



## The economic returns to education

In September 2010 CMPO held a conference on the economic returns to education. The research findings presented at the conference are summarised in the series of articles that follows. The topic is extremely relevant to current policy as a number of big changes to post-16 education come into force over the next few years – the raising of the school leaving age from its current level of 16 to 17 by 2013 and to 18 by 2015; the abolition of the education maintenance allowance, which paid money to pupils from low-income families who remained in education beyond age 16; and the removal of the cap on tuition fees from 2012.

In the UK, as in other Western nations, individuals who acquire more education and training are on average more likely to be participating in the labour market, more likely to be in employment and are paid higher wages. But comparing people with different levels of education may not give a

truly accurate reflection of the returns to education. People who acquire more education are also likely to have characteristics – such as natural ability, determination, high expectations, patience and risk-aversion – that independently affect *inter alia* their economic participation, their chances of gaining and retaining employment, the wage they can command and their health and family status.

Hence it is difficult to know the extent to which increasing an individual's education directly affects these various outcomes, as discussed in the articles by Paul Devereux and Robert Hart and by Matt Dickson and Sarah Smith. But it is absolutely crucial to know these causal effects to assess whether young people will benefit from staying on in education. Another possibility is that education acts as a signal of ability for employers, an idea explored in the article by Damon Clark.

Following Lord Browne's Review of higher education funding, universities are to be allowed to raise their tuition fees from the current level of £3,290 to £6,000 or even £9,000. In his article, Ian Walker discusses evidence on the returns to different degree subjects – a key piece of information for potential students assessing the costs and benefits of pursuing a degree. As well as the economic returns – better employment prospects and higher wages – education has also been linked to wider effects, such as better health and health-promoting habits, as well as a link between higher education and childbearing, as discussed in the final article by Michael Geruso.

**More details on CMPO's conference on the economic returns to education are available here:**

**<http://www.bris.ac.uk/cmpe/events/2010/education/index.html>**