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We Don't Need No Education? The Case for Expanding Higher Education

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Foreword

This report makes a powerful case for further expanding higher education.

One of its most striking findings is just how much we have come to rely on the expansion of education to prop up economic growth – and that the UK’s already delicate figures in recent years would have been more fragile still without it.

Despite this, the popular notion that “too many go to university” is rooted in the view that we churn out more graduates than befits our economy, and that public money is wasted on low-value courses.

As this paper acknowledges, we do need to tidy up some of the rough edges that lead to poor outcomes in some instances, and there are lower-level skills gaps in our economy that do not require higher education. But neither of these mean that we have reached “peak grad”.

The first reason is that we still don’t have enough highly skilled individuals to fill many vacancies today, for instance in professional occupations.

The second reason – and this is arguably the report’s most important message – is that we cannot just think about skills demand in a static way; we must also plan for a future economy that will look very different to the one we currently occupy. The share of jobs that are high-skilled is forecast to grow. As emerging technologies disrupt markets, high value will lie in roles that are less routine and can pair cognitive with complex non-cognitive skills. And as we continue to mature as a knowledge economy, more jobs will be generated in sectors that disproportionately employ graduates.

High-innovation economies, like South Korea, Japan and Canada, understand this and have boosted higher education; participation rates in these countries are already between 60 per cent and 70 per cent. We cannot afford for policy to remain steeped solely in today’s challenges, and our ambition should be to join them.

Getting there, as this report explains, will not be without its challenges. For instance, school attainment would need to improve and more would need to be done to widen access for disadvantaged learners. New courses would also need to align well with changes in our economy. But with the right policies, all these challenges are surmountable – and we should be confident and proactive in meeting them.

Lord Johnson

President’s Professorial Fellow, King’s College London, and Former Minister of State for Universities

Executive Summary

The government appears increasingly sceptical of the value of higher education (HE) and looks set to call a halt to the 40-year expansion of student numbers. This would undo a central plank of the skills consensus of recent decades. It wants to emphasise “skills” and technical routes into the labour market instead, under the erroneous assumption that there is a clear divide between these and the training and education offered in HE institutions.

The funding earmarked for the government’s skills agenda, while welcome, will not even fully restore the cuts made after 2010. More fundamentally, however, its turn against HE is based on a static view of the economy’s skills needs and would be a mistake. The country faces a set of profound economic challenges in the years ahead that will require many more highly skilled workers possessing a combination of the technical and “soft” skills that HE is best able to provide. Squeezing HE participation, therefore, represents an unambitious skills agenda that will leave Britons unprepared for the economy of the future.

Using “growth accounting” analysis to tease out the underlying drivers of economic growth, we demonstrate how the expansion of HE over the past generation has become a progressively more important source of prosperity and the mainstay of economic growth since the global financial crisis. Without the policy of educational expansion, the UK economy would be significantly smaller than it is now.

Looking ahead, our analysis suggests that if seven in ten young people completed HE, this would significantly raise the rate of productivity growth and boost the size of the economy by almost 5 per cent over the next generation compared to allowing educational attainment to stagnate. As well as meaning higher incomes for individuals, this would also generate substantial extra taxes for public services.

The effectiveness of our education system depends on how well it meets the needs of the emerging economy. If educational attainment remains at its current levels, the augurs are not good. Analysis shows there are already substantial deficits in high-skill occupations, which will get worse in future without action.

What kinds of skill will be needed? The impact of technology on the economy and labour market presents challenges for the education system beyond mere numbers. To thrive alongside machines and AI, workers will need attributes that enable them to complement rather than compete with the new technologies. They will increasingly require a combination of aptitudes such as critical thinking, communication and interpersonal skills, alongside technical knowledge, to prosper in the labour market of the future.

HE (level 4 and above) is the ideal way to provide such a breadth of skills. Far from reaching “peak grad”, as some in government argue, we will need many more workers with abilities acquired in HE settings. We must therefore embark on a multi-parliament drive to raise educational attainment substantially with an eye on the skills our workforce will need not today, but in 20 or 30 years’ time.

Therefore, we recommend expanding the proportion of young people entering HE from the current 53 per cent of the cohort to 60 per cent by the end of this decade, and 70 per cent by 2040. This would put the UK on a trajectory to catch up with the most highly skilled workforces in other Organisation for Economic Co-operation and Development (OECD) countries.

Expansion must, however, be well attuned to the needs of our economy. Some argue that our HE system today does not always achieve this because a minority of courses appear not to offer a positive financial benefit to students. But this should not blunt our ambition for three reasons. First, this view is based on the skills needs of the labour market of the 2010s, when what should really drive policy are the needs of our workforce in the 2030s and 2040s. Second, there are signs that better information about the opportunities that flow from different courses is starting to influence students’ choices of degree course towards ones more likely to offer strong returns. More can be done to reform courses that don’t build valuable skills. Finally, wage returns are only one part of the value provided by HE and are too narrow a basis for shaping HE policy. Some courses create substantial social value, justifying public subsidy, while others offer significant private non-financial rewards that may explain students’ choices.

Aiming for a 70 per cent target would galvanise efforts to tackle barriers to educational attainment and access. Low school attainment, which is still pervasive, would need to be significantly improved for such a target to be achieved. Non-traditional routes would also need to be improved, including through sound lifelong-learning policies. Entrance to HE must remain rigorous and challenging but measures could be employed to test whether ostensibly underqualified candidates are nonetheless ready to enter HE. Finally, more would need to be done to make the decision to attend HE attractive to disadvantaged students, including by improving access initiatives and by addressing financial barriers. These challenges can all be overcome. But the first step is to raise our ambition for skills policy and the workforce of the future.