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Learning and earning: the expectations of level 1 and level 3 undergraduates

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HE Policy

Part 1 Abstract

This paper reports on the preliminary findings of a study comparing the earnings' expectations of level 1 and level 3 undergraduates in economics and business studies in two countries – England and the Czech Republic. These countries are chosen because in England tuition fees have been in existence for some time, whereas in the Czech Republic tuition remains free in the public universities. The results to date indicate that the students in England expect higher returns to their University education than Czech students. In particular, they expect their graduate salaries to compensate them for their need to repay their student loans. The expected returns are found to be influenced by gender and socio – economic characteristics such as parental income and education. Although it was hypothesised that level 3 students would be better informed about the labour market than level 1 students, and therefore more realistic about their prospects, the evidence to date is inconclusive.

Part 2 Outline

Students' motivations for entering higher education are complex and vary from person to person. Nevertheless, many students view getting a degree as a way to enhance their career prospects (Round, 2005). Therefore, the decision to attend a university is influenced heavily by expectations about earnings and employment opportunities. According to human capital theory, and individual will undertake higher education if the expected wage gain exceeds the costs of obtaining a degree (Gemmell, 1997). There are many factors that might influence student's wage expectations. However, only a few studies have been carried out concerning students' expectations, largely because researchers have been reluctant to use subjective data (Manski, 1993).

It has been suggested that some students hold unrealistic expectations about their future earnings. For instance, Walter and Zbinden (2002) found that Swiss students significantly overestimated their graduate salaries both at the time of graduation from university and after ten years of work experience. The UK Graduate Career Survey (High Flier Research 2010, 2011) revealed that one sixth of graduates believed that they would earn £100,000 or more by the age of 30. On the other hand one in six final year students "would not have come to university at all if they had realised how tough the graduate job market is".

Gender is a potentially important influence on earnings expectations. Previous studies have found that female students' earnings expectations tend to be both lower and more accurate (Botelho and Pinto, 2004; Brunello et al., 2004).

Ethnicity has been found to have a significant influence on choice of subject at University (Bhattacharyya et al., 2003). However no research has been undertaken on the relationship between on students' ethnicity and their earnings expectations.

Students' ability may be correlated with their earning expectations; however, there is no consensus on how to measure ability. Students who perceive themselves as more academically competent are likely to have higher earnings expectations (Brunello et al., 2004). Proxy measures of ability, such as university entry grades, can be used in empirical studies. However there is a methodological difficulty because a) there is evidence of an association between entry grades and academic achievement at University and b) graduates who obtain better grades at University tend to receive higher salaries (Ramsey, 2008, Ireland et al., 2009; Walker and Zhu, 2010).

University ranking (prestige) may have an impact on employment outcomes. In England for instance, there is that some employers only recruit graduates from the elite Russell Group of universities (Papadatou, 2010). Indeed graduates from Russell Group universities receive a wage premium compared to pre-1992 and post-1992 graduates, although the difference is not a large one (Chevalier and Conlon, 2003, Ramsey, 2008). On the other hand, students who attended prestigious continental European institutions did not expect to receive any wage premium (Brunello et al., 2004).

No research has been undertaken on the influence of work placement and other experience (e.g. volunteering, study abroad) on students' earnings expectations. There is evidence in England that graduates who have undertaken a sandwich placement are more likely to be employed six months after graduation and have on average higher initial salaries (Papadatou, 2010). However Wilton's (2011) results show that business and management graduates from four-year programmes have lower starting salaries compared to non-work placement graduates, although the difference is not statistically significant.

Studying abroad can have a positive impact on student's employability as this experience is valued among recruiters (Trooboff et al., 2008) No research has been undertaken on the influence of studying abroad during a degree programme and students' earnings expectations after graduation.

Students' earnings expectations may also depend on geographical factors since earnings vary by region. In particular, a student's region of origin, region of study and expected region of graduate employment may all be relevant in this context.

None of the previous studies has included the stage of study as a variable in its modelling. This is an important issue because the progression from level 1 to level 3 will provide the opportunity to access new sources of information, such as via work placements or University careers services. Early expectations may be measured either before entry has occurred (in the final year of High School for example) or shortly afterwards (at the beginning of undergraduate studies for example). Once "the die is cast" and students have reached the third year of study, it may be expected that they will be better informed than they were two or three years earlier. They will also be likely to have a clearer idea of their precise career intentions.

One or two earlier studies have compared first year and final year students. The limited evidence available suggests that junior students expect higher earnings than their senior counterparts (Botelho and Pinto, 2004; Brunello et al., 2004).

This paper reports on the preliminary findings of a study comparing the earnings' expectations of level 1 and level 3 undergraduates in economics and business studies. In this study, students of economics and business studies are surveyed at the beginning of level 1 and level 3 in two countries – England and the Czech Republic. These countries are chosen because they are at opposite ends of the higher education spectrum in terms of its marketisation and in particular, the introduction of tuition fees. The Czech Republic is one of only three European countries outside Scandinavia which has not introduced tuition fees in public universities – the other countries are Poland and Republic of Ireland. England, on the other hand, is on its way to the full marketisation of Bachelor programmes. (Master level study has been a free market for many years.)

The rationale for choosing economics and business studies programmes is two-fold. First of all, the use of *any* subject grouping removes one of the variables in the equation of factors which influence the earnings expectations of students and means that the focus can be on other potentially influential factors such as gender and social class. Secondly, students of economics and business studies are likely to be better informed about their likely earnings potential than students studying the arts and the humanities. The career trajectories of graduates in the latter subjects are much more diffuse. Moreover there is evidence that graduates in these subject areas are more likely to end up in “non – graduate” jobs than their counterparts in economics and business studies.

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