



What parents know and the decision to apply to university

Adeline Delavande

Josh Fullard

Higher Education in the UK

- Despite expansion of Higher Education, inequality in participation by family background
- What are potential reasons?
 - Different qualifications prior to university
 - Financial constraint
 - Different information about the cost
 - Different information about the future labour market returns
 - Limited taste for higher education
- Important to identify reasons to inform design of effective policy




Sample: Innovation Panel of Understanding Society


- Asked parents of children aged 10 to 16 about expectations about university-related outcomes for their eldest child (N=323) (children are 14 on average)
 - What do they expect for their children?
 - What do they know about the cost?
 - What do they know about the returns to university in terms of earnings and employment?



Measuring expectations about Higher Education



- **Wording:** *On a scale from 0% to 100%, where 0% means 'No chance of happening' and 100% means 'Totally likely to happen', please tell me how likely it is that the following events will happen in your life in the future.*



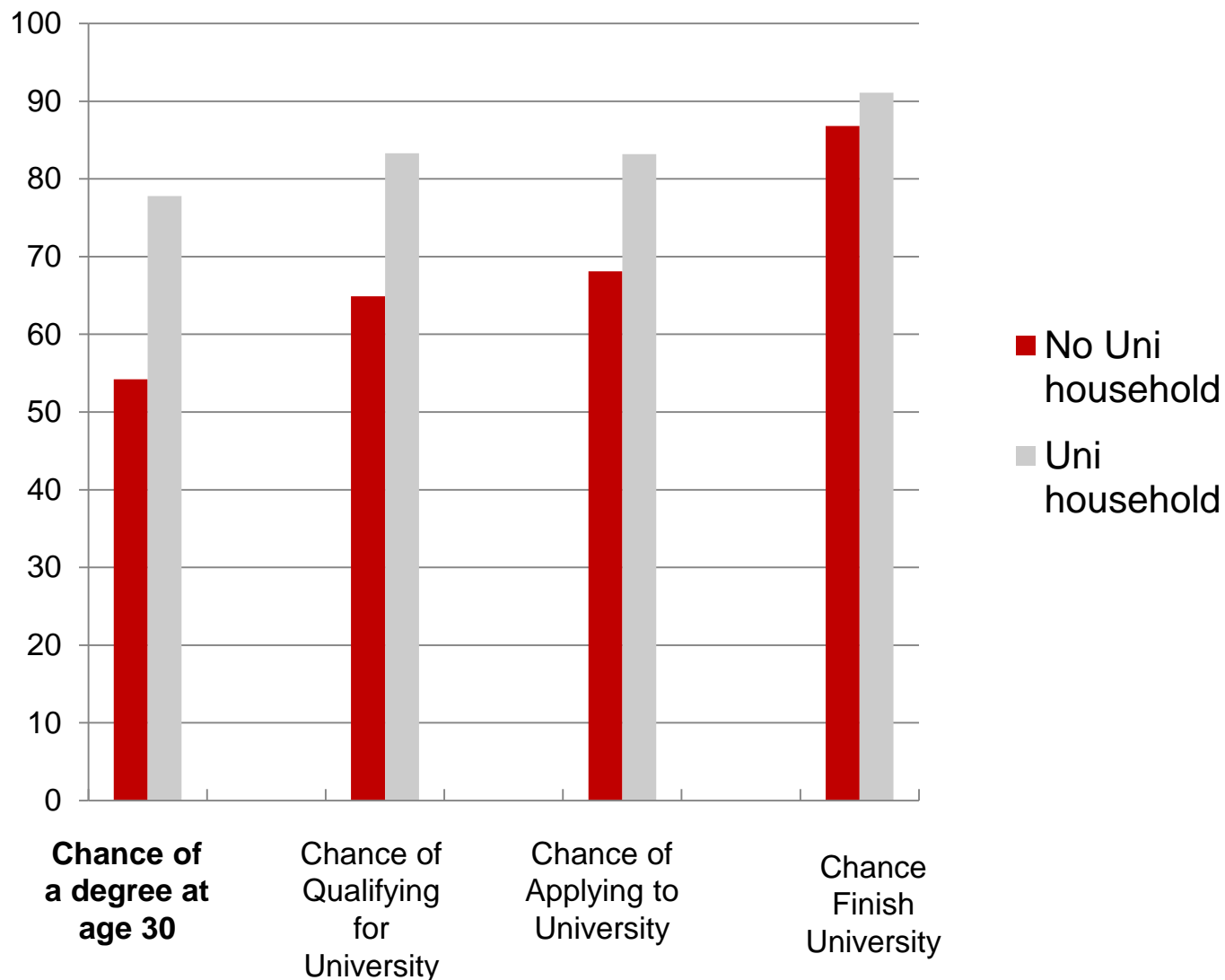
- **Example:** *How likely is it that [CHILD NAME] will have a university degree by age 30?*



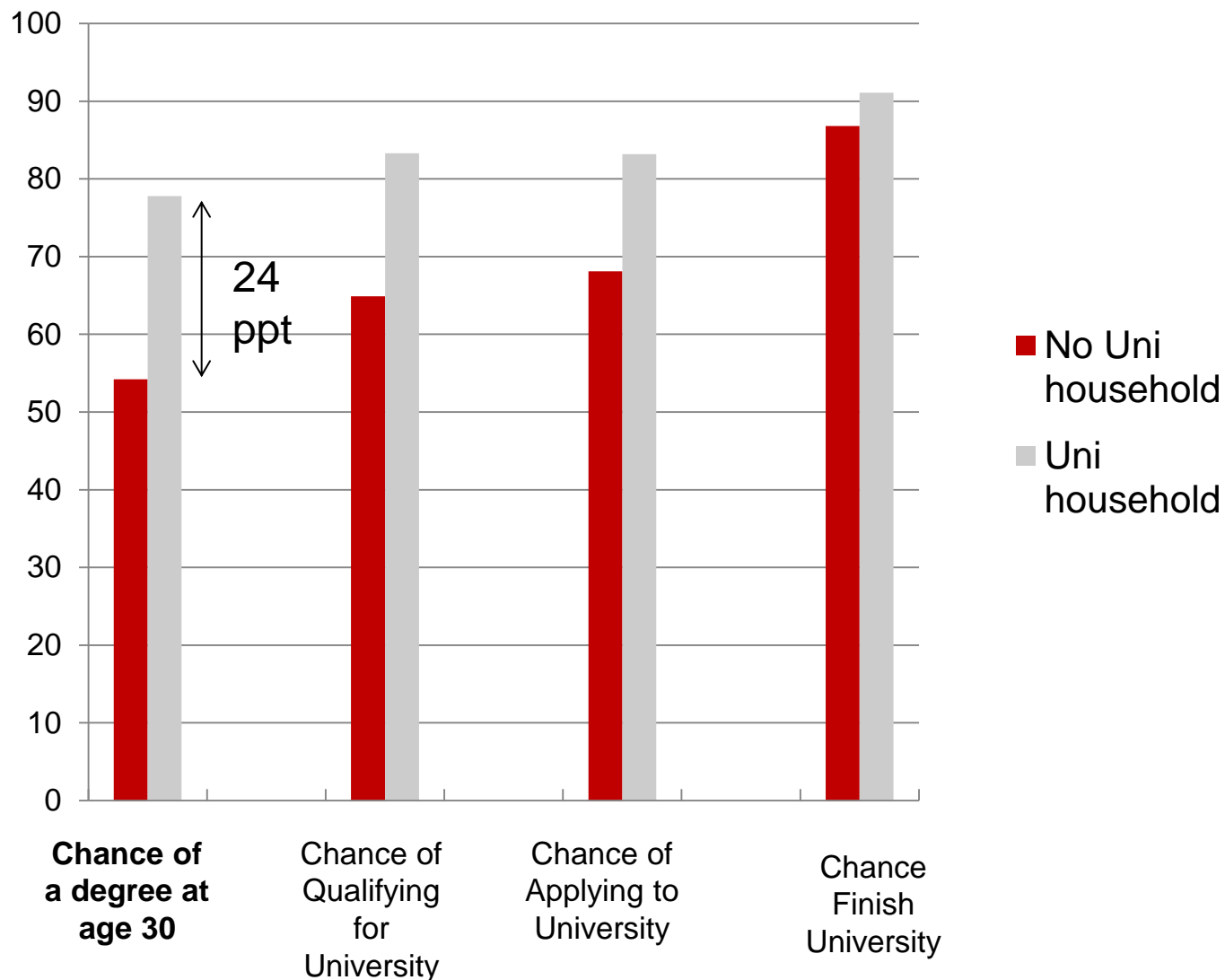
What do parents expect for their children?

- Parents report on average a **68% chance** that their child will have a university degree by age 30
- Large differences by whether parents have a university degree
 - Differences are much smaller by household income

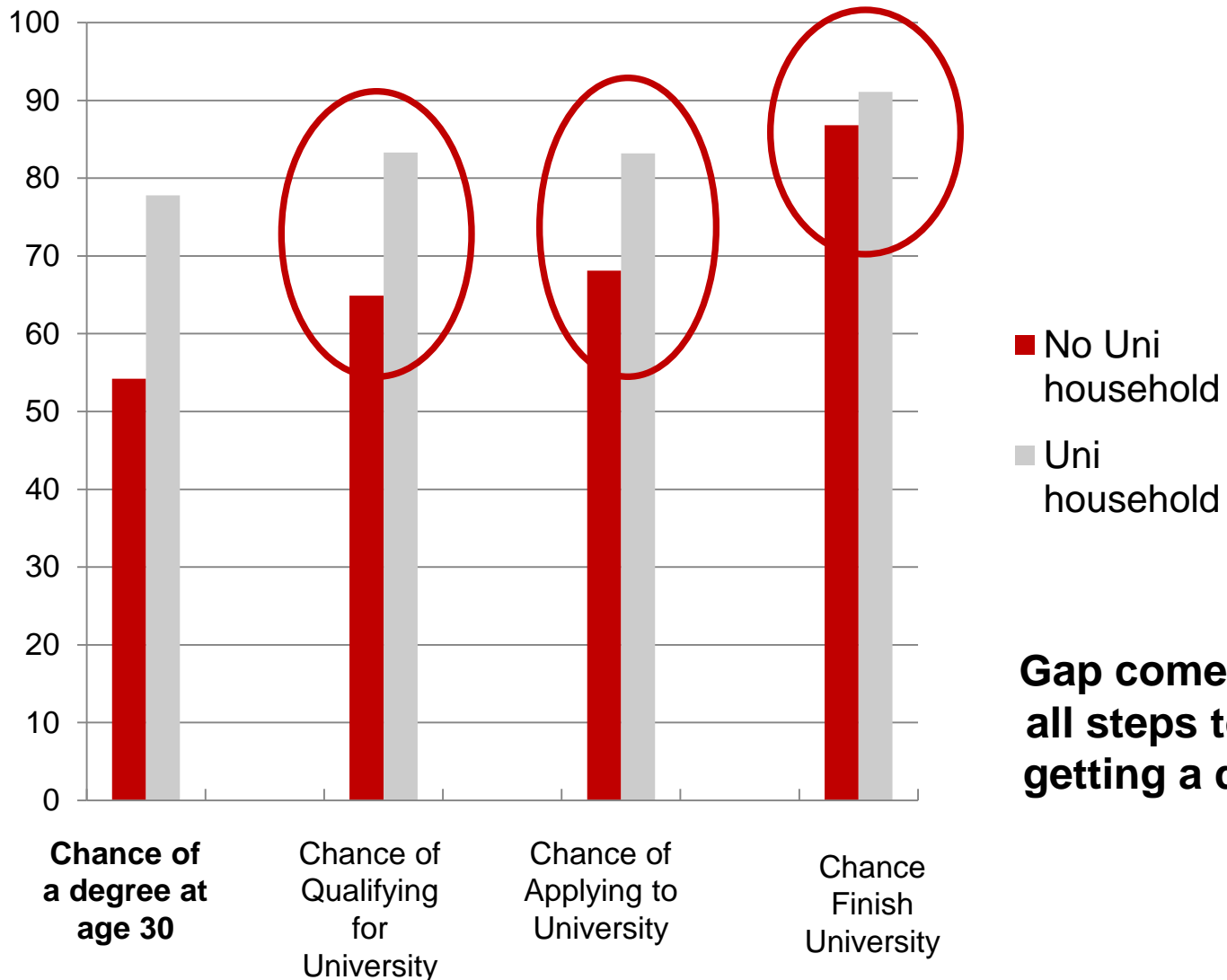
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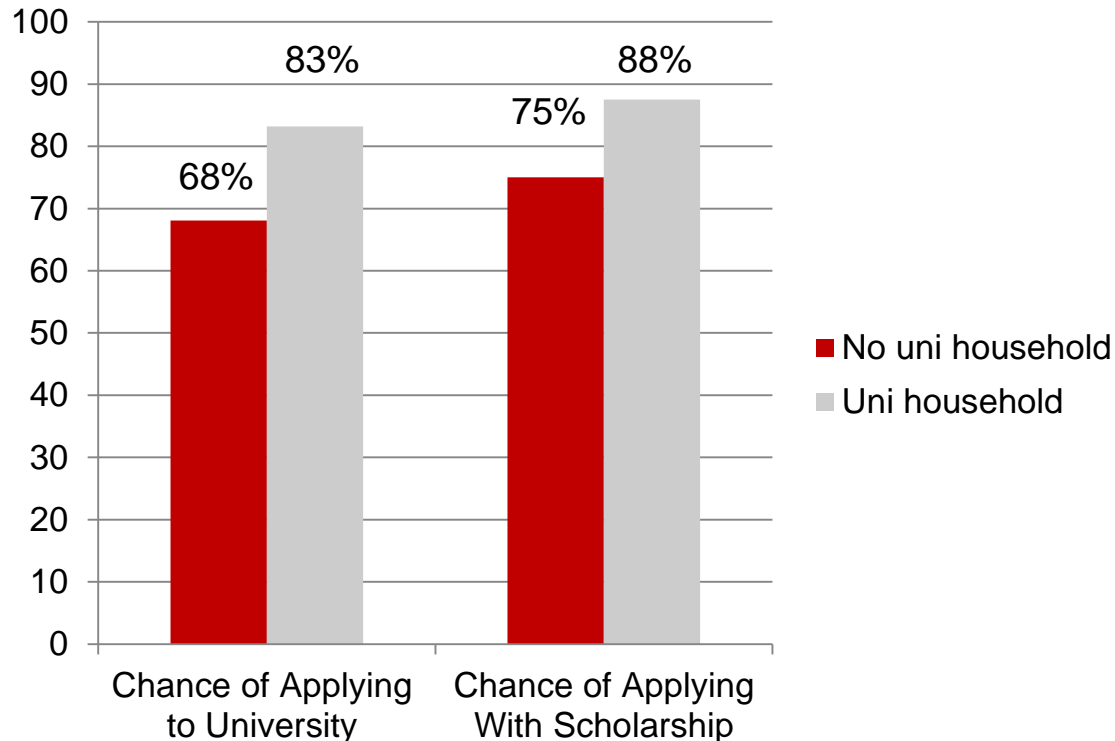


Financial constraints

- Financial considerations are part, but by no means all the answer: the gap remains even when all costs are covered

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What do parents expect in terms of cost?

- o Parents with a university degree expect to pay higher tuition and take on larger loans

	No university household	University household
Expected yearly tuition (in £k)*	6.5*	7.4
Expected yearly loans (in £k)	6.6	8.0

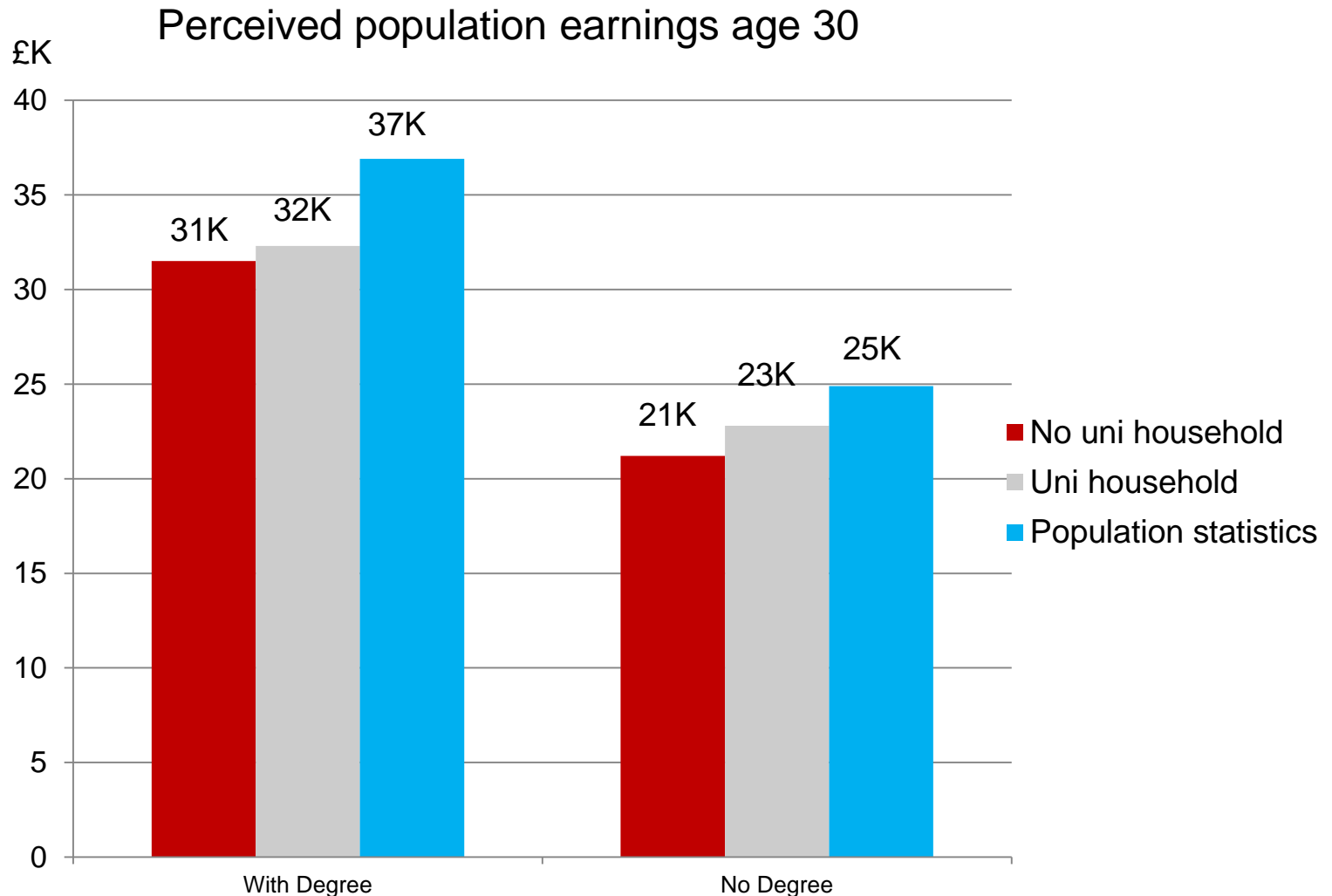
* Excluding Scotland



What do parents expect about the return to a degree?

- University households are **not better informed** about the earnings return to a degree
 - Both groups underestimate population earnings

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What do parents expect about the return to a degree?

- Both groups expect similar employment prospects for their children with a degree and without a degree
 - Lower than current employment rates

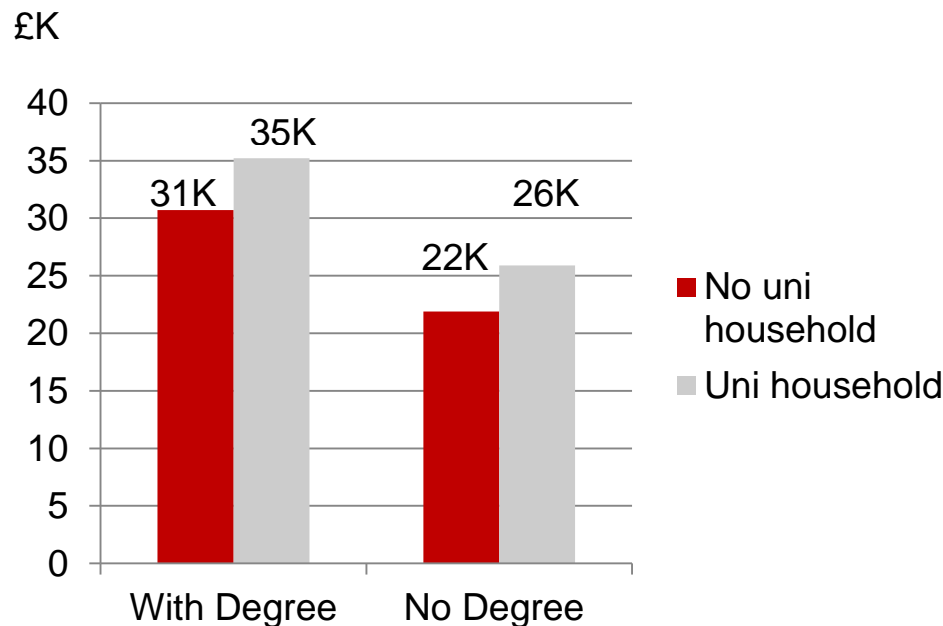


What do parents expect about the return to a degree?

- Both groups expect similar employment prospects for their children with a degree and without a degree
 - Lower than current employment rates

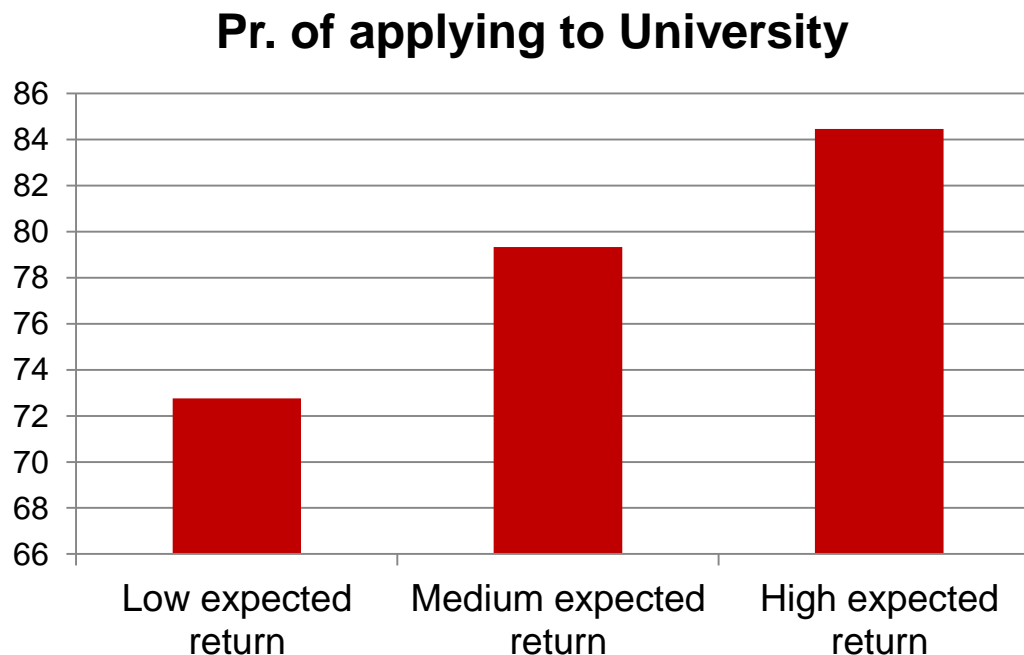
What do parents expect about the return to a degree?

- o But university households believe their children will do **better** in terms of earnings **both with a degree and without a degree**



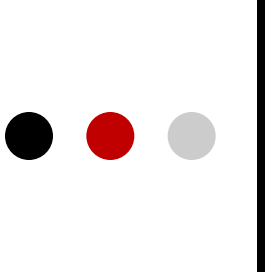
Do expectations matter for the intention to apply?

- Parents who expect higher return to a degree in terms of employment and earnings report higher probability of applying



● ● ● | Can providing information about the labour market returns encourage participation in HE?

- This intervention will not close gap in participation by socio-economic background
- It may encourage participation overall among less-informed households



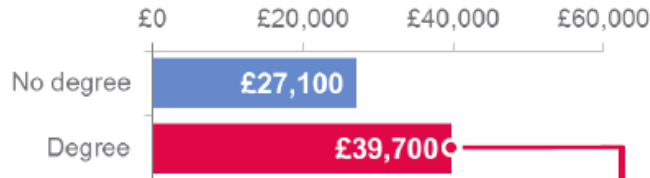
Can providing information about the labour market return encourage participation in HE?

- Half of the households were provided with information on earnings and employment
 - At the end of the interview in 2015
 - By post 6 months prior to re-interview
- Households were re-interviewed one year later



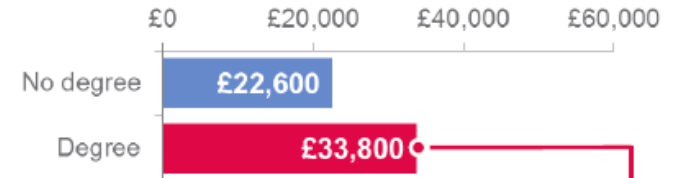
Annual average earnings of 26-34 year old men working full-time

Men with a university degree earn **£12,600** more than those without a university degree:

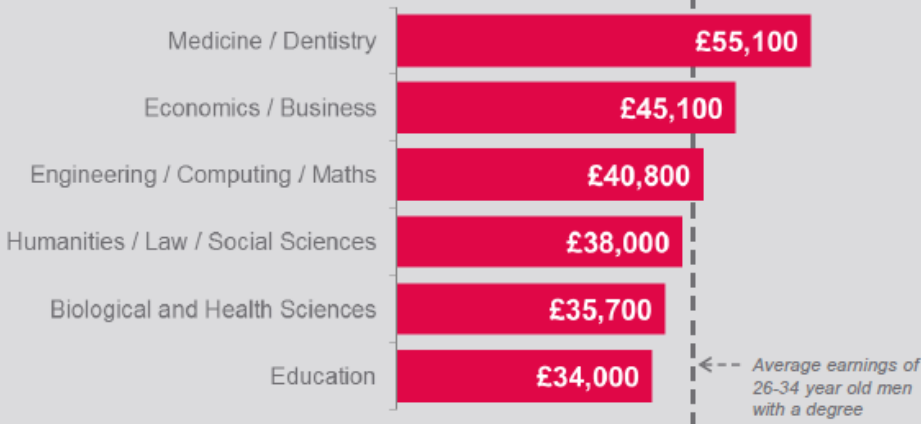


Annual average earnings of 26-34 year old women working full-time

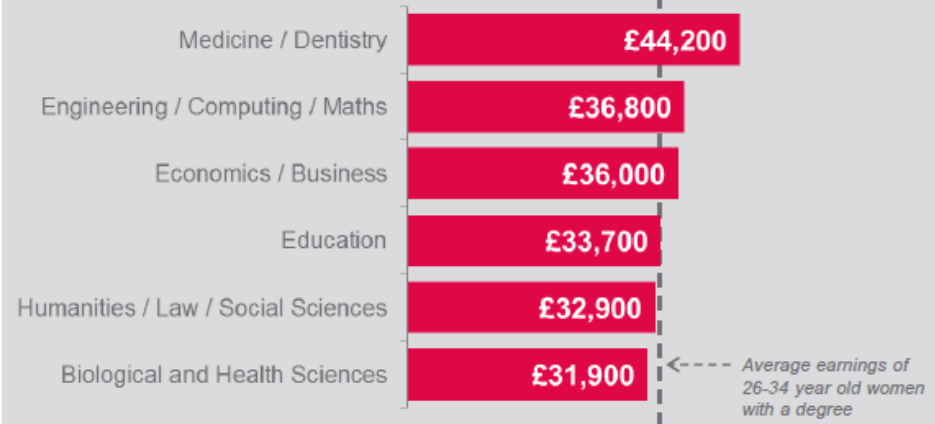
Women with a university degree earn **£11,200** more than those without a university degree:



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7.6% of men aged 26-34 without a university degree are unemployed versus **2.9%** of those with a university degree



7.1% of women aged 26-34 without a university degree are unemployed versus **2.7%** of those with a university degree



Effect of information on expectations

- Parents who received information expect:
 - A higher probability of employment with a degree (91.2% vs. 86.7%)
 - Higher population earnings with a degree (£33.9K versus £31.1)
 - A higher probability of applying to university (76.6% versus 72.6% - though not statistically significant)



Conclusions

- Difference in information about cost and returns to a degree by family background cannot explain differences in participation
 - While there is no difference in knowledge, parents with a university degree expect their children to do better in terms of earnings
 - There must be differences in information or preferences about other university outcomes
 - Pecuniary outcomes (access to better pension)
 - Non-pecuniary outcomes (occupation, knowledge, social network)



Conclusions

- Providing information about the labour market returns to a degree might be an inexpensive way to increase participation
- It might be more effective if coupled with information about other university outcomes



Sample

	Innovation Panel sample (%)	Understanding Society, sample of parent of children aged 10-18 (%)
High Income household (above £ 3.4K per month)	55	50
Uni Household (at least one parent with a degree)	58	56
White British	71	60
Father	38	
Male Child	53	
Live in England	89	88
<i>N</i>	332	29,498