

House of Commons Select Committee on Education and Skills: Review of the Future Sustainability of the Higher Education Sector

Note by the Higher Education Policy Institute

This note offers comments on a number of the issues raised by the Select Committee, and does not attempt to offer a comprehensive or systematic reply to all the issues raised. Nevertheless, it is hoped that it will provide some material and perspectives that the Select Committee will find helpful as it begins its review.

What do students want from universities?

If pressed, most students are likely to say that they go to university because that is a necessary step on the way to a better life, and, in particular, a better job. Increasingly, jobs that were previously available to bright young people who had not gone to university are now available only to graduates, leading to what Professor Alison Wolf has described as the "tyranny of numbers".

Certification is important to students, and there is a widespread, and probably accurate, perception that certificates (degrees) from some universities are more valuable in the job market than others -- i.e. there is a hierarchy of esteem. That may be regrettable, and to some extent the effects may be deleterious, but it is a reality . By and large -- not in all cases but by and large -- students will tend to apply for the most prestigious institutions that they think they are capable of gaining admission to, institutions select the most able students that apply, and employers, believing that in so doing they will be recruiting the most able, favour students from those institutions, thereby creating a vicious (or virtuous) circle that perpetuates the hierarchy of esteem.

There are some changes afoot that may lead to the breaking down of this hierarchy. First, the increasing trend for young people to study near their home may have the effect of reducing the dominance of the hierarchy in decisions about where to study (though the great majority of young students still study away from home); and second, the increasing availability of information about various aspects of the university experience (for example the facilities available to them, the satisfaction of other students, employment outcomes and the amount of teaching they receive, as well as information about quality) may lead to more sophisticated choices. But these developments should not be exaggerated. If it is indeed the case that a degree from

one university is more valuable in the job market than another then it is entirely rational that students would prefer to obtain a degree from that university, whatever the facts about the quality of provision. It is difficult to see how this pattern can be broken (if indeed that is thought desirable). It would require the Government to control admissions to universities, and deny freedom of choice to students and of selection to institutions, perhaps (as in other countries) requiring universities to admit on a 'catchments area' basis.

The other important thing will be to ensure that more and better information that is relevant to students is available. The HEPI survey earlier this year of the academic experience of students¹, which among other things provided information about the amount of teaching and private study that was required in different subjects and different universities, was the first of its kind. Surveys like that need to be refined and conducted on a far larger scale to enable better student information to be available. The HEPI survey also revealed that there was a disquietingly high level of dissatisfaction with the accuracy of the information that universities provided about themselves in their prospectuses. It is extremely important that universities do not mis-sell themselves -- particularly to overseas students who are more vulnerable in this respect, but whose poor opinions may have extremely damaging effects for the whole system not just the guilty universities.

What should the Government and society more broadly want from higher education?

All over the world universities are seen as key to the emergence of knowledge economies, although there is little understanding or agreement about the precise role that universities play in this. It seems reasonable to conclude that high quality university education and a workforce that includes substantial numbers of graduates are necessary but insufficient conditions for this. Important though they may be, all manner of other conditions need to be satisfied as well -- the existence of knowledge-based industries, for example, appropriate fiscal and financial structures, and so on. Subject to that, it is reasonable that the Government should want universities that are capable of producing highly educated people and conducting high quality research. But it is no less important that industry should be able and

¹ "A Dangerous Economy: the wider implications of the proposed reforms to the UK Research Councils' peer review system" HEPI December 2006.

willing to make use of the highly educated people emerging from university and to exploit the research that is conducted in universities. To have one side of the equation fulfilled without the other will not lead to the societal and economic outcomes that the Government seeks.

It is good that the Select Committee has identified "engagement in society and democratic debate, and producing active citizens" as an element in the role of universities. Public discussion about the role of universities -- and the case for public investment -- is increasingly dominated by the economic role and economic benefits. While that is understandable it risks missing some of the key benefits of investment in higher education, which do not lend themselves to economic evaluation. Work by the "Wider Benefits Of Learning Group" at the Institute of Education demonstrates very clearly the very substantial non-economic benefits of university education (in terms of health and citizenship). In any sensible discussion these ought to be given an appropriate weight.

The contribution of universities to democratic debate and active citizenship seems particularly important at a time when ethnic, cultural and religious divisions are threatening to fragment society; and it is particularly depressing that universities are regarded as the breeding and recruiting ground for intolerant and fundamentalist doctrines – the very antithesis of what universities ought to stand for. All the evidence, though, is that they are much more likely to be a force for good in this respect than for ill, and the role of universities in upholding liberal, democratic structures is essential.

University funding

One of the very substantial achievements of the present Government has been that it halted the large and rapid decline in funding per capita that occurred during the 1990s. It needs to be noted though that the decline was only halted in 1998 with the introduction of tuition fees. It was private funding, not public funding, that stabilized the situation. On the other hand, it needs also to be recognised that the two main fears of the opponents of tuition fees have not been realised.

- First, private funding has not, apparently, simply substituted public funding, as many feared. Although there is no way of knowing what the level of public

funding would otherwise have been, public funding per capita has actually increased recently alongside the private funding that has been generated through fees.

- Secondly, there has not apparently been any impact on participation in higher education (although because the poorest students paid no fees under the regime introduced in 1998 introduction of the fee should not have been expected to impact participation by the poorest groups. What might have impacted participation would have been the move from maintenance grants to loans, but that does not appear to have had such an effect). The definitive study of this remains the HEFCE report "Young Participation in Higher Education"², which among other things, showed that following the 1998 reforms there was less turbulence in higher education participation in England than in Scotland (which did not introduce tuition fees).

The 1998 reforms, welcome though they were in introducing the principle that the beneficiaries of higher education should contribute to the cost, were illogical in that they put the cost on the parents of the beneficiaries – not the beneficiaries themselves - and thus necessitated a great deal of fee remission in order to make higher education affordable to the poor.

The new arrangements introduced this year are among the most progressive in the world.

- First, they are logical in that they put responsibility for repayment squarely with the beneficiary.
- Second, by ensuring that there is no upfront payment, they ensure that nobody is disabled from participating in higher education because they cannot afford it.
- Third, by making repayment income-contingent (with no repayments made at earnings below a threshold, and then graduated repayments according to the amount earned) they ensure that higher education is truly affordable.

² "Young participation in higher education" HEFCE 2005/03.

- Fourth, by ensuring that extensive and generous grants are available (whether called bursaries or grants), they provide positive incentives for students from poor backgrounds to participate in higher education, while nevertheless ensuring that to the extent that they benefit from higher education they subsequently contribute to the cost.
- Finally, the very substantial subsidy that the Government provides for the loans is an imaginative way of using public money. Effectively, by subsidizing the student fee instead of providing grants direct to the institution, public money is being used to gear private money

It took political courage to introduce the current arrangements and by and large the structures are now in place on which to build. The level of the fee that was set initially was too low to create the sort of market that the Government hoped for (though why it wanted to create a market is not clear, and in any case that ought to be a consideration second to ensuring adequate funding for universities), but there is no doubt that the new tuition fees will make a significant difference to the funding of universities.

HEPI calculated some time ago that per capita funding would increase to something like the levels of the early 1990s, and although that may be optimistic the increase will be significant³. The HEFCE report on "The prosperity of English universities: income growth and the prospects for new investment"⁴ showed that over the last decade universities have operated in a relatively benign funding environment -- largely but not entirely because of the significant increases in research funding provided by the Government -- and predicted that these favorable conditions would be likely to continue over the next few years. However, a large part of the increased resources available will be used up by things like salary increases for academic staff and other commitments. Nevertheless, these are all legitimate expenses that contribute to a high-quality university environment.

There seems widespread agreement that the current £3000 cap on the fee should be lifted. That seems right. Although, as has been said, the current level of fee makes a significant difference, it still leaves some universities far short of what they believe they need to earn in order to compete with the very best universities in the world

³ "HE Bill and Statement: Implications of the Government's Proposals" HEPI January 2004.

⁴ "The prosperity of English universities: income growth and the prospects for new investment" HEPI September 2006.

(mainly American) in terms of the salaries they offer and the facilities they can provide. But there are a number of difficult issues that will surround the raising of the fee cap:

- First, are we prepared to accept increased differentiation between universities? The reality is that universities are already substantially differentiated, and it would be quite wrong to argue that allowing some to charge a greater fee than others will create a situation that does not exist already.
- Second, there is a risk that poor students will be put off going to those universities that charge the highest fees. Although it appears that current levels of fee do not create a substantial disincentive, it cannot be assumed that that will be so at higher levels. The problem is that we do not know the fee level at which significant disincentives kick in. It will be essential to ensure that effective arrangements are in place to ensure that higher fees do not lead effectively to discrimination against poor students, and there may be a continuing role for OFFA in this.
- Third, the current arrangements mean that the Government provides a substantial subsidy for the fees that students pay, and for the integrity of the system that needs to continue whatever the fee level. It would be almost unprecedented for the Treasury to offer an open cheque-book to universities without attempting to control the commitment on the public purse that decisions by individual universities will imply – the higher the fee a university charges, or the more students it admits, the larger the Government's subsidy. A way needs to be established of controlling public expenditure while giving universities the ability to charge higher and differential fees. Differential fee levels, incidentally, would also mean that universities that charge higher fees (probably the better off) will receive higher levels of public subsidy than poorer universities that charge lower fees. That may be a difficult political issue, as those universities that are likely to charge higher fees are also those that receive higher levels of research funding from the Government. That is a fact that is inherent in the current system, and it is not suggested that that is a reason for changing it.

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