

Higher Education Policy Institute (HEPI)

House of Commons Seminar: 16th February 2012

WHAT STUDENTS WANT – MARKETS, QUALITY AND “CONSUMERS”

Nick Hillman:

If I could just repeat Bahram's thank you. This week is actually half-term week in the House of Commons, so it's great to see so many people here. In my Department, both Vince and David are away. David's in the Falklands, as you may have seen in today's Times, and Vince is out of the country as well, so I will try and resist the temptation to set new Government policy while I'm here – unless you really press me.

Forgive me for starting with a personal recollection, but I want to recall my own experience of higher education. I went as an undergraduate to Manchester University, and the reason I went to Manchester was, in truth, for one reason and one reason only: the local music scene. I had a rather cursory look through various prospectuses and ended up there, as I say, simply because of the local music scene. And I was right. When I got there it did have a fantastic music scene, but the truth is the course I did was pretty rotten. The lectures were vast and the seminars weren't much better. My Department found it very hard to take a personal interest in all of us as students. I had a fantastic time, but I would have balked at paying £9,000 for the experience that I received.

That may sound like an attack on my old institution, but it really isn't because I graduated in 1993 which, as you will all know, was a low point for the unit of resource. We'd had a generation of a falling unit of resource and a doubling in student numbers. These problems were tackled, I believe, quite bravely by Tony Blair. I think he made huge mistakes in his first Government. It's hard to recall now but, of course, the first New Labour administration abolished the maintenance grant and introduced up-front tuition fees not backed by student loans - which makes our policy look incredibly progressive. [Interruption by a former Labour Minister from the floor.] The fees were means tested, that is correct, and I didn't suggest that they weren't, but the point is there were no underlying fee loans and you had to have a parent prepared to pay. What I was going to go on to say was that in the second and third terms Labour rectified those mistakes and implemented a system much closer to the one Lord Dearing had recommended by reintroducing grants and introducing income-contingent tuition loans to cover the larger tuition fees.

When the Coalition Government came in in 2010 and received the Browne Report, we were determined to build on the system we had inherited, just as Lord Mandelson's memoirs tell us he would have done as well. That decision was politically traumatic. I'm as well aware of that as anybody, having stood in Cambridge at the 2010 General Election and been defeated by a Lib Dem candidate. The difference between my second placing and his first placing was significantly

smaller than the number of students in the city. (As the local candidate, I gatecrashed the meeting where Nick Clegg signed the NUS pledge.) Whatever people think of our reforms, the latest HEFCE grant letter shows that the amount of money received by institutions for teaching is at worst level and at best slightly increasing at a time of widespread cuts across Whitehall.

Now, of course, the issues that are being discussed today are about much more than the overall level of resource. They are also about what you get in return, the value for money, as well as the need to spread opportunity to attend higher education as widely as possible. On value for money, as many of you will have heard, my boss, David Willetts, regularly pleads guilty to being in favour of students acting as consumers.

Linking student finance more closely to individual students so that money follows student choice is sometimes portrayed as a radical idea, or even an extreme one with no precedent. The NUS, before Liam's time, described it as 'Foolish, risky, lazy, complacent and dangerous'.

But I urge you to consider the history. If there's a single thing that unites Robbins, Dearing and Browne, the great triumvirate of post-war higher education policy thinkers, it is that less teaching income should come through the funding council and more should come through the student. The Robbins Report said that the amount of money coming through the funding council should fall from around 90% to 80%.

Under Margaret Thatcher – and I have the press release here from 1989 – Ken Baker briefly reduced the amount of money coming from the funding council down to 60%. The Dearing Report called for it to fall to 40% and then the Browne Report called for it to fall to around 20%. So, in shifting finance from the funding council to flowing with students, we are absolutely in tune with previous higher education reformers, but we have gone a step further by trying to liberalise student numbers as well.

In the days of Robbins and Dearing, the bit of funding that was not covered by the funding council was, of course, very often covered by local authorities, so the incentives weren't so clear. Now, we are liberalising student number controls through our AAB policy, and we made it very clear in the White Paper we would like to liberalise more places as the current Parliament goes on. Some people claim our AAB policy is too timid, but it's important to remember that in one leap we have liberalised between one-quarter and one-third of all higher education places in England.

Student choice is only meaningful if prospective students can make well-informed decisions and that's why I personally set so much store by the Key Information Set, which is only a start, but I think it's an incredibly important start. The complaints that I've heard about the Key Information Set are frankly among the most bizarre of the attacks on Government policy that I've heard. I've been told, for example, that it's wrong that all universities have to produce comparable data and universities should be free instead to publish whichever data sets they so choose and which put their universities in the best light. I've been told that putting this information in the

public domain will baffle people so much that they will only look seriously at their local university. I've even been told that publishing the KIS threatens university autonomy. And our host, HEPI, in a report published last year, condemned the Government for looking to third parties to make KIS information more widely available.

I think these arguments need rebutting. Third parties are likely to be much more effective at conveying information in ways that prospective students and their families want it. For example, Which? are now investing a huge amount of money in making higher education data accessible, comparable and useful. Just as Martin Lewis is a better person to describe our student finance reforms to prospective students than our Ministers, I think we should leave it to Which? and other third-party providers to help convey some of that information.

On spreading the opportunity to attend higher education, I think we too often overlook the OECD research that shows our student finance reforms have shifted from a situation in which 60% of the finance has been paid by taxpayers and 40% by the beneficiaries and reversed those figures, so that it's 60% by the beneficiaries and 40% by taxpayers. At first sight, that might sound a surprising figure when you think how much tuition fees have gone up. But there is a 30% RAB charge for the loans that are written off. We've increased maintenance grants, we've increased maintenance loans and we've extended tuition loans to part-time students for the first time. We've introduced a National Scholarship Scheme and we've protected the Widening Participation and retention budgets at HEFCE. That's a rebalancing of the available resources towards those who most need support, but it certainly isn't the Government withdrawing from higher education spending. We've also, on this theme, supported the use of contextual data in clearer ways than any previous Government, requested annual access agreements rather than simply one every five years, boosted OFFA's resources and promised to look again at OFFA's powers in conjunction with the new Director, once that appointment is formally announced. The latest UCAS figures suggest that prospective students from more disadvantaged backgrounds understand that this is not a Government that's neglecting them, even though I fully accept that careful monitoring is needed and indeed much better sharing of best practice about initiatives that work.

No one should doubt that the goal we're striving for is a more student-focused higher education system. There are positive signs that this is happening. For example, at Manchester they are tackling the lack of support for arts students that I referred to at the start.

I hope the NUS will play a full role in promoting this new student-focused world.

Last Saturday, I believe – though we're celebrating it next week – was the 90th anniversary of the NUS. Its history, as you will know, falls into two very clear periods which divide almost exactly in half. For the first 46 years of the NUS, there was a 'no politics' rule (which Jack Straw helped get rid of). It meant the NUS could only focus on issues relevant to the student experience and, sadly in my opinion, that ended in 1968. I won't quite say it's been downhill all the way ever since, but I do know from

my own experience – I first got involved in politics through student union politics – that it is sometimes hard to put the student experience quite so much at the centre of the debate as it should be. I have nothing but respect for Liam and his predecessors, in fact I wish the NUS was as good at churning out Conservative politicians as it is successful Labour ones. But it seems to me that the organisation is at a second crossroads in its history and we would love to work with Liam, and his successors, on making sure the sector does become more student focused. Or else there is a risk that the NUS becomes the entity that protects the traditional corner while the sector becomes more diverse around it and the focus of students moves elsewhere.

We don't have a huge amount of time, so I'll only say a very limited amount about private providers though, of course, I do recognise that all higher education providers are essentially private. Those who delight in the odd newspaper story saying that our higher education legislation is being delayed should be careful what they wish for. We inherited a situation in 2010 where private providers are not caught by student number controls, nor the Offa access agreements, nor the tuition fee caps. When I hear the Labour spokesperson for higher education criticise for-profit providers, I do wonder if she recognises that it was the previous Government that gave BPP, and Carl's here today, degree-awarding powers and then failed to tackle the regulatory landscape. The thing our white paper committed to above all else was a level playing field for providers of all types, so the thing that would matter more is student choice and the thing that would matter less is the precise legal status of an institution.

I know some people think our policies overall, and I've only touched on some of them today, do not comprise an overall strategy. The Vice Chancellor of Royal Holloway warned the other day about the absence of a coherent Government vision for higher education. I've learned to take such criticisms with a pinch of salt and I hope you'll let me explain why. If I were to ask you to date the glory days of British higher education, I suspect quite a few of you might say the early 1960s. On the back of the Robbins Report, we'd just had the introduction of mandatory student awards, it was very clear university expansion was going to continue – both parties, accepted that – and it was also very clear that the proportion of national wealth going into higher Education was on an upward trend. But when I was in the National Archives the other day looking through the papers on the Robbins Report, the only letter from a member of the public, well in fact an academic, that I could find in there about it to Quintin Hogg, the Minister at the time, warned about the “almost universal attitude of cynicism with which each reported announcement about the future of universities is received”. He replied, “Quite apart from other arguments, this is the kind of thing best calculated to hamper me in my work, which I'm sure you do not wish to do.” (To which the academic wrote a surprisingly emollient letter back.)

In contrast, last week's Times Higher had an article by somebody who has recently emigrated to Australia seemingly partly because of the higher education reforms here. He began his academic career in 1984, which I've always regarded as a low

point for British higher education after the cuts of the early 1980s. And yet he wrote, "Those were heady days in higher education. ... Something was happening then and it was a pleasure and a privilege to be part of it." I won't go so far as to say there is an inverse relationship between the academic critique and the quality of the policy at any given moment, but I hope you'll forgive me for taking some of the criticism we receive with a pinch of salt.

My final hope is that when my daughter – who will be born in a few weeks' time – leaves school there will be more information, more choice and more high-quality courses available, should she choose to go to university, than there were when I went to university two decades ago, and that she won't choose a university simply on the basis of the local music scene.

Thank you.

Liam Burns:

Thank you very much for the invitation to come today and, Nick, thank you for the kind comments and history of NUS. With friends like that, who needs enemies?

My words are quite incoherent but, you know, considering Government policy, if the shoe fits ... So apologies for that, but I do want to go through and give you a bit of background of why I think, as much as the rhetoric of choice is good, the delivery is awful; and choice also being used as a bit of a smoke screen for what, in essence, is probably more about Coalition politics than it is about delivering for students.

First of all I want to touch on destination. A lot has been made about choice and student choice being paramount in choosing where you go to study, what subject you study and indeed students being at the heart of the system-type rhetoric. Well let's look at some of the mechanisms it's meant to deliver. First of all there is the liberalisation of AAB places – the idea that there are now 65,000 students who can go absolutely anywhere they like. Now that's fine, but what I'm struggling to find is where that expansion is happening. Our members are not reporting that the majority of the Russell Group institutions are looking to expand. We have yet to see what the intentions are of the likes of the '94 Group but, where there is top demand for subjects, I'm not sure that there actually is going to be expansion in those areas for AAB students. I don't think that's the Government's fault; that's somewhat about the institutions not playing the game that they've set out, but I don't think, in the next year at least, we're likely to see students have a huge amount of additional choice.

My second point is about contextualisation. I do have to congratulate David Willetts for being one of the first Ministers to be really vocal about contextualised admissions being right and proper and something to be celebrated in the White Paper itself. Unfortunately, you only have to turn the page to then be presented with the AAB threshold which, in itself, is absolutely counter to contextualisation; it doesn't recognise the fact that the AAB in itself is setting up those from more privileged backgrounds to have the choice, whereas those with the ability and the ambition,

but not the resources at their secondary school, are left out in the cold with regard to using that additional choice.

My third point is around the option, which is anything but encouraging choice. So we now have the core and margin places, but what will be fascinating is where those places end up going. So the pot of £20,000 that HEFCE will need to announce, I believe, at some point in March, where they will be allocated to, I really wonder whether, if you put them on a graph against student demand, against where those places actually end up, are they actually going to correlate to giving students more choice or actually have there been many institutions with places taken off them who had high demand, and those places instead going to institutions that have a high amount of clearing reliance, say? Now I wouldn't say that's all bad, because one of the other things that I think I support David Willetts in, although I've never quite tied down his motivation for it, as I have no problem with HE places going into college domain. I think that is absolutely right for widening access and there's something really powerful there, but don't conflate that with student choice because the evidence will not back you up in saying that that is about student choice.

I guess for HEFCE, we have to find out who we're going to be increasing to as well in terms of institutional stability. Institutional instability is being mooted as part of the new system that, if you have a voucher system where the money follows the student, then the idea is by some sort of critical mass of financial imperative, ie students are not applying to your institution or dropping out from your institution, you will need to change practice. Now, if an institution could end up being in a position of failure, how does that aid student choice and how is HEFCE going to react to that? I think I do support Nick in saying that the retraction of the HE Bill is not a good thing because we would have dealt with lots of those issues around student protection scenarios.

The fifth thing I want to talk to you on is funding, which is particularly close to us as we're making a priority issue now of about how much money students have in their pockets which is an issue we've not dealt with in a long time. A few issues – first of all the £7,500 threshold to enter into the option. We know that this was about the Government getting their sums wrong; about institutions going too high on the average fee level and a machine having to be created to bring the average fee level down. So this £7,500 threshold was created where you could not regain the places that you lost unless you got into that option. Now what has that resulted in? And I think this is the one of the most scandalous things that David Willetts has not answered for, and actually something that I presume he's probably disappointed in, but he needs to come clean on that. We have seen in institutions where some of the most deprived students go to, a wholesale shift away from bursaries and into fee waivers. Now, there are lots of arguments on how substantial fee waivers is something that I wouldn't argue against. If you were to cut 50% of the overall cost, I've no doubt that that would affect those from debt adverse backgrounds a choice of whether to go to university or not. But when there are only £1,000 or £2,000 fee waivers, and we know that after 30 years the student loan debt will be written off anyway, for about 40% at the Government's own admission of those who never pay

back their full loan, it is nothing but a con. You are telling the student that they're getting £2,000 of financial support when, in actual fact, unless they become a high earner, it is absolutely fictional, set up to subsidise the Treasury. So if you look to an institution like Anglia Ruskin where I think the students deserve the most cash in hand support, they have got rid of all of their bursary and gone straight for fee waiver because of this Government machine, and I think that's an absolute scandal and certainly nothing to do with student choice.

If we look at hidden course costs and the idea that institutions themselves were offering a new deal, there would be quid pro quo and, as David Willetts always challenges me, we should be actually far more like consumer watchdogs. If we were to do that, then I would seriously challenge the idea of a student being perceived to be charged £9,000 and then tell them they have to pay for the printing and the lab coat and their field trip and their textile materials. And what's even worse about this is we have stories of students who say, "Well actually I've got to spend this money on my textiles course because if I don't buy superior material, I won't get as good a grade." "If I don't take that field trip to Cyprus, I won't get as good a grade." These are throwing up all sorts of barriers and hidden course costs in itself, I think, certainly needs to be dealt with by institutions, but I think Government should give far more strident guidance in what they expect to happen in this area.

The National Scholarship Programme – and I won't at all blame Nick or David for this because it was nothing more than something to appease Nick Clegg's conscience on access – but that is, by far, the most bodged piece of public policy I have ever seen. The idea that you'll give post-application support so that you don't know what you'd get pre-application; the idea that you give pots of money based on volume and not on socio-demographic of your institution, is bound to fail. And then the icing on the cake – to then adding criteria that says you can't give all of that money in bursary, even though I know so many institutions want to because they know it's right for their institutions, has meant that this is an awful policy that is constraining choice all over the place. Again, I don't blame David or Nick. I think there's probably tension in the Coalition around that issue, but that policy should be scrapped and re-looked at as soon as possible.

Also – and I know that this is an issue that David does take seriously, but no solutions are forthcoming yet – the issue of Postgraduate support. I would need a crystal ball. I'm not telling you that suddenly the bottom's going to drop out of postgraduates going on to further study because of the perceived loan debt, but it's possible, and when we know they can't access the student loan system then I think there are serious concerns to be answered there.

My other worry is more about the game theory that kicks in after that. If I was an institution right now and I was looking at QR funding from the Funding Council, then I'd seriously be thinking about the proportion of research to teaching I offer on my course because you can tip that percentage so that you start accessing the QR funding rather than teaching grant funding. That's what I'd be thinking about. I'd be thinking about what's the point in my offering postgraduate taught Masters when I

could offer undergraduate taught Masters and then access the loan system from the student perspective. And then we're really worried that that means that you will look and say, "Well, they can access the loan system now. I'm just going to bump up my fees overall, because it's a really safe source of funding." Again, this isn't about choice. I don't think these are direct consequences, but I think they're really flawed policy consequences.

I've a particular bee in my bonnet with this issue and many of you might have heard me speaking about it before – the fact that, as much as we'll talk about the idea of the sector not losing money, although I think certain parts of this sector are losing money, other parts are increasing. That's fine, but when you look at where the most deprived students are studying I don't think that stacks up in terms of social mobility – but when you look at the overall system, we know that this won't save the Government money. The 30 pence in the pound is contested in itself in the RAB charge it costs for the loan; in fact HEPI themselves challenged that figure, and we've got to remember that the RAB charge, the amount of bad debt you write off, should be known as contextual. If we continue with non-graduate employment – I don't mean unemployment, I mean graduates not getting the graduate level jobs – if we see unintended consequences of graduates in the recession and more and more don't pay off their debt then that number will increase, and my real worry, and my real challenge to David Willetts is if you're saying you've got your numbers right, then put the loan Terms and Conditions into primary legislation, so the 30 year write off with the 9% over £21,000 and the £21,000 itself. Put it into primary legislation because if you're not willing to do that, then I will suspect that you are going to, at some point – and I don't think it's a Conservative thing; I think this is part of any government in five years' time – say, "We can't afford the loan system. What can we do?" And if you muck about with any of those Terms and Conditions – 30 years, 9%, £21,000 – you start going for something that isn't real debt – and I'm quite happy to say publicly it's not real debt, it's some sort of weird pseudo financial product half way between debt and a tax – and it moves from that to being real debt, that you can default on and you can have to stop paying other necessities later in life, and that is a real worry for me because I think that is where Government is likely to go in future.

My final point is that this isn't a market, and I'm really tired of challenges from David to me to act like a consumer when he has not answered the question of 'Why would I – it's not a market?' I can't take my product elsewhere once I end with the system. I can't get my money back if it's faulty. If I walk up to my Vice Chancellor and say, "I'm sorry, but this lecture is broken," he's not going to give me any money back for that. And price has nothing to do with cost. And this has always been our point. I don't mind rich graduates contributing back, but I don't like the idea of it when, at the front end, you're making a choice based on cost and you can't argue that's not the purpose when you endorse variable fees. It really breaks my heart that I know universities are saying, "We're the affordable university," and then I know that what they pay back once they graduate has nothing to do with what they were charged at the front end because of the loan's Terms and Conditions. I think that's a bit of a

scandal. So we're not in a market, so don't expect us to act like consumers and don't expect us to appreciate that you've given us any more choice.

So what can be done in terms of policy things that we want here and now? Well, look, I think you should scrap the system, but I think that's a bit of a moot point, so I won't dwell on that here. But I think there are things you could do in the short term. Some of them I think would have been done if an HE Bill was forthcoming, some of them I think can be done without legislation – and these aren't challenges because I think some of them David will seek to do, some of them he won't – but here are our policy suggestions. First of all I think you should scrap core and margin. I think the idea this is delivering more choice is wrong. The idea that this is light touch is laughable, this is the most Stalinist system that we've seen in Higher Education for a long, long time. But at least stall. At least don't go for further liberalisation when I have absolutely no idea what the consequences of this year's round is going to be. Take fee waivers out of the calculation of the threshold to get into the option for the core and margin. It is so insidious the implications of what that forces institutions to do. I get why they do it – because Vice Chancellors want to still play with the prestige element of, "We charge high fees, hence we're high quality," and then so deeply discounting fee waivers in a small amount. Well actually, do you know what? If you want to get below £7,500, just be honest and drop your fees below £7,500 because the implications for bursaries and student support is just too damaging if you don't do that.

Hidden course costs – this is going to be a major issue in your campuses because, whether I like it or not, or whether you call it consumerism or not, students aren't going to walk up perceiving themselves to pay £9,000 and then take the idea that they have to pay over and above for what we see as essentials of education.

Let's scrap the National Scholarship Programme. It was the wrong policy. We can do much, much better. Simon Hughes actually had much better suggestions in his report about the funding going to schools so that at least you know what support you have before you make the application, and we ourselves have just closed our largest ever survey of students on the issue of student financial support and we've had about 25,000 responses to that from apprentices to postgraduate, and we're now looking to put that into a research document of policy proposals on how we would fundamentally reform student financial support.

We need to deal with postgraduate funding. We plan to come out with, I wouldn't say solutions because they're not ideal from our point of view, but certainly suggestions next week on how we can do that.

We should move the loan Terms and Conditions into primary legislation. From the NUS President, the fee level itself pales in comparison in terms of what scrutiny should be applied when you think about the 30 year write off, £21,000 threshold and 9% repayment.

On the advice agenda, and I recognise what Nick says about Government's at least rhetoric and intention on more information being out there for students, I think there's a real danger that that becomes everything about raw data and nothing about contextualised advice. It won't be good enough if we have students simply taking a league table and saying, "Well this institution offers 15 hours' contact time; this institution offers five and hence I'll go with the one with 15." That might be right in some places – and by the way I think five hours of contact time is wrong – but nonetheless 15 hours in itself might not be a good thing if you're a human photocopier in a lecture theatre of 200 others. So I think contextualised advice, especially for those from backgrounds whose family did not go to Higher Education, is critically important.

And so our policy pitch, and something that we will talk to other partners about, is that we want to create an army of current students who, through a digital platform, can reach those pupils in our schools now who maybe don't have the social and cultural capital that those that have parents who went to university enjoyed, and be able to give them proper advice about what it's like to study at university. But, wider than that, what it's like to not study at university and what it's like to take up an apprenticeship or work-based learning or to study HE and FE, and I think that's a real challenge to the sector, a sector especially in England which is so compartmentalised and so disjointed in the way it treats tertiary education as a whole. That's not a plug, by the way, to move universities into the Department for Education – I'm quite happy with David Willetts compared to Michael Gove, so please don't take that as an endorsement of something we should do now, but maybe in a few years' time we should think about it.

My pitch here is that choice is a laudable aim but, of course, choice is a fundamental mechanism of the market and we're not naïve to that, and so my worry is that, through a lens of choice, Government is implementing lots of policy that, whether some of it through intent and a desire to further marketise how education works, some of it none of David Willetts' fault because I imagine Coalition politics is complicated and leads to all sorts of different, perverse outcomes, but think choice should be delivered in a genuine way where students have genuine choice rather than simply being constrained through lots of different systems within Higher Education and, if we don't deal with that soon, then my worry is maybe some students will have more choice, but it certainly won't be the students that deserve more choice.

Thank you.