

Annex E: Definitions of new post-study measures

1. Following our stage one consultation, we decided to introduce two additional post-study measures to supplement the progression measure: use of skills and earnings.
2. We said that we would benchmark the indicators for these measures to take account of the effect on a provider's outcomes of student characteristics, course characteristics (such as subject), and regional variations. We set out in Part 4.9 of the draft guidance the specific benchmarking factors we propose to use. Our benchmarking analysis is also set out in a separate document, published alongside the draft guidance.

Use of skills

3. We decided following the stage one consultation to introduce a measure of whether graduates are currently using the skills they have developed through their higher education, to reflect a broader view of what represents a positive outcome for students. The data source for this would be responses to the Graduate Outcomes (GO) survey, which asks graduates about their current activities approximately 15 months after completing their course. Specifically, we said that we would use positive responses to the question:

'I am utilising what I learnt during my studies in my current activity/study/work'

Graduates we would include in the measure

4. We are proposing to include responses only from graduates who live in the UK in the use of skills measure. This would mean the population is consistent with that used for the progression measure. As explained in the consultation document, this is because response levels to the GO survey from graduates who are overseas are lower than from those in the UK and including them would have a negative impact on the level of statistical confidence in the indicators. This would make it more difficult to draw meaningful conclusions about them.

Definition of a positive outcome

5. For this measure, we would treat responses of 'Agree' or 'Strongly agree' as positive outcomes. We do not consider it appropriate to treat neutral responses of 'Neither agree nor disagree' positively as these do not give a clear indication that the graduate, in their own view, is currently using what they learned.
6. We have carried out analysis to understand how responses to the question differ across the different main activities reported by graduates. This shows that, across all the main activities, there are graduates who say they are using their skills and graduates who say they are not. We therefore propose to treat responses of 'Agree' or 'Strongly agree' as positive outcomes, regardless of the activity the graduate was undertaking.

Earnings

7. The second additional measure we decided to introduce following the stage one consultation was a measure of earnings. We said that we would use the LEO data to produce indicators

for this measure. This data joins education and tax records to allow us to see what graduates from individual providers go on to earn.

Graduates we would include in the measure

8. We propose to include graduates who appear in the LEO data as in paid employment three years after graduation. This recognises that it can take time for graduates to establish their careers and increase their earnings. As this measure is intended to supplement the progression measure, it also provides a longer-term view of graduate outcomes. For example, a graduate who was not employed at the point of the GO survey, but was earning above the national average two years later, would be counted positively in this measure.
9. We would also include students who are studying three years after graduation, as this would be consistent with our approach in the progression measure, where we treat further study as a positive outcome.
10. For graduates with earnings recorded three years after graduation, we propose to include those with Pay as You Earn (PAYE) records who were in sustained employment, as well as those who completed a self-assessment tax return in the relevant year. We would use the same definition of sustained employment as the DfE uses in its graduate labour market publications.¹
11. We considered excluding those with very low earnings, as this would indicate that that work was not their main activity during the year. However, the data did not suggest any clear place to make a distinction, which means any distinction would be artificial and have unintended consequences. In addition, those with very low earnings only made up a small proportion of the total, just 2 per cent of graduates had earnings of less than £5,000, which suggests this extra complexity is not warranted. We therefore propose not to exclude any graduates due to low earnings.
12. We considered including all graduates in the measure, so that graduates with no earnings for the year and who were not studying would be included and would count negatively. We do not think this is appropriate because evidence shows that graduates not in paid employment are often engaged in other positive activities, such as caring responsibilities, rather than seeking work. We therefore propose to exclude non-earners from the measure so they would not count negatively.
13. At the same time, we do not think we should include graduates who were only employed for a small part of the year, given the limited evidence we have for them. They would either count positively based only on a small snapshot of earnings or count negatively when (as with those with no earnings) they might have been doing other positive things. For this reason, we propose to include only those in sustained employment. As we cannot determine the length of time that self-employed graduates worked from self-assessment records, we cannot apply the same restriction to that group and therefore propose to include all graduates who submitted a self-assessment return.

¹ Definitions are available at [Graduate labour market outcomes \(LEO\): methodology - Explore education statistics - GOV.UK](#).

Definition of a positive outcome

14. We would calculate earnings as follows. For those with PAYE employment records who have worked the full year and those with self-assessment records, we would use actual earnings. For those with PAYE records who can be considered to be in sustained employment, but haven't worked the full year, we would scale up their earnings to give the equivalent of an annual salary for the job they are doing. We would compare earnings to a threshold representing national average earnings, so using the annual equivalent is more likely to result in a graduate who has been earning for most of the year counting positively.
15. We are proposing to treat graduates as positive under this measure if:
 - a. They earn above a specific threshold in any of the first three years after graduation, or
 - b. They are studying for a higher education qualification in the third year after graduation.
16. This means graduates are counted positively if they earn above a specific threshold in any of the first three years after graduation, rather than focusing on earnings in year three alone. The Institute for Fiscal Studies recommended considering the highest earnings between three and five years after graduation for regulatory purposes. In our view, three years strikes a better balance between allowing graduates time to establish themselves in employment and ensuring the measure remains relevant to the provision currently being delivered. However, our analysis shows that there are some graduates who earn more in years one or two than in year three. This is likely to be due to changes in working patterns, career choices or personal circumstances. We consider that using the highest earnings recorded in the three-year period provides a fairer picture of graduate success, by helping to reduce the impact of these factors. It also partly mitigates limitations in the LEO data, which does not identify whether graduates work full-time or part-time. Our analysis suggests this approach particularly increases the number of female graduates that would be treated as a positive outcome, compared to only considering earnings in year three.
17. Graduates who were studying for a higher education qualification in the third year of study would also be counted positively for this measure. Previous study completed before the year the measure is focused on – the third year of study – would not contribute to whether the graduate is counted positively or negatively towards the measure. This is because we consider that graduates who started a higher education qualification in an earlier year, but had low earnings in the third year, do not have sufficient evidence that their qualification has brought the necessary benefits to count as a success in this measure. This is not the same situation for earnings, where higher earnings in an earlier year shows that their course has given them the capacity to earn over the threshold, even if other life or career events mean they are now falling below the threshold, perhaps because they are now working part-time.
18. We considered whether we should use an approach that treats earnings as a continuous value but decided a threshold was preferable for both policy and practical reasons. Using a threshold means that very high earners are treated the same as those who are in jobs that could be considered socially important, such as teachers and nurses, who earn above the national average but not as highly. It also means that we can use a consistent benchmarking approach to other measures, whereas using a continuous value would require a more complex benchmarking method that would be more difficult to implement and understand.

19. The threshold we are proposing to use is national average earnings for 25-29 year olds, as most graduates in the population for this measure fall into that age band. The average we would use is national median earnings for graduates and non-graduates in each year. We would include non-graduates to recognise that graduates compete in the same labour market as non-graduates and earning above the national average would indicate that a graduate is doing relatively well. In 2023-24, this was £29,300.
20. We considered using different thresholds for different geographic areas but, for simplicity and consistency with other measures, decided it would be preferable to use a single threshold and take account of regional variations in earnings through benchmarking.