

## **Russell Group response to the House of Lords Economic Affairs Committee inquiry on the economics of higher education, further education and vocational training**

### **1. Summary**

- Russell Group universities are committed to providing an outstanding education and learning experience for all students, which also has much wider benefits to society the economy and industry. As the core of a genuinely world-class sector in the UK, our universities play a vital wider role in their local communities, nationally and internationally. In particular, they:
  - educate and train the highly-skilled and adaptable workforce the UK needs for the future
  - support students to develop the personal and professional skills that are integral to graduate-level jobs
  - drive economic growth and productivity across all the regions and nations of the UK, creating jobs, engaging with communities, and enhancing prosperity
  - produce excellent research, innovation and knowledge exchange outcomes which change people's lives for the better.
- High quality higher education needs to be appropriately funded and for this investment to be sustainable. The existing fees and loan system has been beneficial to students, taxpayers (and the Government) and universities alike. The system:
  - enables record numbers of students to enter higher education, including more students from lower socio-economic backgrounds
  - is progressive, ensuring graduates are not required to pay back more than they can afford, and deliberately writes off at least some debt for the majority of students so there is a balanced contribution between the student and taxpayer
  - provides sustainable funding for universities meaning they can offer a diverse range of courses with high quality teaching and learning experiences and cutting-edge facilities.
- One crucial element of a sustainable higher education system is the ability of UK universities to attract overseas students. Any future immigration system must support efforts in this area as they play a vital role in driving economic growth and productivity gains and are essential in supporting the sustainability of UK higher education for home students.

### **2. Delivering value for students and meeting industry needs**

- 2.1 **Russell Group universities are at the leading edge in educating and training the highly-skilled and adaptable workforce the UK needs for the future.** We are committed to delivering an excellent teaching and learning experience and our universities teach strategically important subjects at the highest level, attracting the brightest students from all backgrounds with the potential to succeed in a high calibre academic environment. We endow our students with the skills needed to become the high-quality labour force and leaders required for the future development of the UK's economy and society.
- 2.2 In particular, our 24 universities train over 80% of the UK's doctors and dentists and around half of mathematics and physical sciences graduates, helping to ensure the UK has the

talent pool to meet the needs of employers.<sup>1</sup> This is a key element of the health and wellbeing of industry, the economy and the population as a whole.

- 2.3 Our unique learning environment brings a number of benefits to the students who study at Russell Group universities. **World-leading research feeds directly into taught courses at our universities at undergraduate and postgraduate level ensuring students benefit from the very latest knowledge and thinking in their subject discipline and beyond.** Students are supported to engage critically with their subject throughout their studies – and providing opportunities to undertake and interact with research is a fundamental element of this. Opportunities to become directly involved in research enhance students' ability to develop key employability skills, providing them with a competitive edge over their peers upon graduation.
- 2.4 To ensure provision is adapted for the modern workforce (and for longer-term requirements), Russell Group universities work closely with a wide range of employers and professional bodies to develop and modify courses – considering both course content and how courses are delivered. This includes working collaboratively on curriculum design and on the provision of placements, as well as careers advice. All our universities provide students with the opportunity to undertake work-based placements.
- 2.5 Russell Group members have also been at the forefront of the development and delivery of alternative routes into the professions. Beyond traditional three year undergraduate degrees, our universities have engaged in new qualifications, including degree apprenticeships in areas such as digital technology, IT and engineering, among others.
- 2.6 **Student satisfaction and engagement in learning are very important to us and this is reflected in very low drop-out rates as well as in excellent outcomes for graduates - and so for the UK's economy and society more broadly:**
- According to the latest NSS results (2017), overall student satisfaction across universities, colleges and alternative providers remains high at 84% and the Russell Group as a whole continue to receive satisfaction ratings (86%) which are above the sector average.
  - For all full time first degree entrants the average HE continuation rate at Russell Group universities was 96.4% compared to 91.5% for other universities.
  - Of those in employment six months after graduating, 80% of leavers with a first degree from a Russell Group university were in professional employment compared to 68% for other universities.
  - Despite the rise in the number of people with degrees over the past three decades, the earnings premium associated with higher education has remained in place. In 2016, working age (16-64) graduates earned, on average £9,500 more than non-graduates, while postgraduates earned on average £6,000 more than graduates.
  - The estimated average starting salary for leavers, with first degrees and in full-time employment, from Russell Group universities in 2014/15, six months after they graduated, was 14% higher than non-Russell Group universities.

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<sup>1</sup> 2015/16 HESA Student record

- Our universities also perform well in data released as part of the Longitudinal Education Outcomes dataset. Russell Group universities occupy the top 11 places in the graduate earnings table for law; in maths, our members occupy the top eight places; and, in computer science, our universities occupy the top seven places. There is a similar pattern in other subject areas too.<sup>2</sup>

### **3. The broader role universities play in driving growth and productivity**

**3.1 Our universities play a vital role in their local communities, nationally and internationally, driving economic growth and productivity for the UK and producing excellent research, innovation and knowledge exchange outcomes.** In particular:

- (a) Our members are located across the whole of the UK, acting as strategic assets around which advances in research and future business growth can be catalysed to create jobs, improve productivity and enhance prosperity.
  - (b) World-leading experts, facilities and collaborative partnerships at our universities encourage and draw in investment from business and others, both from the UK and globally. For example, universities in Scotland, including Edinburgh and Glasgow, are cited as a determining factor in almost half of all foreign direct investment projects that come into the country.<sup>3</sup>
  - (c) Our universities are highly successful in the commercial exploitation of their research and have a wide range of partnerships with businesses of all sizes, from financial services and creative industries to right through the manufacturing supply chain. Our members attract external income of £2.4bn from business annually.
- 3.2 Access to world-leading research, links to business and local communities, and internationally diverse cohorts and partnerships all help to underpin the excellent education which students receive.** The regulation of higher education should take a holistic view across whole institutions and the sector recognising the broader role of universities and the contribution they make, and how their key relationships with business, industry, the public and voluntary sectors benefit the UK's economy and society, as well as their own students.

### **4. Ensuring a sustainable fees and funding system**

**4.1 High quality higher education needs to be appropriately funded and for this investment to be sustainable.** A sustainable funding system is also needed to help ensure students' expectations of a world-class learning experience can continue to be met, and exceeded. The existing fees and loan system is beneficial to the student, the taxpayer and universities alike and recognises that a balance has to be struck between the three. Whilst it may not be perfect, the system:

- is affordable for students as they do not have to pay upfront for tuition costs and all are able to access at least some maintenance support - with additional help from individual universities through bursaries and fee-waivers
- has enabled record numbers of students to enter higher education including more students from lower socio-economic backgrounds

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<sup>2</sup> <https://www.gov.uk/government/statistics/graduate-outcomes-for-all-subjects-by-university>

<sup>3</sup>'Grow, export, attract, support: Universities' contribution to Scotland's economic growth', Universities Scotland (October 2013).

- is progressive, ensuring graduates are not required to pay back more than they can afford with repayments in proportion to their salaries over the minimum repayment threshold of £21k. The majority of students also have at least some of their debt deliberately written off after 30 years ensuring that there is a balanced contribution between the student and the taxpayer
  - starting to provide a sustainable base of funding for universities meaning they can offer a diverse range of courses with high quality teaching and learning experiences, cutting-edge facilities and opportunities for students to do everything from hands-on research to international placements and collaborative work with local communities and business
  - recognises the public returns to the UK from higher education through the government subsidy (currently 35% of costs through the loan write-off and additional support for high cost subjects) with the proportion of student loans which the government expects to be written-off naturally higher amongst low earning graduates as these individuals pay less of their student loan back
- 4.2 It is a common misconception that the move to £9k fees has resulted in universities being substantially better off than under the previous system. Fee rises coincided with significant reductions to teaching and capital grants meaning 96% of up-front government support is now in the form of student loans (fee and maintenance). In addition, before fees were introduced universities were historically underfunded with the unit of resource per student declining over time. If this situation had continued, underinvestment would have led to serious negative impacts on the quality of the education students receive.
- International students**
- 4.3 **A crucial element of a sustainable higher education system is the ability of UK universities to attract overseas students:**
- Overseas students support the continued provision of subjects which are of strategic importance to the UK economy: for example, 51% of students studying computer science at Russell Group universities are from overseas. Without international students very many strategically important programmes would not be financially sustainable and therefore would not be available to home students.
  - They bring a wide range of social and cultural benefits to the UK and our universities, which advantage domestic students, enriching the research and learning environment and helping home students develop internationally-relevant skills. Increasingly, our future business leaders, scientists and other professionals will need to have gained that international dimension as part of their grounding for careers that will involve both international competition and cooperation.
  - International students also play a key role in the sustainability of UK universities and our world-class higher education system as a whole. We estimate that international students at Russell Group universities alone generate around £10 billion per annum for the UK and financial projections for fees paid by international students to 2018/19 are equivalent to 15% of total income.
- 4.4 **Any future immigration system must support efforts in this area** as they play a vital role in driving economic growth and productivity gains and are essential in supporting the sustainability of UK higher education for home students.