

“Having a University Degree is Grossly Overrated”

IQ2 Debate, Adelaide Town Hall, 11 July 2012

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By Way of Explanation

I am the Chancellor of the University of Western Sydney (UWS). I am also, amongst other roles, the Chair of the National Centre for Vocational Education Research (NCVER). I enjoy both positions.

In July 2012, to celebrate the 21st anniversary of the NCVER's National VET Research Conference, it was decided to partner with the St James Ethics Centre and the ABC to stage one of their IQ2 debates at the Adelaide Town Hall. The debate, which turned out to arouse significant public interest, was that “Having a University Degree is Grossly Overrated”. So far, so straight forward. Then came the tricky bit. I was asked, given my long association with universities, to argue for the proposition. It would, said the organisers, be so much more interesting for the audience. And, I thought to myself, so much more challenging!

Perhaps I had served for too long as Australia's Sir Humphrey Appleby, able to pitch any policy argument to the political interest of the government of the day. As I thought about those things on which my views are most fixed – the importance of educational opportunity, the need to open up universities to those who face disadvantage, the imperative for easily accessible pathways between educational sectors and the significance of lifelong learning – I came to the conclusion that I could argue for these things from an unexpected angle. You be the judge of whether I was successful.

The debate will be broadcast by the ABC later in the year as part of their Big Ideas series. I don't want to spoil the tension of a very enjoyable and robust debate but I can tell you that in spite of our best endeavours, and a great deal of semantic argument around the word 'grossly', we lost!

By Way of Debate

Ladies and Gentlemen,

I stand before you as someone whose long and enjoyable connection with university life may be about to come to an untimely end.

In the 'good old days' university no doubt provided Lynn Arnold, Annabel Crabb and I with a poverty-stricken opportunity to debate, philosophise, practise politics, write poetry, drink and debauch, often all at the same time (but, I say somewhat regretfully, never all three of us together). I suspect that university was never quite as much fun as that distant memory: certainly on today's campuses, with time-poor students working long hours to meet their rising fees and expenses, it rarely is.

Let me be clear. I subscribe strongly to the importance and value of studying for a university degree. University education provides an extraordinarily important gateway to opportunity – indeed that conviction will be a major part of my later argument.

I am a former academic. Before becoming a public servant I worked for 16 years as an economic historian. As my bemused dad said, "it sounds quite interesting but what do you do with it?" He was relieved but genuinely surprised that I could make a reasonable living from it, at least in Australia in the 1970s.

Only once was my academic scholarship seen of direct relevance to the two decades of bureaucratic life which followed. When I was the Departmental Secretary to Minister Peter Reith during the waterfront dispute it was discovered that I had written essays on the organisation of convict labour in colonial New South Wales. "That background", grumbled a union official during tense negotiations, "is obviously serving you pretty well right now".

My argument is not that a university degree is valueless but that its value is significantly overrated. It is often overrated relative to the benefits provided by vocational education and training (VET). In some important ways it may also be overrated compared to the "school of hard knocks" that is working life. In the so-called 'knowledge nation' a university degree is always worthwhile, may often be necessary but is rarely sufficient. A degree will increasingly be a vital component of learning for life, but the pathways between university education, vocational training and structured on-the-job learning are even more important. A degree, alone, is grossly overrated.

My argument to some extent reflects my own experience. That is not to be seen as a weakness: rather it's an approach which contemporary management-speak now extols positively as leadership "authenticity".

I have a trade skill. I still believe its acquisition was an achievement. Indeed I'm not sure I could lay my hand on the various certificates that mark my academic progress but I do know precisely, more than 40 years on, just where I keep the badge that was presented to me on my registration as a bus conductor.

I know what many of you will by now be thinking - "here we go, he'll now reminisce at length and with overly romanticised nostalgia on his youthful life as a 'clippie' on the Gosport to Fareham bus service". In fact it was hard yakka, but without doubt I did learn far more about organisational management running up and down the stairs of a crowded double-decker than I did either studying or working at university. Today these attributes would be characterised as the "soft skills": the importance of punctuality, the value of teamwork, the discipline of the workplace and the challenges of customer service.

I quickly learned that on the midnight bus taking drunken sailors back to HMS Sultan, it was useful to have them place their sailor's hat upturned on their laps, so that when the finest beer of Brickwood brewery (together with a generous portion of chop suey) made an unwelcome return appearance, the men could take home their night's outing with them rather than leaving me to clean up at the end of a long shift.

But let me put aside the soft haze of personal memory. Instead let me present you with some hard and incontrovertible evidence. It comes from one of the great not-for-profit institutions of Australian life, the National Centre for Vocational Education Research which I chair. This debate marks the 21st anniversary of its National VET Research Conference.

Here are the plain facts. A university degree confers benefits, both private and public. For the individual it offers a lifetime of higher income, better health and superior housing. For governments it results in increased tax returns and lower welfare payments. For society it underpins greater workplace productivity and higher levels of civic engagement. For all these reasons a degree is a good thing. The benefits, however, are much exaggerated relative to the private and public impact that derives from vocational education.

First, the value of a university awarded degree is often overrated in terms of personal returns on investment (remembering that a university student incurs a significantly higher debt to be

repaid than does the apprentice or trainee). Second, and of far more concern, the value of a university degree is overrated in terms of the public and social benefits that it creates for Australia.

Slowly and somewhat reluctantly a market for tertiary education is being created in Australia. Its operation affords us the chance to see how people are voting – with their feet.

Here's the one crucial fact - more students with a university degree pursue a VET qualification than vice-versa. A large number of students who have a university degree quickly come to realise that, to be of value, it needs to be supplemented with a vocational qualification. In 2009, 11% of adult Australians with VET qualifications had subsequently undertaken a university degree whereas 14% of those with degrees had subsequently undertaken a VET qualification.

Commencement data is even clearer. In 2010 around 99,000 students who had already earned a degree decided to enrol in a vocational course. *The Australian* described such university students as having “effectively gone backwards”. In contrast I suspect that many were actually seeking to find a way forward. In contrast just over 25,000 students who had completed VET qualifications enrolled at university.

University students generally gain personal satisfaction from the experience of learning, but to convert their education into dollars and cents often requires a more concrete, relevant and skills-focussed qualification.

This may seem the overly utilitarian and instrumentalist approach of a neo-liberal economic rationalist. Perhaps, but it's the same materialist measure that universities (and particularly business schools) are fond of using themselves. It's the measure that politicians routinely espouse. It's the measure that the Australian Bureau of Statistics (ABS) collects. University graduates, the ABS tells us, earn an extra \$16,640 annually compared to those who have never got beyond Certificate III or IV; and in 2006 the expected private rate of return from investment in a bachelor degree was 15.3%.

What students are not told is that often that benefit is best achieved through also possessing a vocational qualification or, indeed, that the reward for trade skills can be equally as impressive as the returns to a degree. The annual wage premium on completion of an apprenticeship or traineeship in automotive engineering is \$13,700; in construction it is \$16,900 and in electrotechnology and telecommunications it is \$23,200.

These are handsome returns. Indeed apprentices who complete their training now earn more in their first year out (\$52,000) than those who finish a bachelor degree (\$50,000). Whilst that advantage probably doesn't last, apprentices almost certainly have a much better chance of setting up their own businesses in the future.

What, then, of the argument that universities nevertheless remain bulwarks in creating public value from education? I would dearly love to argue that university degrees are the engine-room of public benefit. Unfortunately, I deeply regret, their contribution has been greatly exaggerated.

The most significant public benefits that universities can create are social mobility and equal opportunity. That's a worthy ambition. It's why I'm proud to be the Chancellor of the University of Western Sydney, a university committed to the vision of being open and accessible. UWS enrolls more students of lower socio-economic status than any other Australian university, with some 30% of those admitted from Greater Western Sydney being so classified. Sadly that achievement is the exception. In spite of a series of initiatives by successive governments the intake of lower SES students by universities remains bogged down at around 15-16%.

The picture is clear. For the last generation it's not been university degrees that have provided the greatest public returns through enabling social mobility. Rather it's the vocational sector. Vocational education provides the pathway for far more mature age students than universities (16% of VET students are aged 45 years or more, compared to just 4% of university graduates); 7% of VET students have a disability, relative to just 3% in higher education; 4% of VET students identify as Indigenous compared to less than 1% of university students; and 15% of VET students come from regional and remote Australia compared to a mere 5% in universities. Most importantly, whilst around 15% of full-time VET students come from the most disadvantaged group of Australians, the equivalent figure for universities is less than 10%.

As a Chancellor, I think that a university degree is a vital part of one's education. For me, as for most of us engaged in this debate tonight, it's provided a bridge to a more fulfilling life. I believe strongly that it would be far far better for a university degree to become more accessible on a more equitable basis. Perhaps that may even happen in the future although the record of the recent past is not reassuring. But that's not tonight's debate. The question is whether a university degree is grossly overrated in Australia today. Based on the criteria

both of personal advantage and, more importantly social benefit, the answer is unequivocal. It is.

By Way of Evidence

The statistics in my presentation were taken from NCVER, *Tertiary Education and Training in Australia 2010*, June 2012; NCVER, Tom Karmel, *VET Research for Industry*, Conference Paper, April 2012; ABS, *Perspectives in Education and Training: Pathways in Vocational and Higher Education 2009*, July 2011; ABS, Hui Wei, *Measuring Economic Returns to Post-School Education in Australia*, August 2010; John Ross, "Tertiary Education More Forward than Backward", *The Australian*, 29 July 2011; and Primrose Riordan, "Tradies beat grads in the pay stakes", *Australian Financial Review*, 11 July 2012.