Double Jeopardy

Assessing the dual impact of student debt and graduate outcomes on the first £9k fee paying graduates

national union of **students**

Contents

Foreword

When NUS set out on this project to track the first £9,000 fee paying students to graduate, we aimed to provide an insight into the effect the higher education reforms had had on students.

We have understood the importance of capturing how these huge changes to the cost of a degree and the way students are treated – evidently more as consumers and as funders of higher education – will impact on the decisions they make after they graduate.

However, the government seem to be less interested in waiting to assess the damage of their marketisation agenda. Instead of waiting sufficient time to fully grasp the impact of the 2012 reforms, the government has sped into a new stage of hyper-marketisation and privatisation, and once again is hoping for students to foot the bill through even higher tuition fees.

Higher education seems to be one of many public policy areas in which the government are content with making the deal worse for future users, rather than better. The government are afraid to upset voters in previous generations who enjoyed the benefits of free education, near full employment, generous pensions and a welfare system that supported rather than demonised and derided citizens.

So the 2015 graduates face a double jeopardy: they enter the world of work having paid far more for their education, with the debts hanging over them, whilst they receive far less of a benefit for this education in the labour market compared to previous generations, alongside rising living costs and a welfare safety net which is ever decreasing in size.

The research presented in this report highlights the struggle that many graduates now face. Many are without work or in precarious and casualised employment, badly paid, especially women. The majority are in debt, not just to the SLC but to banks, credit card companies and loan sharks. Almost half are living back with their parents because they can't afford their own place.

What is also clear from our findings is that it still remains the most privileged in society who reap the largest rewards from a degree. If you were from the right family and got into the right type of institution, studying the right course, you will have a far greater chance of benefiting from your degree.

Institutions need to be active, not passive, in this environment, ensuring that they are contributing to a fairer society with more equal opportunities, rather than maintaining and extending existing inequalities. This matters so much when it is clear that the returns on a student's investment are dwindling.

Our report comes out after the Minister for Universities Jo Johnson wrote an open letter to students claiming how their investment would reap great rewards. Our research shows that for many, this is no longer true, and that his reforms will only make it worse. I hope that he reads our report and realises that when you dig below the glossy veneer of NSS scores and market rhetoric, you reveal a growing crisis in higher education, where graduates are deeply unhappy with the cost of their degree and feel stitched up and let down by government.

Perhaps what's the most worrying about all of this is that with further marketisation, a stagnant economy, and Brexit to look forward to, those currently studying or about to start their degree face even deeper challenges.

We must ensure that this does not become a reality for the millions of current and future students. The evidence is clear. We must make a stand against marketisation and take back education.

In unity,

Sorana Vieru, NUS Vice-President (Higher Education)

Executive Summary

In the summer of 2015, the first set of graduates lumbered with £9,000 fees left university and entered the labour market. After our initial research last summer, which captured the attitudes and experiences of the graduate cohort as they set off on their new life journeys, we now revisit them at in the spring of 2016 to see how things have progressed.

The experiences of graduates in the labour market in their first six months after graduation were mixed and heavily dependent on the subject they studied and the institution they went to.

- 52% of the 2015 graduates were in full-time work, with 13% working part-time.
- 8% were unemployed and actively looking for work.
- The lowest levels of employment were found in the creative arts, where 16% were unemployed and 10% were declared self-employed.

Degree subject and institutional type have a large impact on graduate earnings and there are clear gender inequalities in graduate pay.

- Three times as many full-time working men than women graduates were earning over £30,000 and double then number of women than men were earning less than £15,000.
- Selective institutions tended to have more than double the number of 2015 graduates earning over £25,000 compared to other institutions.
- Arts graduates, on average, were earning considerably less than other graduates.

We found that many of the attitudes graduates had last summer about the cost of their degree, its overall value, and their levels of student debt had not changed over time.

- Half of 2015 graduates thought their degree was not worth the fees they paid.
- 6% would not have gone into higher education at all if they could go back.
- 71% of graduates remained concerned about their level of student debt.
- Graduates still valued the same aspects of their degree, particularly the knowledge and skills it gave them and the ability to critically analyse the world.

The freezing of the repayment threshold on student loans has undermined graduates' trust and confidence in the student loans system.

- 76% of graduates were worried that the government might change the terms of the loans to make them pay back more; just 12% were not.
- Whilst 39% expected the repayment threshold freeze to have some impact on them, 36% were left unsure how it would affect them.

Graduates are accumulating non-student debt and are carrying debt over from their time studying.

- 60% of graduates still had existing non-student consumer debt left over from their degree, the average amount being £2,600.
- 46% of graduates had accumulated further debt since leaving their study.

Graduates are struggling to afford life after university and are choosing to live back with their parents to save money.

- 52% of 2015 graduates aged 25 or under and 47% of all graduates were living back with their parents or guardians, including 43% of those in full-time employment.
- Less than 3% of graduates aged 25 or under had managed to get on the property ladder.

Introduction

In June 2015, NUS launched a research project looking into the attitudes and experiences of full-time students graduating under the post-2012 system of fees and loans, which led to the majority of English students being charged £9,000 a year in fees for their undergraduate degree.

Our initial survey research and subsequent qualitative follow-up research with respondents in focus groups was conducted in June and July 2015 with full-time graduates of first degrees studying in English higher education institutions or further education colleges with higher education provision.

We published the results of the initial wave of research in our report *Debt in the First Degree*, where we highlighted a number of key issues about cost of study and how it impacted on student and graduate decision-making.

In February and March 2016, we ran a second wave survey of 2015 graduates. This report presents the findings of this second wave of research into the attitudes and experiences of the first cohort of students graduating under the post-2012 system of £9,000 fees.

About the Survey

Our survey was once again aimed at the cohort which graduated from a full-time undergraduate degree in summer 2015 from institutions in England.

The survey was conducted during February and March of 2016, around seven months after the cohort graduated from their degrees. A total of 598 valid responses were collected, of which 522 were English-domiciled for the purpose of student fees and funding.

The sample has been weighted to represent the correct gender balance for the 2015 full-time first degree cohort.

The sample contains a representative mix of institution types, although there are too few responses from small and specialist institutions to allow a statistical comparison of this sub-group in certain cases. There is also a fairly representative mix of ethnicities, with only slightly lower proportions of black and Asian respondents in comparison to the cohort population.

While the sample size is slightly smaller than the first wave, this is often the case in longitudinal surveys, and we are confident that the size and representativeness of the sample is sufficient in producing accurate results on the basis of the overall size and diversity of the graduate cohort. Where necessary, we have performed statistical tests to assess the validity and accuracy of results.

Experiences after graduation

Introduction

We were interested in knowing what pathways graduates had taken since finishing their degree, whether their current situation met their expectations, and what impact they felt their degree had over their situation.

The latest government statistics claim that the employment rate of all working age first degree graduates in England is around 87%, with the unemployment rate at 3%. For graduates aged 21-30, the employment rate remains the same, but the unemployment rate increases to 4.4%.[1]

Results from the 2014-15 Destination of Leavers in Higher Education survey put the overall employment rate of 2015 UK and EU first-degree graduates at 74.6%, with a graduate full-time employment rate of 57.4%. The unemployment rate was 4.6%.[2]

In our survey of 2015 English-domiciled graduates, we found that 52% were employed full-time around six months after graduation. A further 13% were working part-time and just over 2% declared themselves self-employed. There were also 17% continuing in full-time study at postgraduate level.

Current status	%
Working full-time	52.2
Working part-time	13.0
Working self-employed	2.4
Studying for a postgraduate or other qualification	17.1
Looking for work (unemployed)	8.1
Working unpaid for experience (internship / volunteering)	2.7
Travelling	1.4
Other	3.0

A total of 8.1% of respondents stated they were unemployed and looking for work in our survey. This rate is higher than the unemployment rate of the 2014 cohort and of all first degree graduates in the labour market. There were also a further 2.7% who had taken on unpaid work experience such as an internship or volunteering, and four out of five of those in unpaid work stated that they were doing it because it was hard to find any suitable paid work. This brings the total number of graduates seeking but unable to find paid work to around 10%.

The higher rate of unemployment raises concerns over the state of the labour market for recent and future graduates. We discuss this and other issues in more detail below.

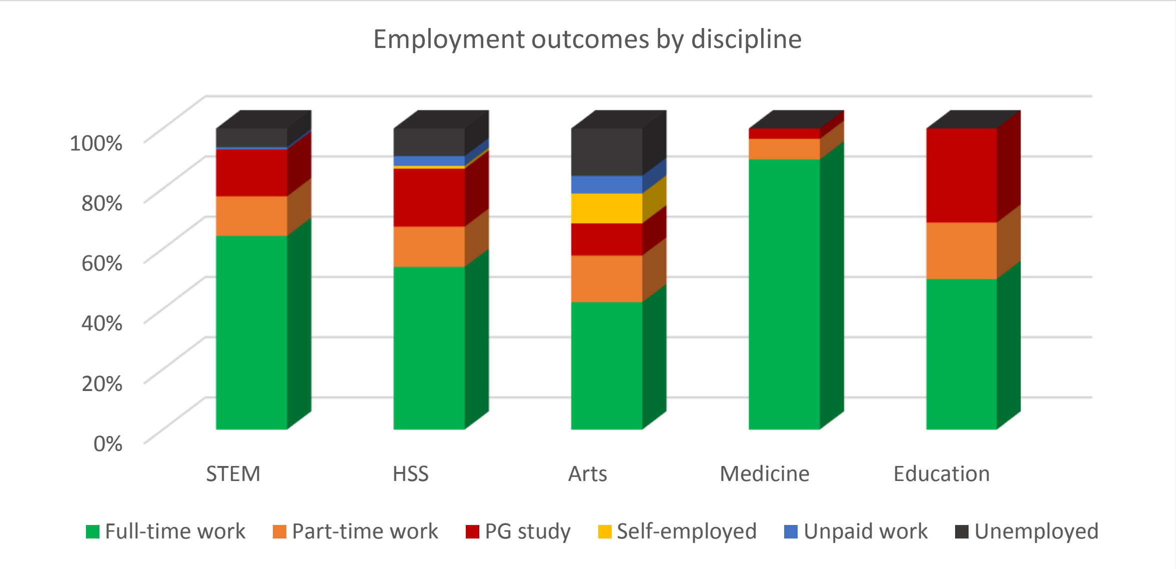
Employment outcomes of 2015 Graduates

The results suggest that some graduates may be facing a more difficult time than others in finding a job after finishing their degree.

Of those graduates who were employed, around 58% of them were employed on permanent contracts. A further 25% were on fixed-term contracts, 6% were on more precarious casual or zero-hours contracts and 4% were temping. There is no statistical difference between men and women in terms of the type of contract they were employed on.

[1] BIS Graduate Labour Market Statistics, April-June Q2 2015
[2] HESA Destination of Leavers Survey 2014-15 data available at https://hesa.ac.uk/intros/dlheintro1415

Employment is highest in medicine and its allied subjects, with 87% of graduates employed full-time and a further 7% employed part-time. No medical students declared themselves as unemployed. In education there was also technically zero unemployment. All education students were either in full-time (50%) or part-time work (19%), or they were studying for a postgraduate qualification, most likely a PGCE (31%).



STEM subjects also have a high rate of employment, with 64% of STEM graduates employed full-time and 13% employed part-time. Employment levels in the humanities and social sciences was lower, around 50% full-time and 13% part-time, with 9% unemployed and looking for work.

The lowest levels of employment are found in the creative arts, where only 42% are employed full-time and 15% part-time. A high proportion of arts graduates, just under 10%, were self-employed. Around 16% of arts graduates were unemployed and looking for work, and a further 6% were in unpaid work.

The results tend to correspond with trends found in the 2014-15 DLHE survey, which also shows higher rates of unemployment and high rates of self-employment in the creative arts. DLHE survey results show that the rate of graduates stating unemployment as their main activity was 7.1% in the creative arts and design, and only 51.9% were working full-time in the 2014-15 cohort, whilst around 14% declared themselves as self-employed.[3]

While there are many courses in the creative arts which have strong links with industry and high graduate employment rates, arts degrees as a group have lower than average employment rates and lower economic returns than other subject areas. This is a major concern for arts graduates and for higher education in general, as many graduates from these programmes will not see any financial returns from their degree and will not recuperate the significant cost in tuition fees.

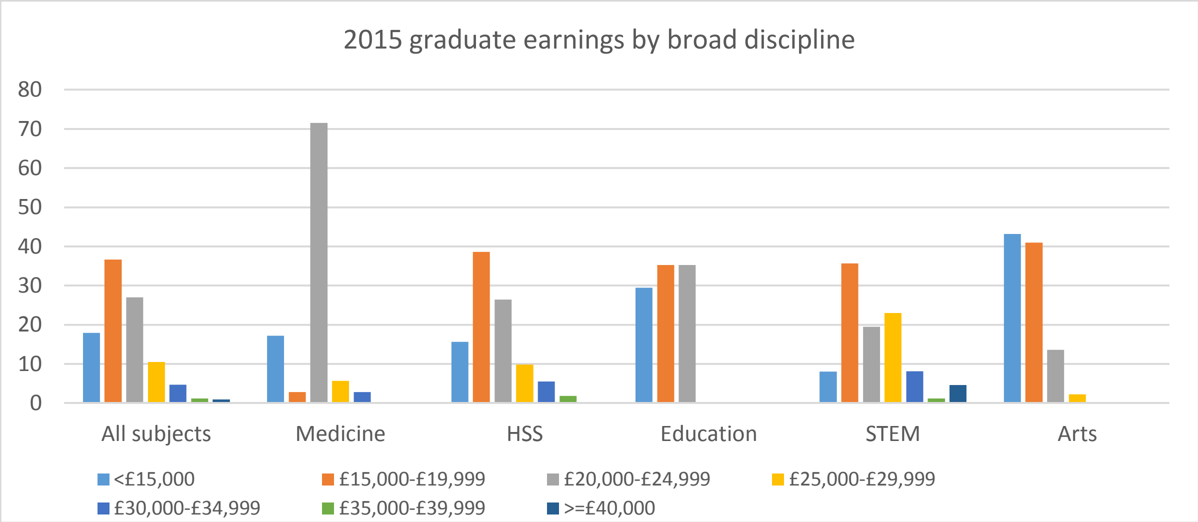
[3] HESA Destination of Leavers Survey 2014-15 data retrieved with permission from heidi.hesa.ac.uk.

Graduate Earnings

The earnings of graduates varies by many factors. We take a look at some of the key factors which lead to differentiations in earnings, starting with degree discipline.

Earnings by degree discipline

Just as levels of employment and job security vary considerably across disciplines, so too do graduate salaries. Our survey found that there was a vast difference in both the median earnings and the variance in earnings of graduates between broad discipline areas.



Median earnings six months after graduation fall within the £15,000-19,999 bracket for full-time employed graduates in every discipline except medicine, where the median falls between £20,000 and £24,999. However, it is clear that earnings for arts graduates are bunched at the lower end, with 43% of those working full-time earning less than £15,000 and 84% earning below £20,000.

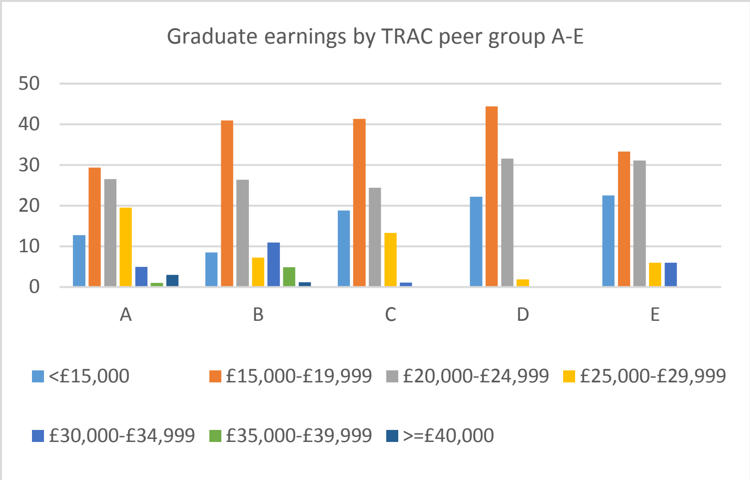
Variance in earnings is low in medicine and education. Largely this is expected because of the structured nature of wages in the NHS and in state education. Variance is highest in STEM, where 37% of working graduates were earning £25,000 or more, and around 5% of graduates were already earning £40,000 or over.

Earnings by institution type

We analysed differences in earnings by institution type using the Transparent Approach to Costings (TRAC) peer groups.[4]

We found a strong correlation between an institution's TRAC grouping and graduate earnings after controlling for other factors such as subject, socio-economic background, gender and age. In general, the more selective and research-intensive the institution, the higher the average earnings of its working graduates.

[4] TRAC (Transparent Approach to Costing) is a methodology used by the higher education sector to cost activities. Based on an institution's submission to TRAC, they are placed in a peer group with other institutions of similar financial returns in order to allow benchmarking. See http://www.hefce.ac.uk/funding/finsustain/trac/

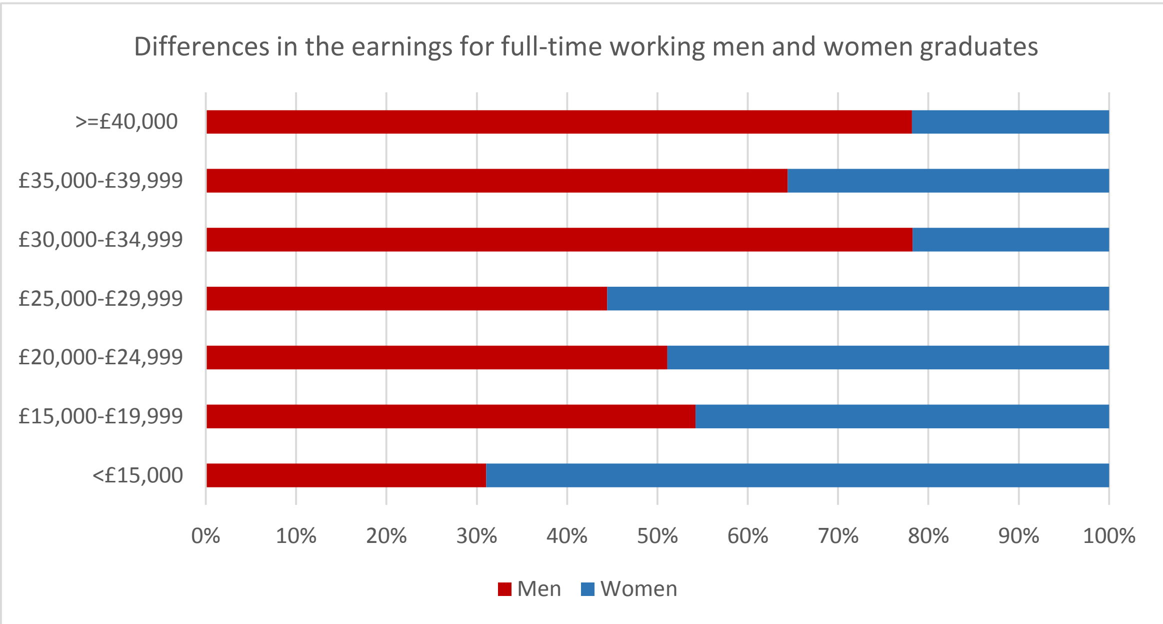


Earnings were highest for graduates in more selective, research-intensive institutions in TRAC groups A and B. There were 28.4% and 24.7% of full-time employed graduates earning £25,000 and over in TRAC groups A and B respectively. The proportion more than halves in TRAC groups C and below.[5]

Earnings and gender [6]

It is clear that gender inequalities continue to exist in the graduate labour market, particularly in terms of earnings.

Of the 2015 graduates, the average earnings of women were statistically lower than that of men. Whilst 23% of women were earning less than £15,000 compared with just 11% of men, only 3% of women were earning over £30,000 compared with 11% of men.



[5] There were not sufficient responses from full-time employed graduates in TRAC group F institutions to provide significant results.
[6] It was not possible to produce robust analysis of earnings by ethnicity. It would require a sub-categorisation by different minority ethnic groups, which would make the samples too small to provide an accurate result. Similarly, there was not a large enough sample of transgender graduates to provide results for this group.

Earnings and socio-economic factors

The survey collected some proxies for socio-economic background, such as the type of school a graduate attended and whether the graduate had a maintenance grant.

Multiple regression analysis revealed a negative relationship between grants and earnings, suggesting that those from poorer backgrounds earn less than those from more wealthy backgrounds in the first year after graduating. This relationship is statistically significant after controlling for various other factors including subject, institution type, gender, age and ethnicity. With the scrapping of maintenance grants, we expect that poorer students will not only leave university with more debt than their more economically advantaged peers, but they will also pay it back more slowly due to lower earnings.

The results of multiple regression analysis suggest that the strongest predictors of earnings are subject and institution, followed by the eligibility for maintenance grants as a proxy for students from lower income backgrounds. Additionally, graduates who were members of trade unions had statistically higher earnings than those who were not after controlling for the other factors like being employed in highly unionised sectors of education and healthcare.

The effect of schooling was not a significant factor on graduate earnings after the above characteristics were controlled for. While graduates educated at independent schools and grammar schools tended to have slightly higher earnings than those at non-grammar state schools, the difference was small and not significant once the other factors were controlled for. There may well be a mitigating effect in schooling as previous research suggests that students from state schools have higher attainment at university than those from independent schools.[7] Also, the fact that institution type proved to be a strong predictor for earnings suggests that, while graduates who attended independent schools may not gain a clear advantage purely as a result of their schooling, the fact that they disproportionately attend selective institutions makes them more likely to gain the institutional advantage noted in the results.

These findings support those of the recent Institute for Fiscal Studies report, which looked at longer running trends in graduate employment outcomes, showing that what and where you study matter for graduate earnings, along with the income of your parents.[8]

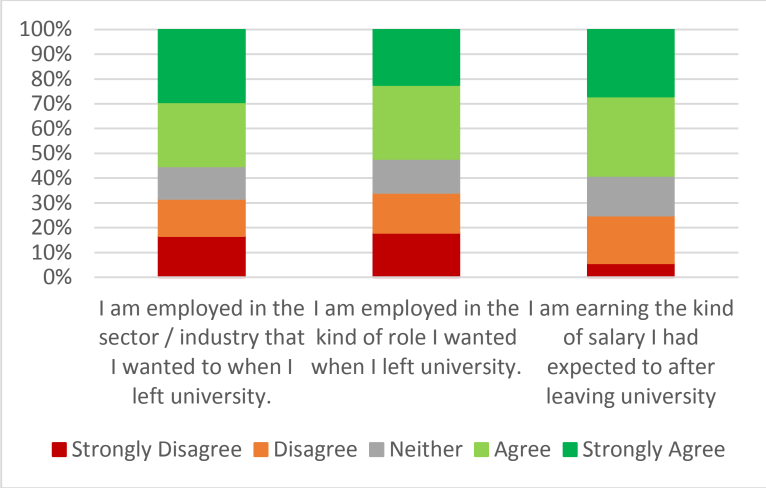
Perceptions of work

We asked graduates a number of questions about their employment. Aggregate results were fairly positive. A majority of employed graduates agreed that they were in the sector or industry they wanted to work in and were in the kind of role they wanted. A slightly larger majority agreed that they were earning what they had expected to after leaving university.

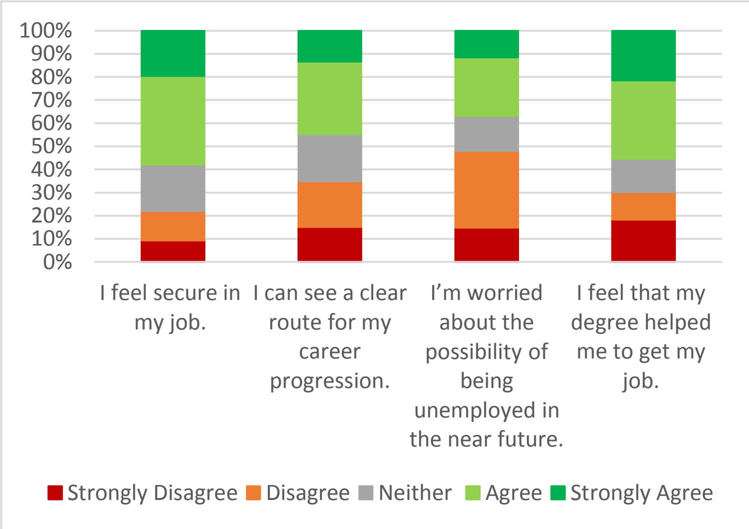
Graduates tended to feel secure in their jobs, although concerns over job security and the possibility of future unemployment were much higher for graduates on fixed term or casual contracts.

[7] HEFCE (2015) Differences in degree outcomes: The effect of subject and student characteristics
[8] Britton, J. *et al* (2016) How English domiciled graduate earnings vary with gender, institution attended, subject and socio-economic background, IFS Working Paper W16/06

A majority of graduates believed that their degree had helped them to get their job, although around 30% did not. Graduates of TRAC B universities were the most positive about their degree in relation to their employment: around 75% agreed or strongly agreed that their degree had helped them to get their job. Medical graduates and education graduates were more likely to believe their degree had helped them get their job, which is not surprising as they are a requirement to enter these professions. Arts graduates were less likely to think their degree had helped them to get their job.



We looked in more detail at which aspects of the degree were seen as most helpful in finding a job. The most cited aspects were: the knowledge and skills learnt on the course (35%); the degree subject (31%); and the degree classification (26%). Around 18% also cited a placement or work-based learning element of the course, which seems a fairly high percentage considering the fact that not all courses would include one of these. Only 12% of graduates stated that their institution's reputation was helpful in getting a job, but over half of these were graduates of a TRAC A institution and a further quarter were from a TRAC B institution.



Postgraduate study

Around 17% of the 2015 graduates were studying a postgraduate qualification. Of these, 48% were on a taught masters course and 20% were doing a PGCE. A smaller number were studying for a PG certificate or diploma (8%), a research masters (6%), or a doctorate (7%).

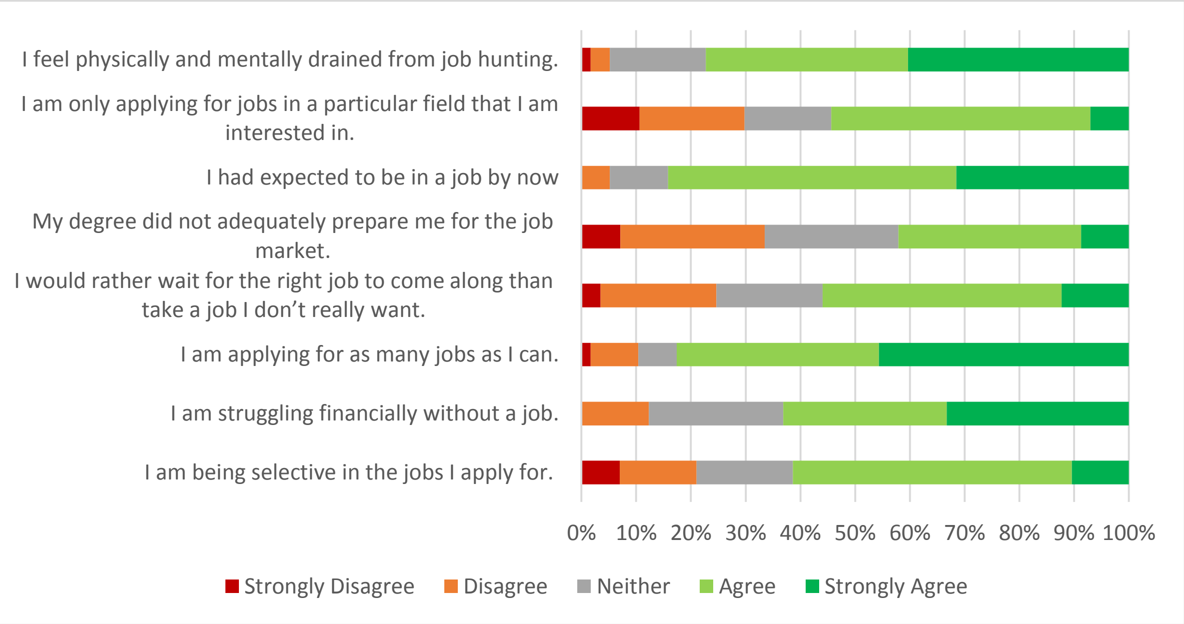
The majority of postgraduates were studying to improve their chances of getting a job or because the qualification was a requirement for the job they wanted. Others were simply interested in continuing with their studies or wanted to study something new.

As expected from graduate expectations in our previous survey and from wider research into student finance, the majority of postgraduates were either in whole or in part self-funded or funded by their families. This situation may well change once the new postgraduate loan scheme begins in 2016-17.

Graduates looking for work

About 8% of graduates were unemployed and looking for work at the time of the survey. Unsurprisingly, a quarter of those were looking for work in the creative arts and design sector, which corresponds with the high unemployment rate for creative arts graduates.

In terms of the attitudes towards looking for work, it is clear that most unemployed graduates are finding the graduate labour market a struggle, with 77% agreeing that they feel physically and mentally drained from job hunting and 64% agreeing that they are struggling financially. The vast majority (84%) had expected to be in a job by this point after graduation.



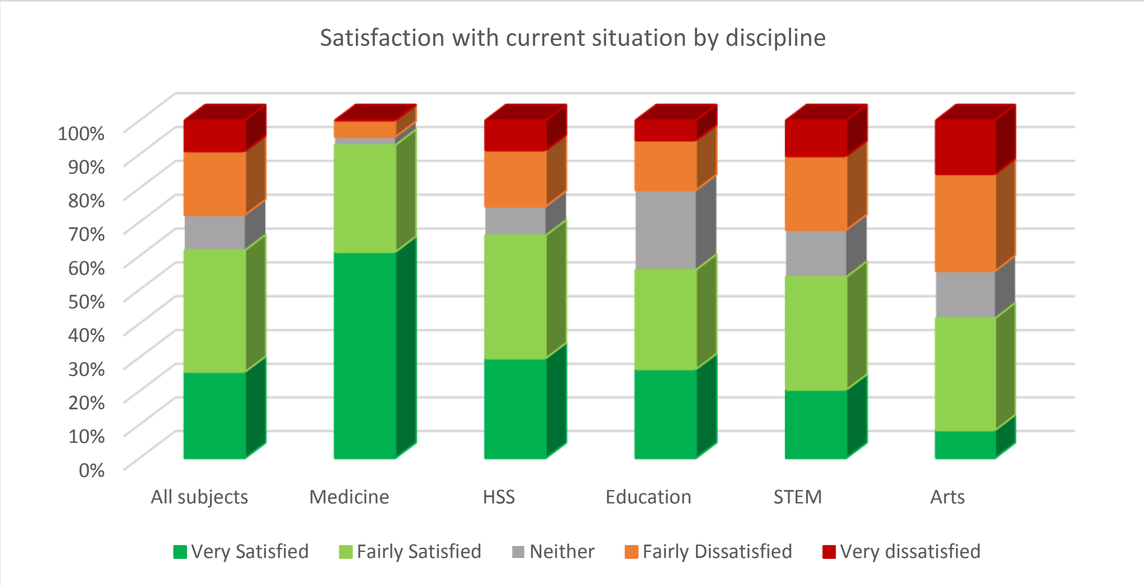
Graduates perceive the main barriers to be that employers think they lack experience and that there aren't enough jobs around which suit their skills and experience.

There were mixed feelings about the relationship between the degree and the job market. While 42% agreed or strongly agreed that their degree did not adequately prepare them for the job market, 35% disagreed or strongly disagreed.

Satisfaction with current situation

It is unsurprising that considerably more arts graduates were dissatisfied with their current situation compared to graduates in other disciplines. Around 29% of creative arts graduates were fairly dissatisfied with their situation and 16% were very dissatisfied, compared to 17% and 8% respectively in other disciplines. Only 8% of arts graduates were very satisfied, compared with 28% in all other disciplines.

In contrast, satisfaction was clearly highest in medicine, where over 90% were either fairly or very satisfied with their current situation. Yet, whilst there is some correlation between employment rates and satisfaction, there are other factors involved, too, as we found that STEM graduates had lower satisfaction than humanities and social science graduates, despite having better employment prospects.

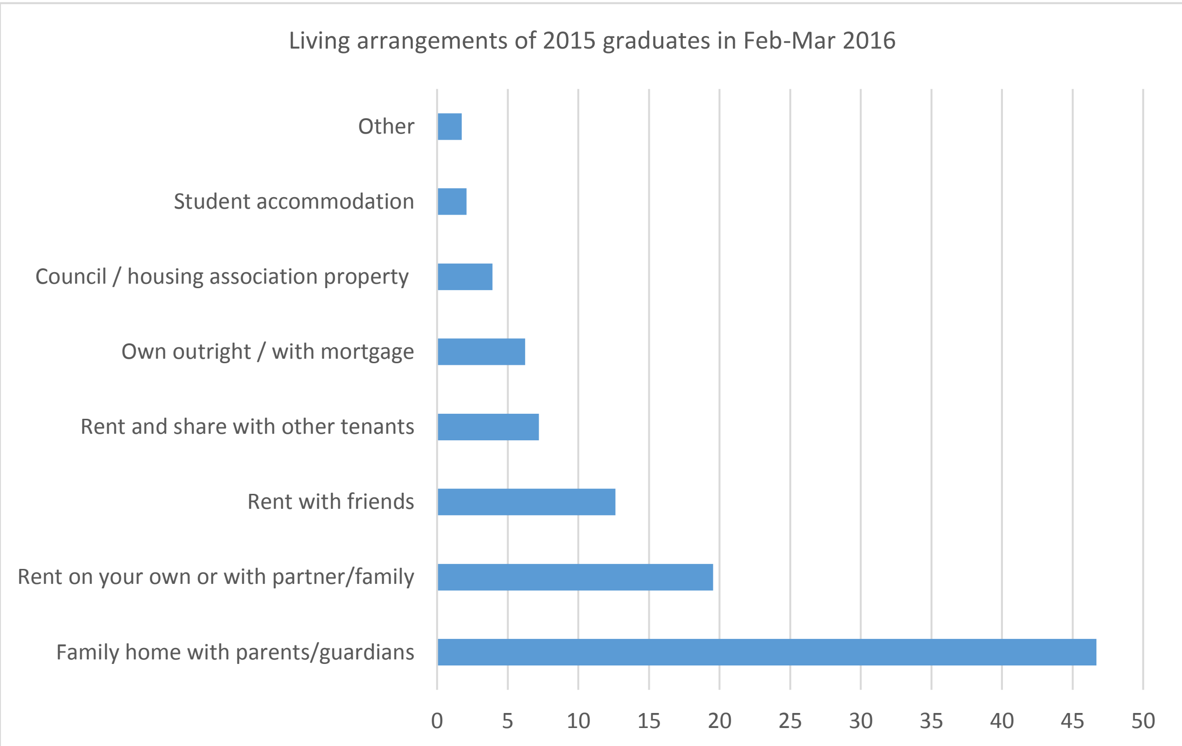


When graduates were asked to compare their current situation to others that had graduated on their course, 40% thought they were in better situation, 32% thought their situation was very similar to others, and 19% thought their situation was worse.

Living arrangements

Almost half (47%) of the 2015 graduates were living back at home with their parents or guardians six months after graduating. The figure rises to 52% for young graduates aged up to 25. Those living in their family home were more likely to be unemployed or working part-time, but 43% of graduates with full-time work were also living back at their family home too.

Less than 3% of graduates aged 25 or under had managed to get on the property ladder. The bulk graduates living away from their family home were in private rented accommodation



Graduate debt and finances

Student loans

Less than one in five of the 2015 graduates with student loan debt were actually earning enough to pay off any of their loan. This leaves over three quarters of students with debts that are increasing in size with interest.

A total of 71% of graduates with student loans declared that they were worried about the level of student loan debt they have. This is down slightly from 77% in the first wave of the research. Those most worried about their levels of debt were graduates who were unemployed and looking for work, those in further study, and those currently in unpaid roles.

When we asked graduates whether they expected to fully repay their loan, only 42% agreed and 36% disagreed. In our survey of the same graduate cohort in August 2015, the number expecting to repay their loan was slightly higher at 45%, but this difference is within the margin of error.

Thus, we conclude that, as graduates settle themselves into life after their degree, there doesn't appear to be a strong change in their expectations on repaying their loan at the aggregate level. This is supported by the fact that there were no strong differences in expectations by employment status: graduates in work seemed no more or less likely to expect to pay off their loan than those not in work.

Unsurprisingly, graduates with fees close to or at £9,000 were less likely to expect to repay their loan, we assume because of the higher levels of debt they had accumulated. Only 31% of those on high fees expected to fully repay their loans compared to 53% on lower fees.

Graduates remain worried about the interest they have to pay on their loans. Just over half (51%) agreed that they were worried about interest, compared to only 29% who were not worried.

Changes to loan terms

Over a quarter of the graduates admitted that they did not fully understand how the repayment of their student loan works. This is concerning because this will have an impact on a student's financial decisions and may lead them to make uninformed and unwise choices. As we discuss later, it also has an impact on graduates' perceptions of the value of their degree.

Graduates have an overwhelming distrust of government when it comes to the terms and conditions of student loans. 76% of graduates were worried that the government might change the terms of the loans to make them pay back more; just 12% were not.

This isn't surprising considering the government have already shown their willingness to do this by freezing the repayment threshold at £21,000 rather than allowing it to rise with inflation.

However, we also found that many graduates, whilst knowing about the changes to their loan terms, were unsure about how it would affect them. While 39% expected the repayment threshold freeze to have some impact on them and 21% did not expect any impact, a further 36% did not know how it would impact on them.

Student loans and living standards

We already noted in *Debt in the First Degree* that student loan debt was having a demonstrable effect on the financial decisions of many graduates. This effect is clearly noticeable as we look at graduates 6-8 months after graduating.

37% of graduates in this survey agreed that their standard of living will be affected by the cost of repaying their student loan. This is down slightly from 43% in the previous wave of the survey, but it remains a significant portion of students.

When we looked at some important financial decisions in particular, 31% of graduates said they might wait before they paid into a pension because of student loan repayments, down from 46% in the first wave of the survey. The decrease may be down to graduates being more aware of how pensions work now that many of them are employed and potentially being auto-enrolled onto pension schemes.

What is most worrying, however, is that 63% of graduates agreed that it may take them longer to save for a house because of repaying their student loan. This is down only slightly from 66% in the first wave, suggesting that feelings haven’t really changed since graduates left university and graduates remain very sceptical about their prospects of buying a property.

The effect of student loans on buying property is a major concern as house prices continue to rise and there simply isn’t enough affordable housing available for young people to get on the housing ladder. Moreover, student loan debt is now taken into consideration in mortgage applications as part of the introduction of the Mortgage Market Review in 2014. This means that loan repayment not only makes it harder to save for a deposit, it also makes applying for a mortgage more difficult as lenders are scrutinising applicants’ monthly expenditure more carefully.

It may well be that the large number of students living back at their family home with their parents reflects the difficulty graduates are having in finding savings from the income in order to find a deposit for a house. By living in private rented accommodation, graduates will find a large portion of their income going to pay the rising cost of rent and utilities.

Group differences

Arts graduates were statistically more likely to be worried about their student loan debt. They were also less likely to expect to pay off their student loan fully and have greater concerns over how repayment will affect their ability to buy a house and pay into a pension.

Considering the earlier discussion about the employment outcomes for arts graduates, it perhaps will come as no surprise to find them more concerned about their student loans. With fewer arts graduates in full time work and on lower average salaries than other graduates, the reality is that these graduates will indeed struggle to pay off their debts.

Graduates from black and minority ethnic backgrounds were considerably more concerned about their student loan debt. 80% of BME graduates were either somewhat worried or very worried about their debt, compared to 70% of non-BME graduates.

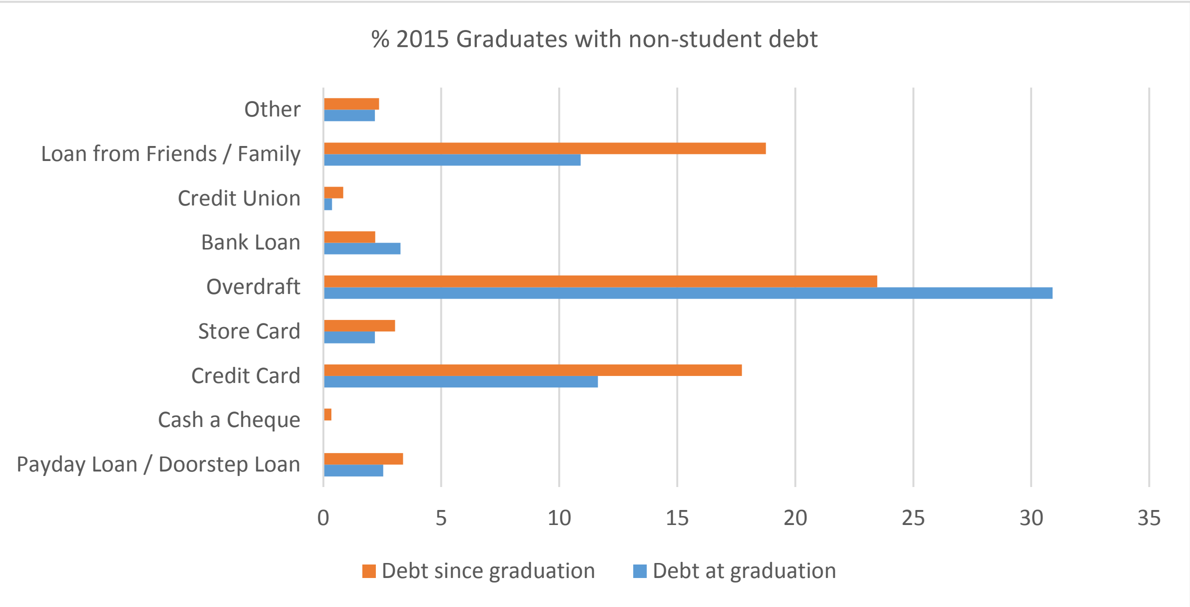
In *Debt in the First Degree* we raised concerns that graduates from particular ethnic minority backgrounds were not as well informed about the terms of student loans which could lead to them being put off study or worrying more about their debt than other graduates. This concern is reiterated in the results of this survey as we find that black graduates in particular were more likely to admit they did not understand the repayment of their student loan. Black graduates were also more likely to consider student loan debt as bad as or worse than other forms of private debt, something that was also highlighted in the previous wave of the survey. Again, following the results of the previous wave, black graduates were more likely to want to repay their student loan as quickly as possible.

These results suggest that black graduates are more concerned about their student debt than other graduates. Perhaps the most worrying point is that these concerns and misconceptions regarding student loans are not dissipating as the views appear the same more than six months down the line.

Non-student debt

We were interested in finding out the levels of non-student debt that graduates had accumulated. Our previous research on student finance, *Pound in Your Pocket*, revealed that many students had serious financial issues due to cashflow problems while at university and had ended up taking on high-risk forms of debt in order to maintain their situation.

We found that almost 60% of graduates still have existing debts left over from their degree. The most common debts accumulated were bank overdrafts (30% of graduates), credit card debts (12%) and loans from friends or family (11%). Around 3% of graduates had more high-risk forms of debt such as payday loans and doorstep loans outstanding when they graduated.



Around 46% of graduates had accumulated further debts after leaving university. Again, the most common was using an overdraft (24% of graduates), followed by loans from family and friends (19%) and credit card debt (18%). Just over 3% of graduates had taken out high-risk debt in the form of payday or doorstep loans.

The average amount of outstanding debt left behind from their time studying was approximately £2600, excluding mortgages and student loans, although many graduates chose not to answer this question (N=73).

The levels of outstanding debt accumulated by recent graduates is disturbing. It is clear that debt levels are rising, particularly among young people. Average unsecured debt is particularly among 15-24 year olds according to a recent Citizens Advice Bureau report, which stood at a median of around £7,000 when student loans were excluded. The debt to income ratio is also highest for young people, putting them in an extremely difficult financial situation.[9]

We know from our *Pound in Your Pocket* research that there is a strong correlation between debt and a decline in student wellbeing. Even relatively small amounts of unsecured debt accumulated during study were likely to have a strong negative impact on the retention and success of students, not to mention their overall physical and mental health.[10]

Our concern is that as graduates take forward existing debts and accumulate further debts, this will have similar impact on their wellbeing and constrain their life decisions.

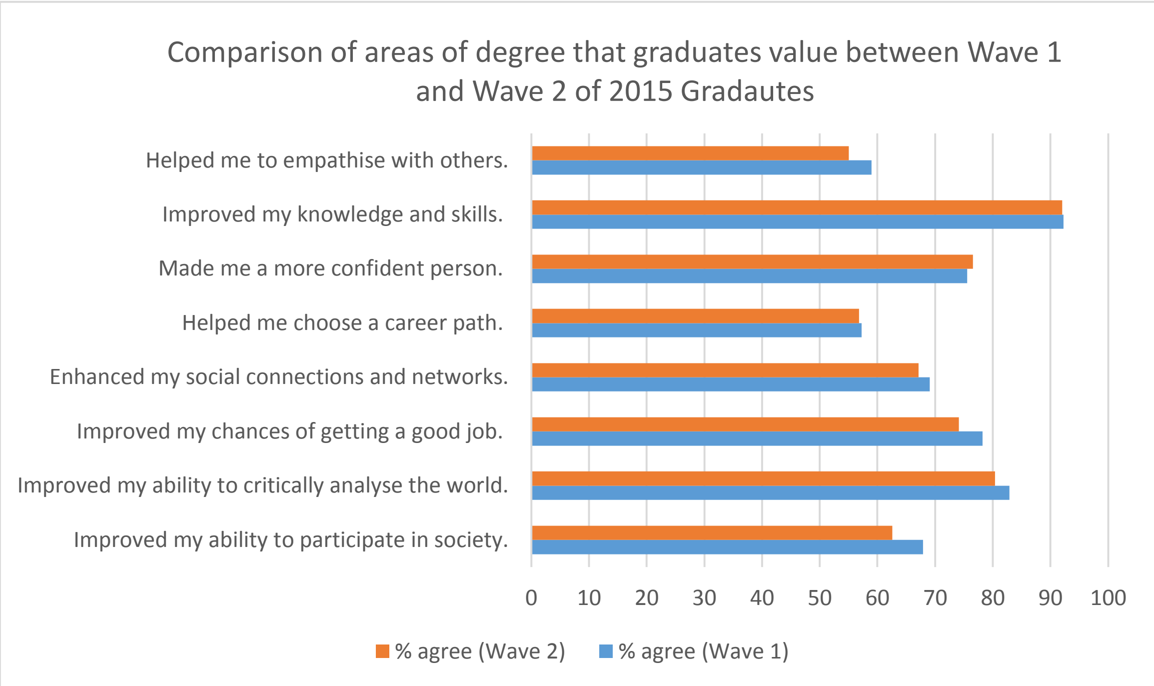
[9] Pardoe *et al* (2015) *Unsecured and Insecure?*, CAB
[10] NUS (2012) *The Pound in Your Pocket: Summary Report*

The value of a degree

Comparisons with Wave 1

In *Debt in the First Degree*, we remarked on the positive and optimistic outlook that many students had as they graduated. Graduates valued the knowledge and skills a degree gave them as well as improvements to their job prospects and their ability to participate in society. Graduates were, however, much more sceptical about whether the overall value of a degree met the costs associated with it in terms of the fees they paid.

The results in the latest wave of the research, graduates were once again very positive about the value of a degree in a wide range of areas. Again, the strongest agreement was on the value of their degree in improving their knowledge and skills, the results being largely identical between waves.



However, there has been a fall in the number of graduates agreeing that their degree has improved their chances of getting a good job. The 4% fall is largely attributable to the change in opinion of graduates who have yet to find work. Unsurprisingly, unemployed graduates were much less likely to agree that their degree had improved their chances of finding a good job. There was also a drop in the number of students who felt their degree improved their ability to take part in society.

In terms of the importance of particular experiences during their degree, graduates saw their increased knowledge and understanding and enhanced job prospects as the most important things to take away from their degree.

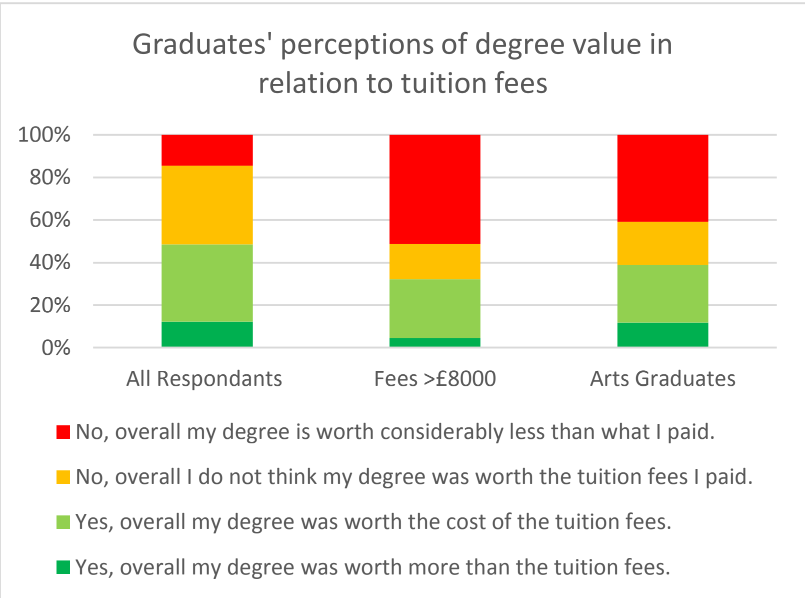
Degree value and tuition fees

There continues to be considerable dissatisfaction with the level of tuition fees, leading to 52% of students rejecting the idea that their degree was worth the fees they had to pay.

The picture is even more striking when we look only at students who paid fees above £8,000 a year, with around two-thirds believing that their degree was not worth the fees they paid.

When we split the perceptions of value by discipline, we find that Arts graduates are far less likely to say that their degree was worth the fees they paid. Only 37% of Arts graduates thought their degree was worth the fees they paid. No doubt this is at least in part to do with the worse graduate employment outcomes we discussed earlier in the report. In contrast, medical graduates not only have good comparative employment outcomes, but graduates may also have received funding to cover the cost of their study, making the comparative value of their degree seem very good. This is reflected in the 81% of medical graduates who thought their degree was either worth the cost in fees or worth more than the fees. The results were also more positive in STEM subjects, where 58% of graduates agreed that their course was worth at least the fees they paid.

While employment appears to be an important factor in determining the level of value a graduate places on their degree, the factors affecting graduates perceptions of degree value are complicated. Graduates who are unemployed and looking for work are statistically more likely to see their degree as not being worth the fees they were charged, but logistic regression analysis reveals that this accounts for only a small portion of the variance in the results and proves a less significant factor than certain in-work issues, such as whether they are in the job role that they wanted and envisaged when they left study. Similarly, those who believed their degree has helped them to find a good job were more likely to see their degree as being of good value.



But it appears that the most prominent driving factors in the perception of value are related to fees and student finance. The impact of having to pay high fees at an institution has the largest impact on the likelihood a graduate thinks that their degree is of good value. This is, of course, expected as graduates are being asked to value their degree against its cost in fees. It does, however, answer the obvious question of whether the increase in tuition fees have been matched with an equivalent increase in the value of a degree to a student. This has, of course, not been the case, nor was there any expectation from experts that this would, or even could, happen.

The student finance issue is more interesting. It appears from our analysis that graduates who understood the terms of their student loan were more likely to see their degree as being of value. Similar observations could be made for those who saw a student loan as not being as bad as other forms of debt. Graduates who were concerned about the government's changes to the loan terms were less likely to see their degree as being of value. However there is also an important interaction effect here, whereby those with a limited understanding of the student loans system are more likely to be concerned about changes to the loan terms and conditions. We control for this in the model to remove any specification error.

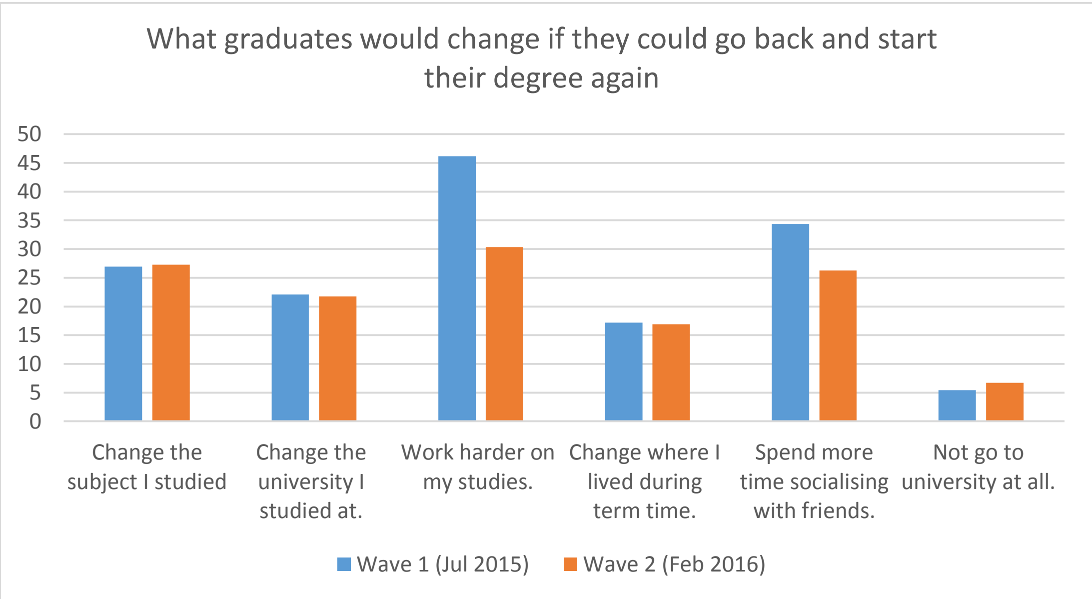
The effect of graduate perceptions of student loans remained significant after controlling for factors such as age, gender, ethnicity and disability as well as for degree subject and institution type. This suggests that the perceptions of student debt matter a great deal to a graduate's perception of degree value. If graduates have less confidence in the terms of their student loan, this will have a major impact on their perception of whether their degree was worth the cost.

The impact of student loans on perceptions of value was not so obvious in the first wave, we expect, because graduates had not yet fully realised their expected level of financial commitment. Graduates had never seen any money change hands for tuition fees and had not yet entered into the loan repayment channel, leaving the cost of their degree as an abstract concept rather than a real issue to confront. While this may have affected some by increasing the concern about the overall cost of the degree, particularly those without a good grasp of the repayment terms, others may have been too relaxed and blasé about the issue of debt only to be confronted with the reality of repayment when they entered employment.

Now that graduates have had time to reflect on the reality of student loans and debt, they will have a better understanding of how the cost of their education will affect them, and indeed whether or not they expect to repay the full amount that was charged. This, culminated with the level of fee itself and the level of satisfaction with their employment situation seem to come together to determine a great deal of the perception graduates have of the relative value of their degree.

We asked graduates who had stated their course wasn't worth the fees they paid to give the main reason why. The majority (57%) of respondents blamed the fees being generally too high, which corresponds with our own analysis of the correlation between high fees and the perception of value. The second most popular response (20%) was that graduates were not confident their degree would help them find the right job. This was followed by poor experiences of the teaching and support received on the course (14%).

Those who believed their course was worth the cost in fees tended to focus on the benefits in terms of employability and the overall experience they had being a student in equal measure. In the first wave of the survey, we asked graduates to think about what they would have done differently if



they could go back and do their degree again. The most common responses were that they would work harder on their studies (45%), although around a quarter would have either considered changing their subject or changing their institution, and a worrying 5% wouldn't have gone to university at all if they could go back.

Jumping forward just over six months and we found that the top response remained the same, but the number stating it had fallen by 15%. Around 30% of graduates still believed that if they could have gone back they would have worked harder. There remained a similar number of graduates who would have changed their subject (27%) or their institution (22%), while there remained a small but important 7% who felt that they wouldn't have gone to university at all.

Of the 7% who felt they would not have done a degree, 40% said they would have done an apprenticeship and 43% said they would have gone straight into work.

Conclusion

This second wave of the 2015 graduates research has set out to identify attitudes and behaviours of the first cohort of £9k fee paying graduates now that they have begun to settle into life after their degree.

Taken together with the first wave of the research, the results in this report are able to give a deeper understanding of how graduate attitudes change as they begin to make new life choices and start their journey after their degree.

The results show that the far-reaching disdain for the high fees graduates had to pay has not abated with time. The majority of the graduate cohort are still sceptical about whether their degree amounted to good value, despite many being in employment or further study.

Once again, graduates of arts degrees are shown to be the least satisfied. This has manifested itself in the shadow of real material differences in the graduate outcomes in the arts, where graduates are suffering from poor employment prospects and lower pay. The massive variations in outcomes for different degree subjects

We have seen that student loan debt and repayment becomes a key component of the decisions that graduates make as their understanding of both the short-term and the longer-term impact of that debt is made clearer.

Even though graduates are able to better grasp the income-contingent nature of their student finance, worry over debt remains high. The government clearly hasn't helped by creating an environment of uncertainty surrounding the future terms of student loans, with concern around retroactive changes that could lead to higher and unplanned costs to the graduates down the line.

Ultimately, the student loan system threatens to add to the increasing intergenerational unfairness. The concern over student debt and the rising consumer debt owed by graduates is creating a cash shortage for many, leading to expectations that home ownership and even a pension are out of reach. This is coupled with the issue of the varied graduate outcomes that the cohort have received. Poor job security and low wages are hitting many graduates, particularly those who are from the most disadvantaged backgrounds, which is compounding the impact of debt and creating a fairly grim outlook for the last of the millennial generation.

The report provides further evidence that the current trajectory of government policy on higher education needs a fundamental rethink. Further increases in tuition fees, cuts to maintenance grants, and worsening terms on student loans will only further extend the dissatisfaction students have with the value of their degree and undermine their chances of seeing a worthwhile economic return on their investment.

We urge the government to consider the evidence in this report and rethink their current strategy by reinstating maintenance grants and NHS bursaries, and scrapping the plans for higher fees and further marketisation through the Teaching Excellence Framework and lax regulation for private providers in the Higher Education and Research Bill.

We also urge institutions, as we did in our previous report, to take heed of the fact that high fees cannot be sustained for much longer and will have an impact on the chances of students to succeed when they graduate, particularly those from disadvantaged backgrounds. Institutions and the government must also work together to tackle the poor graduate employment outcomes of students in the arts.

Macadam House
275 Gray's Inn Road
London WC1X 8QB
t 0845 5210 262
e nusuk@nus.org.uk
www.nus.org.uk

national union of **students**