Governing bodies are likely to question and seek assurances from management on the actions they intend to take where results from the TEF or the NSS show the provider in a poor light when compared to its competitors.

23.Types of research

It is possible to distinguish between 'fundamental' and 'applied' research. Fundamental research seeks to extend the existing knowledge frontier but rarely leads to immediate commercial benefits. Applied research typically uses the results of fundamental research to solve a problem. Applied research may be funded in full or part by a private entity as it normally leads to private benefits[10].

24. Public benefits and research funding

Governments have an interest in encouraging fundamental research. The vitality of a country's research base helps to ensure it can compete in the global race to acquire new knowledge and technologies[11]. The government supports research by allocating quality research (QR) funding. Distributed on behalf of the UK government by UK Research and Innovation, QR is informed by the results of the Research Excellence Framework (REF).

25. Knowledge exchange

Knowledge exchange (KE) covers a wide spectrum of activities. Individual activities use the intellectual knowledge of staff and/or facilities to enable knowledge to be transferred to another party. The activities include collaborative research, consultancy, short courses, exploitation of intellectual property and provision of public spaces.

26. Public spaces and engagement

Many providers make available to the wider community, public spaces (e. museums, art galleries) and other amenities (eg sports facilities). Public engagement includes public lectures, music events and literature festivals: all activities that result in public benefits. Reductions in public funding mean some providers have reduced levels of activity, or now charge for use of the amenities (eg use of sports facilities).

27. KE: private-public benefit and impact

Some KE activities lead largely to private benefits, while others result in mainly public benefit. To encourage providers to maintain the necessary KE infrastructure and grow their activities, national governments provide public funding. The allocation of public funding is based on the level of KE activity, particularly, those activities which generate income (ie reflecting largely private benefits) for the provider. This encourages providers to concentrate on activities, which potentially lead to additional public funding.

28. Concluding remarks

The benefits and impact of HE providers may be considered either in total or in relation to individual strands of activities. The chosen level of assessment will depend on the purpose. If we want to assess the economic impact of a provider on its locality, then there is a need to measure the benefits and establish the impacts for all strands of the provider's activity. If the aim is to establish the benefits and impacts of an individual strand of activity, then a narrower assessment is called for. At each level, it is possible to identify private and public benefits.

29. Questions to review

Q Has an assessment of the benefits and impact the provider generates for its locality been undertaken? Have the results been shared with local stakeholders and influencers?

Q What is the balance in the provider's focus between national/international and regional/local activity?

Q To what extent is there cross-subsidisation between strands of activity?

Q Does the governing body discuss the provider's TEF rating and the results of the NSS?

Q What is the provider's strategy on 'fair access'? Is strategy achieving its agreed aims?

Q Does the governing body receive regular updates on the provider's research strategy and outcomes?

Q Has the governing body considered the provider's knowledge exchange strategy?

Q Does the provider have a strategy for public engagement? How are these activities funded?

End notes

1 For an indication of the difference in earnings, see Department for Education (2019), Graduate Labour Market Statistics 2018, 25 April.

2 Rammell B ((2016), Protecting the Public Interest in Higher Education, *Higher Education Policy Institute*, October

3 Rammell B (2016), Ibid.

4 The role of higher education providers as an 'anchor' for clusters of innovative business and in relation to the knowledge economy more generally is discussed in: The connected university: driving recovery and growth in the UK economy, *National Endowment for Science, Technology and the Arts (NESTA)*, Research report, April 2009.

5 The most obvious example relates to how providers in England use the income they received for teaching undergraduates. The term 'tuition fee' has encouraged the media and others to suggest that income received by providers should be spent directly on tuition. This leads to the question of under what circumstances is it acceptable to use income from tuition fees to fund research, given research does not normally cover its full economic costs?

6 Staff on teaching-only, and sometimes term-time only contracts, often titled teaching fellows or associates, may deliver first year undergraduate modules. Providers may also use doctoral students for the same purpose. These trends mirror the United States where the number of staff on teaching-only contracts has been increasing. The move largely reflects the need for providers to control costs, when set against a context of slow or no growth in teaching income.

7 Research undertaken by the Institute of Fiscal Studies suggests that studying with some providers and some subjects is more likely to have a positive impact on the early career earnings of graduates than others. See, The Impact of Undergraduate degrees on early career earnings, Research Report, November 2018.

8 See Graduate Labour Market Statistics 2018, Op. Cit., pp.6-7.

9 The NSS is a survey of final year undergraduates, whose aim is to provide feedback on the quality of the students' experience of higher education.

10 To encourage private investment in research and development (R&D), governments offer tax incentives or some element of matched public funding.

11 As part of its industrial strategy, the government aims to see investment in R&D increasing to 2.4% of gross domestic product (GDP) by 2027. In 2017 the figure was less than 1.7% of GDP.