

Graduate employment outcomes

Analysis by Universities UK

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Background

Despite evidence to the contrary, there is a continuing charge of ‘poor quality courses’ – or that higher education provides little benefit to individuals – by some parts of the media and government.

The Office for Students (OfS) acknowledges that 99% of students in England are on courses where employment outcomes satisfy requirements.

There is a risk that an unevidenced focus on ‘low quality’ despite the evidence will impact on the real benefits that higher education providers to individuals and local areas.

Proportion of students with progression outcomes below quality thresholds



Source: [Office for Students key performance measures](#)

Scope of analysis

To inform this debate, Universities UK (UUK) analysed a range of data sources looking at employment and earnings outcomes of graduates, how these change after time, and how they compare to those non-graduates who could have gone to university but didn't.

This analysis allows us to go beyond standard measures used by the regulator and government, that focus on outcomes 15 months after graduation. This includes use of official government data that links student and tax records, to track and compare the earnings of graduates and those non-graduates who could have attended university, over a period of 15 years.

Our analysis focuses on:

1. Earnings pathways for graduates and non-graduates
2. Patterns of employment outcomes for graduates

Sources and methodology

The bulk of this analysis is based on data published by the Department of Education (DfE) on graduate outcomes, including:

- Longitudinal Education Outcomes (LEO): post-16 education and labour market activities and outcomes. This looks at the employment outcomes for those individuals who finished their GCSEs at a school in England. It provides data on average earnings over the 15-year period after finishing school, by a range of characteristics including whether someone studied a higher education qualification, and a range of individual characteristics.
- LEO Graduate and Postgraduate Outcomes. This looks at employment and earnings outcomes for those who graduated with a first degree (level 6), level 7 or level 8 qualification, but a range of characteristics.
- All UUK analysis compares graduate outcomes against non-graduates who achieved a Level 3 qualification or above (ie levels 3-5). A full level 3 qualification is two A-level passes or equivalent, while level 4 and 5 qualifications include Higher National Certificates (HNCs), Higher National Diplomas (HNDs) and equivalent qualifications. Individuals with these qualification are likely to have been able to progress to university but chose not to.
- The analysis does not compare graduate outcomes to the wider population, including those with level 2 as their highest qualification, where the gap in earnings is likely to be greater.



Earnings pathways for graduates and non-graduates

Graduates are more likely to be in employment – and less likely to be on out of work benefits by age 31 – than non-graduates who could have entered higher education

Graduates have higher levels of employment across all regions in England by age 31, with the gap between graduates and non-graduates ranging from 4 to 8 percentage points.

Non-graduates report higher levels of out of work benefits by age 31, with the gap ranging from 3 to 5 percentage points and London reporting the largest difference.

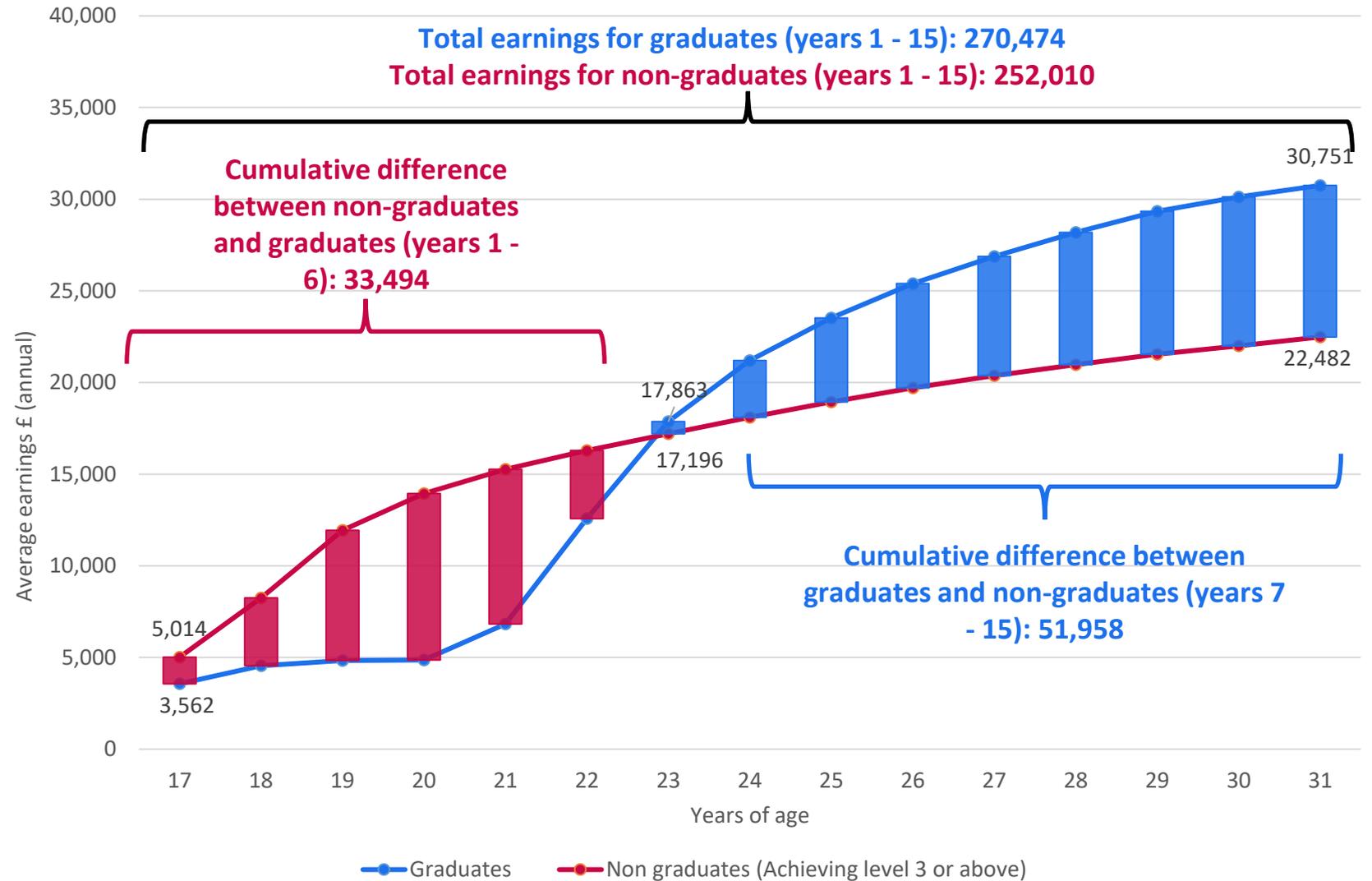
15 years after KS4 Region of school (region in which individuals went to school)	Employment (%)			Out of work benefits (%)			Further study (%)		
	Graduates (%)	Non graduates (%)	Gap (pp)	Graduates (%)	Non graduates (%)	Gap (pp)	Graduates (%)	Non graduates (%)	Gap (pp)
North East	70	62	8	2	6	-4	8	10	-2
North West	70	63	7	2	5	-4	6	8	-2
Yorkshire and the Humber	71	63	7	1	4	-3	6	8	-2
London	65	58	7	2	7	-5	6	6	0
West Midland	71	64	7	2	5	-3	6	8	-2
South West	68	63	5	1	4	-2	6	7	-1
East Midlands	70	65	5	1	4	-3	6	8	-1
East of England	70	65	5	1	4	-3	5	5	0
South East	68	64	4	1	4	-2	5	6	0

Graduate earnings increase at a faster rate after entering employment than non-graduates who could have entered higher education

While graduates are in full-time study, non-graduates who could have entered HE on average earn **£33,500 more**.

After graduation and upon entering the labour market, from age 23 to age 31:

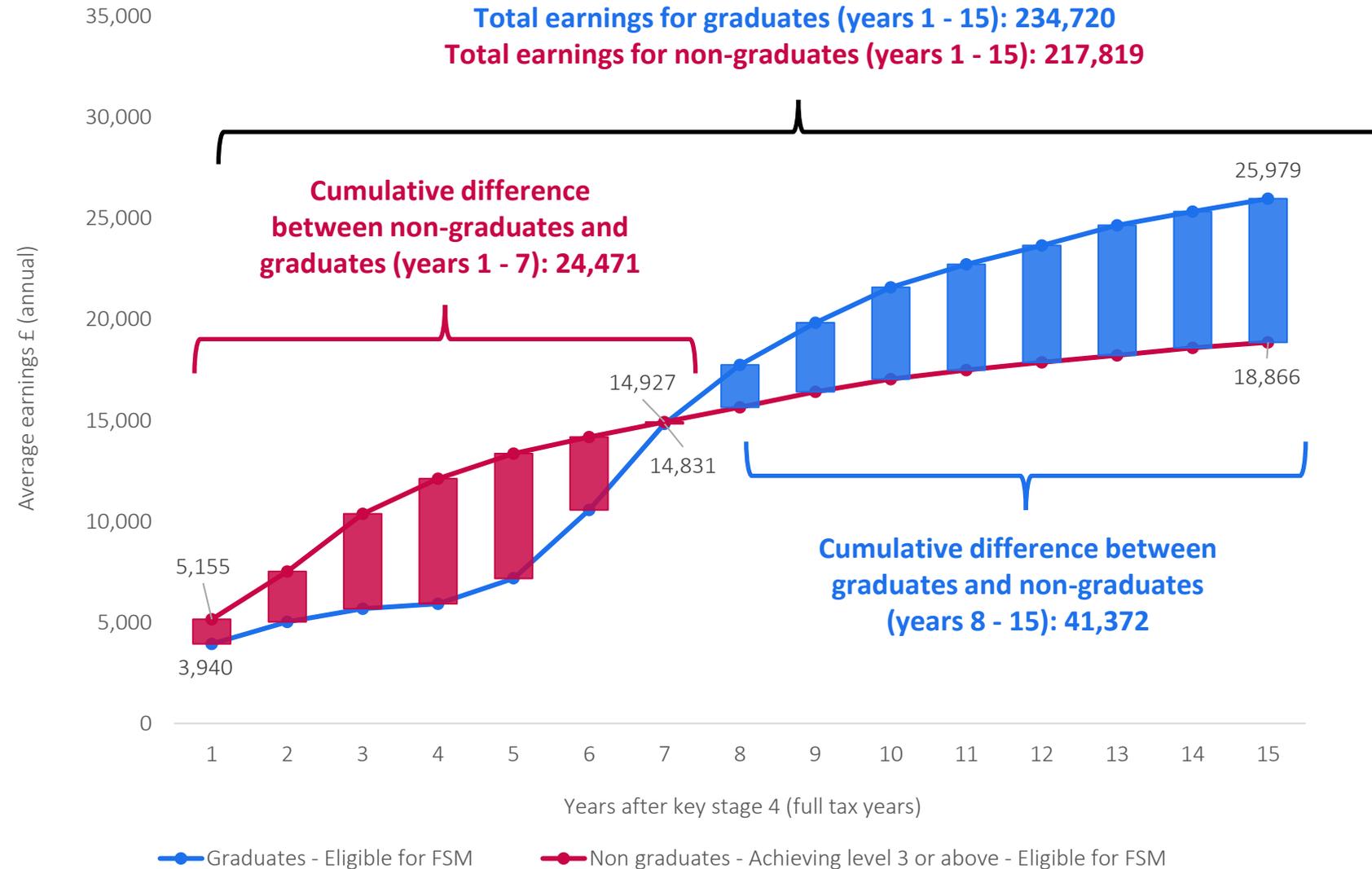
- Average graduate earnings increase at a greater rate (72% vs 31%)
- Graduates on average earn **£52,000 more over this period**, more than making up the earlier difference.



This graduate premium is also evident for those from the most deprived backgrounds

After graduating and entering the labour market, from age 23 to 31:

- Graduates from the most deprived backgrounds (those who received free school meals) on average see their **earnings grow by 75% compared to 26% for non-graduates** from the same background, who could have studied at university but chose not to.
- Over this period, graduates from deprived backgrounds **end up earning £41,400 more than non-graduates**, more than making up the initial 'head start' of those who chose to go into employment rather than university.



This earnings gap between graduates and non graduates expands significantly over an individual's working life

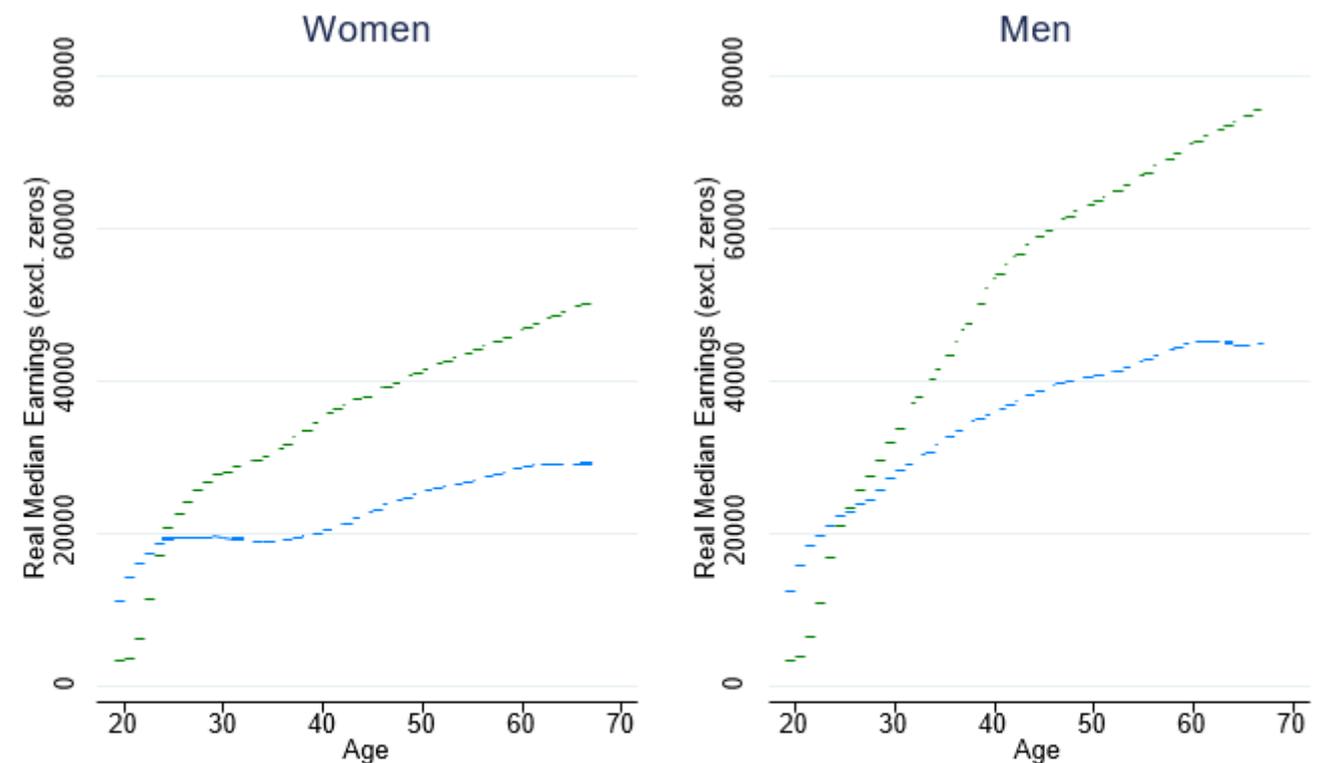
Beyond age 30, evidence shows the gap in earnings between graduates and non-graduates continues to diverge substantially.

Median earnings of male graduates grow strongly and outstrip those of non-graduates.

- The IFS predict that for male graduates who were aged 30 in 2016, **earnings rise by £15k to age 40, compared with a just £5k for non-graduate men.**

Median earnings growth for female graduates is moderate, but still higher than that of non-graduates.

- The IFS predict earnings for female graduates who were aged 30 in 2016, **rise by around £5k to age 40, compared with no growth for non-graduate women.**



Graduate earnings overtake those of non-graduates who could have entered higher education soon after they leave university

Between ages 17 and 22, average earnings of non-graduates are higher across all regions of England as they enter the workforce **while graduates are in full-time study.**

From 23 years of age onwards, average earnings of graduates progressively overtake those of non-graduates.

By age 31, on average **graduates earn around a third more (32-37%) than non-graduates who could have gone to university across all regions of England.**

The earnings premium of graduates compared to non-graduates (achieving level 3 or above) by region of school attended and years after finishing GCSEs

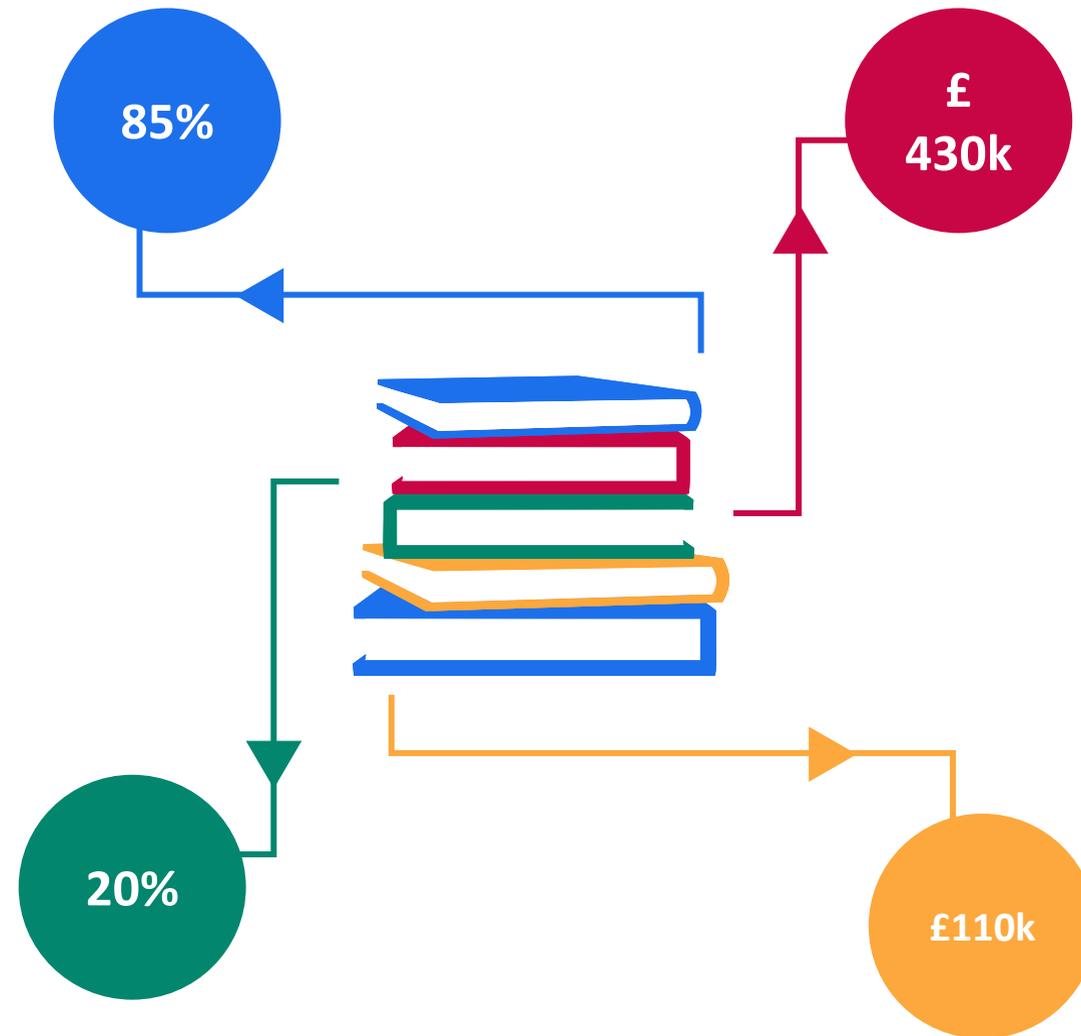
Years of age	Yorkshire and East		West	East of	South	South			
	North East	North West	The Humber	Midlands	England	London	East	West	
17	-29%	-32%	-33%	-32%	-29%	-27%	-24%	-25%	-29%
18	-40%	-45%	-47%	-48%	-44%	-48%	-39%	-44%	-45%
19	-52%	-56%	-58%	-60%	-57%	-65%	-56%	-64%	-63%
20	-57%	-61%	-63%	-65%	-62%	-70%	-63%	-70%	-70%
21	-48%	-50%	-52%	-54%	-52%	-58%	-56%	-60%	-61%
22	-19%	-20%	-20%	-20%	-20%	-22%	-30%	-26%	-29%
23	3%	3%	3%	4%	5%	4%	3%	4%	0%
24	14%	15%	15%	16%	17%	16%	16%	17%	15%
25	21%	23%	23%	22%	24%	22%	23%	23%	23%
26	26%	27%	27%	27%	29%	25%	25%	27%	28%
27	29%	31%	31%	30%	33%	28%	27%	30%	31%
28	33%	33%	33%	33%	35%	30%	29%	32%	33%
29	34%	35%	35%	34%	36%	32%	30%	34%	35%
30	34%	35%	35%	36%	36%	33%	32%	35%	36%
31	35%	36%	35%	37%	36%	32%	34%	35%	35%

Line shows typical age of graduation and entry into labour market for university graduates on a three-year first degree

There are further substantial lifetime returns from going to university

- Overall, IFS expect 85% of women and 75% of men to achieve positive net lifetime returns from going to university

- Even accounting for student loans and taxes, the earnings premium is £130k for men and £100k for women - a gain in net lifetime earnings of 20% for both men and women.



- The gross average lifetime earnings gain from undergraduate degrees is substantial for both men and women
- The difference in lifetime earnings between graduates and non-graduates is £430k for men and £260k for women.
- Financing undergraduate degrees is expensive for the taxpayer, but it is more than counterbalanced by increased tax revenues
- The gain to the exchequer of individuals attending HE is £110k per student for men and £30k per student for women.



Patterns of graduate employment outcomes

There are also differences in earnings based on the type of provider that someone studies for their degree

Graduate outcomes across Higher Education Institutions (HEIs), Further Education Colleges (FECs) and Alternative Providers (APs), also vary:

- Graduates from HEIs are more likely to be in sustained employment or further study. Five years after graduation this is 3 percentage points higher in HEIs than FECs and 6.5 pp higher than APs.
- Five years after graduation, graduates from HEIs on average earn £6,200 more per year than those from APs and £8,000 more than those from FECs.

Provider type	Sustained employment, further study or both (%)				Total median earnings (£)			
	One year after graduation	Three years after graduation	Five years after graduation	Ten years after graduation	One year after graduation	Three years after graduation	Five years after graduation	Ten years after graduation
Higher Education Institutions (HEIs)	87.0	87.9	87.0	84.3	21,900	25,900	29,200	33,200
Further Education Colleges (FECs)	81.9	84.1	83.7	82.0	16,800	19,000	21,200	23,700
Alternative Providers (APs)	78.8	79.4	80.5	-	16,800	20,100	23,000	-

Underlying factors related to social economic status (associated with eligibility for FSM) impact both employment/further study and earnings

There is a sustained gap in the employment/further study rate between graduates from a free school meals (FSM) background, and those that aren't (around 5% one, three and five years after graduation).

The earnings of graduates from a free school meals background increases by 38% compared to 40% for non-FSM in the first 5 years after graduation.

The gap in earnings between graduates with FSM and non-FSM increases, from £1,900 to £2,900, in the first 5 years after graduation.

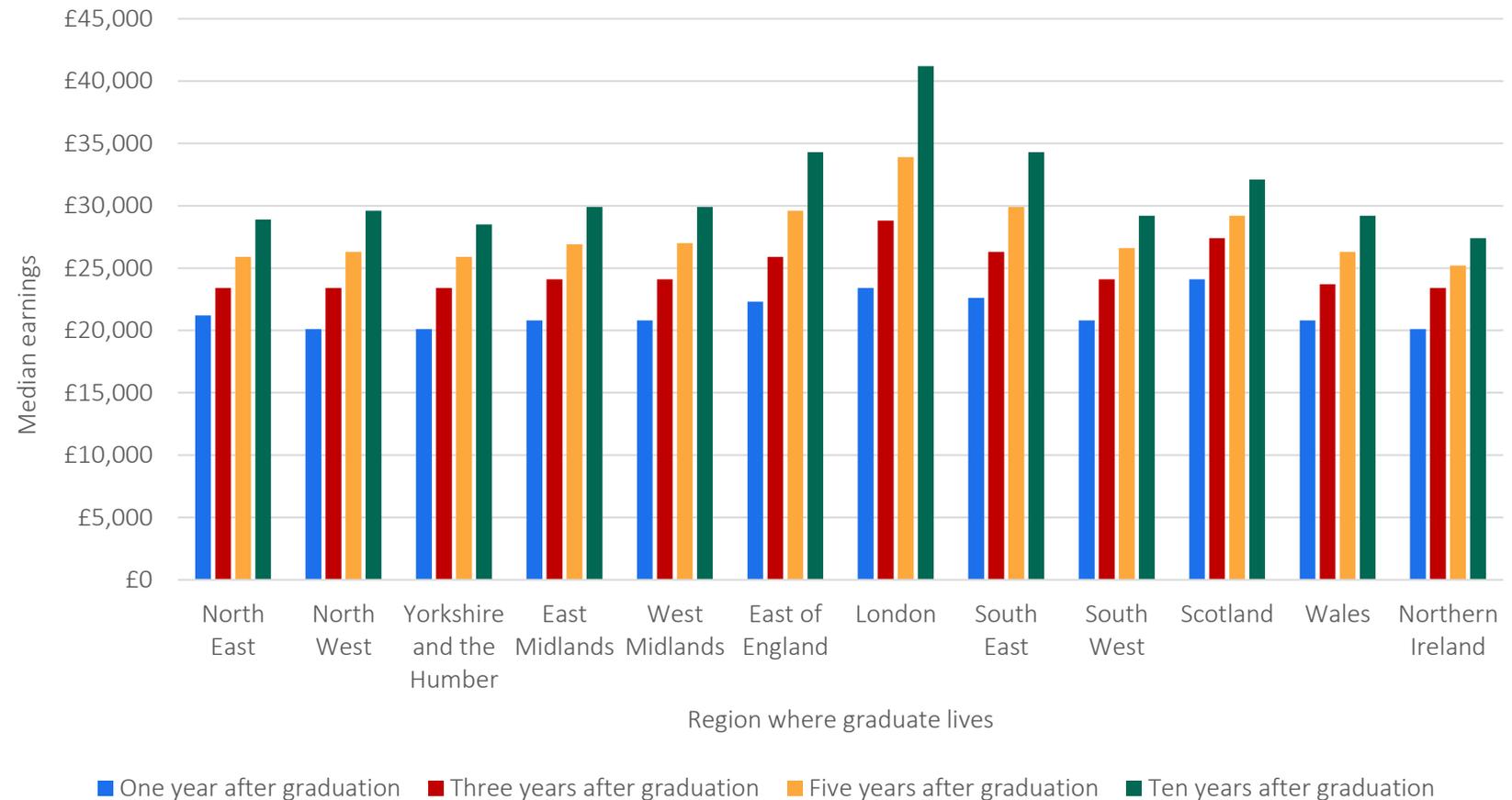
Graduate characteristic	Sustained employment, further study or both (%)				Total median earnings (£)			
	One year after graduation	Three years after graduation	Five years after graduation	Ten years after graduation	One year after graduation	Three years after graduation	Five years after graduation	Ten years after graduation
FSM	83.1	84.4	83.8	-	19,000	23,400	26,300	-
non-FSM	87.7	89.5	88.8	-	20,800	25,200	29,200	-
Not known	85.5	86.1	85.2	-	23,000	28,100	33,600	-

Average graduate earnings increase over time across all regions

For first degree graduates, earnings grow progressively over time across all regions (based on the region a graduate lives in).

The largest increase is seen in London, where earnings 10 years after graduation are 76% higher than 1 year after graduation.

On average, graduate earnings are just under £30,000 across all regions of the UK 10 years after graduation, and above £40,000 in London



The difference in earnings between graduates and non graduates who could have entered HE (ie achieving level 3 or above) by ethnic groups increases over time

Non graduates earn more than their graduate counterparts across all ethnic groups in the first 5 years after KS4.

10 and 15 years after KS4, graduate earnings are increasingly larger than non graduates across all ethnic groups.

	At age 21			At age 26			At age 31		
	Graduates	Non graduates	Graduate premium	Graduates	Non graduates	Graduate premium	Graduates	Non graduates	Graduate premium
British Asian Bangladeshi	6,871	11,157	-38%	23,535	17,632	33%	27,395	20,686	32%
British Asian Indian	6,542	11,287	-42%	26,589	19,636	35%	32,515	23,667	37%
British Asian Pakistani	6,588	10,480	-37%	21,729	16,373	33%	25,269	17,328	46%
British Black African	6,426	8,322	-23%	23,224	17,590	32%	28,686	21,653	32%
British Black Caribbean	6,975	10,985	-37%	21,628	17,451	24%	26,022	19,858	31%
British Chinese	5,925	9,659	-39%	26,718	18,743	43%	32,852	22,220	48%
White British	7,173	15,513	-54%	24,784	19,768	25%	29,967	22,472	33%
White Non-British	6,451	15,051	-57%	25,863	20,641	25%	31,997	23,160	38%
British Mixed White Asian	6,172	13,953	-56%	26,093	19,756	32%	NA	NA	NA
Mixed White Black African	6,763	13,030	-48%	24,259	19,341	25%	NA	NA	NA
Mixed White Black Caribbean	7,217	13,641	-47%	23,226	18,873	23%	NA	NA	NA