Differential tuition fees: Horses for courses?

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Foreword

HEPI reports take a number of forms.

- Many of them are joint projects aimed at increasing human knowledge, as with the annual HEPI / HEA *Student Academic Experience Survey*, the HEPI / Unite Students 2017 *Reality Check* report on the expectations of applicants to higher education and the HEPI / Kaplan International Pathways 2018 report on *The costs and benefits of international students by parliamentary constituency*.

- Others bring together existing knowledge as a way of uncovering new policy options, as with our 2016 reports on students' mental health and the underachievement of young men and our 2017 report on the past, present and future of teacher training.

- Some of our publications are designed to put other countries' higher education systems under the spotlight, as with our analyses of Australia (2014), Germany (2015) and New Zealand (2016) as well as our Annual Lecture texts, including the latest one on the rise of Asian universities (2018).

- A small proportion are aimed very directly at policymakers, as with our response to the 2015 higher education green paper (published in 2016), our submission to the Diamond review of funding in Wales (2015) and our more recent evaluation of cross-subsidies from teaching to research (2017).

- We also produce informed polemical pieces in a separate yellow book series, as with our 2017 reports on *The Comprehensive University* by Professor Tim Blackman and

The Positive and Mindful University by Sir Anthony Seldon and Dr Alan Martin and our 2014 publication by the much-missed Professor Sir David Watson, *'Only Connect': Is there still a higher education sector?*

This publication serves a different purpose. It provides a guide for non-experts on a topical and tricky issue: fee differentiation. It takes a similar approach to a paper we published in the autumn of 2014 on the removal of student number controls.

For the second time only, this HEPI report lists at the end all our publications since the organisation was founded in 2002. This is our 137th publication and they are now appearing more than once a month on average (with 18 topics covered in 2017). As with our busier-than-ever events programme, this reflects the volume of change currently affecting UK higher education.

All our reports remain openly and freely available at www.hepi.ac.uk. This is possible thanks to the funding we receive from our University Partners across all four parts of the UK as well as from our corporate HEPI Partners, who are listed inside the back cover. We are very grateful for this continuing support.

As with all our output, please do let us know what you think of this report and feel free to suggest topics you think HEPI should publish on in the future.

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1. The current position in the UK

In England, Scotland, Wales and Northern Ireland, the funding systems for full-time, first-time undergraduate students differ in important ways. The situation for full-time, home and EU undergraduate students in each part of the UK in 2017/18 is as follows:

- in **England**, fees are generally £9,250;
- in **Wales**, fees are generally £9,000 but are offset by a £4,954 fee grant (and there are expected to be £9,000 fees with no offsetting fee grant in 2018/19);
- in **Northern Ireland**, fees are generally £4,030; and
- in **Scotland**, there is officially an annual fee of £1,820, but the Student Awards Agency for Scotland covers the cost for eligible home and EU students, meaning higher education is generally regarded as 'free'.

Where these fees apply, students are eligible for a tuition fee loan, which is repayable after leaving higher education. The amount paid back depends on the level of each borrower's earnings.

Despite these differences, universities in each of the three parts of the UK with tuition fees – England, Wales and Northern Ireland – all share a common tendency to set them at the same (maximum) rate for full-time, first-time undergraduate students irrespective of the discipline or the institution. The National Audit Office has complained:

> *There is no meaningful price competition in the sector to drive down prices for the benefit of the student and taxpayer.*[1]

However, it is wrong to regard the UK, or any one part of the UK, as having fixed (or non-differential) fees. There is, for example, considerable price differentiation for:

- students at non-traditional providers or those taking sub-bachelor higher education;
- UK students moving to a different part of the country;
- international students; and
- postgraduate students.

Alternative provision

Although the overwhelming majority of courses for full-time, first-time undergraduate students are priced at the same level for home / EU students, there is still some price differentiation on offer. For example, there are a number of providers in England that offer undergraduate courses where fees are below (or over) the standard £9,000 fee cap.

- **Some Further Education (FE) colleges offer relatively low-cost degrees.** An analysis by the *Times Educational Supplement* found just among those FE colleges charging more than £6,000 per year for their degrees, the average fee was set to be £7,486 in 2017.[2] Publicly-funded institutions which do not have an Access Agreement (in future an Access and Participation Plan) may not charge more than £6,165.

- **Students at 'alternative providers', which have not been eligible for funding from the Higher Education Funding Council for England (HEFCE) and will not be eligible for funding from the Office for Students, may only borrow tuition fee loans of £6,165.** Some institutions, such as the Institute of Contemporary Music Performance (ICMP), charge fees close to this level.[3] Similarly, CU Coventry (formerly Coventry University College) runs some honours degree courses at around £6,000.[4]

- **Other alternative providers charge fees that are materially higher than the standard fee / loan cap for publicly-funded providers of £9,000.[5]** This includes the University of Buckingham, where part of the extra cost arises from the focus on accelerated (two-year) degrees. The Government are planning on raising the fee cap on accelerated degrees at publicly-funded providers to £11,100.[6]

Sub-bachelor higher education, such as Foundation Degrees and Higher National Diplomas, are often available with considerably lower fees than honours degrees.[7]

Part-time courses are also sometimes available, including at the Open University, at less than the fee cap (which is set on a *pro rata* basis at £6,935 for a course at 75 per cent intensity). Assuming the changes for accelerated degrees happen, this means there will actually be three different undergraduate fees caps for providers regulated by the Office for Students as 'Approved (fee cap)' institutions: for full-time students; for part-time students and for students on accelerated degree courses.

Home students studying in a different part of the UK

There are differential fees for many of those who choose to move from one part of the UK to another for their higher education. A resident of England may face fees of up to £9,250 wherever they choose to study within the UK and a resident of Wales may take their £4,954 fee grant with them to other parts of the UK, which significantly reduces the fees they must pay.

Maximum full-time undergraduate tuition fees across the UK, 2017/18

Place of study / Place of residence	England	Scotland	Wales	Northern Ireland
England	£9,250	£9,250	£9,000	£9,250
Scotland	£9,250	No fee	£9,000	£9,250
Wales	£4,296	£4,296	£4,046	£4,296
Northern Ireland	£9,250	£9,250	£9,000	£4,030
EU (non-UK)	£9,250	No fee	£4,046	£4,030

Partially based on: https://www.nidirect.gov.uk/articles/tuition-fees#skip-link

Meanwhile, a resident of Scotland will face no fees if they study in Scotland or high fees of up to £9,250 (£9,000 in Wales) if they study at an institution in the rest of the UK. A student from Northern Ireland will face fees of £4,030 if they stay at home to study but much more elsewhere in the UK.

International students

There is no cap on fees for (non-EU) international students and they range widely between and within institutions.

- Some universities charge international students a flat fee only a little above their fee for home / EU students: for example, in 2017/18 the University of Cumbria has a fee for international students of £10,500 across all their Bachelor's programmes.
- Others charge different amounts for different disciplines and the price can be significantly higher than the fees for home / EU students.

Undergraduate fees for non-EU international students at the University of Cambridge

Group 1	
Anglo-Saxon, Norse, and Celtic; Archaeology; Asian and Middle Eastern Studies; Classics; Economics; Education; English; History; History of Art; History and Modern Languages; History and Politics; Human, Social, and Political Sciences; Land Economy; Law; Linguistics; Modern and Medieval Languages; Philosophy; Theology, Religion, and Philosophy of Religion	£19,197
Group 2	
Mathematics	£21,411
Group 3	
Architecture, Geography, Music	£25,119
Group 4	
Chemical Engineering, Computer Science, Engineering, Management Studies, Manufacturing Engineering, Natural Sciences, Psychological and Behavioural Sciences	£29,217
Group 5	
Medicine, Veterinary Medicine	£50,130

Source: https://www.undergraduate.study.cam.ac.uk/international-students/fees#tuition

The table above shows fees for (non-EU) international students commencing undergraduate study at the University of Cambridge in 2018. The cheapest fee is more than double the rate for home / EU students and the most expensive (excluding Medicine and Veterinary Science) is more than three times as much.

Conversely, UK students who opt to study abroad can sometimes face lower fees – or no fees – depending on where they choose to study. For example, a UK resident undertaking their undergraduate study in either Ireland or Germany would find there are no formal fees and more generous public subsidies, while any compulsory non-fee charges are comparatively low.[8]

Postgraduate students

There is also a free market in fees for postgraduate students. The cost tends to vary by discipline within institutions and they are sometimes set at the same rate for home / EU students on the one hand and international students on the other, and sometimes at a higher rate for international students. Many taught Master's programmes are available for home / EU students at fee levels significantly below the £9,000 undergraduate fee cap.

Unlike with undergraduate courses, the introduction of state-backed loans for postgraduate students has not (yet) led to notable fee harmonisation. This is possibly because the loans are not closely linked to specific course costs. For example, loans for Master's courses in England and Wales are £10,280 in 2017/18. These are designed to help cover fees and maintenance costs and the loan is fixed irrespective of the length of the course.

The chart below, taken from the *Complete University Guide* website, lists the prices of taught Master's and MBA programmes at the 15 English universities at the top of the alphabet for non-EU international students. It shows the wide variety of fee-setting arrangements. Broadly speaking, however, there is more fee differentiation at older, more prestigious, more research-intensive institutions.

Postgraduate taught fees for non-EU international students at 15 universities

Institution	PGT Overseas Classroom £	PGT Overseas Mixed £	PGT Overseas Laboratory £	PGT Overseas Clinical £	MBA Overseas £
Anglia Ruskin	11,900–12,400	11,900–12,400	12,400–19,400	12,400–19,400	12,900
Arts Bournemouth	–	15,000–18,000	–	–	–
Aston	14,100	15,650	17,200	–	25,550
Bath	17,000	–	20,300	–	33,000
Bath Spa	12,500	13,500	13,500	–	–
Bedfordshire	12,000	–	–	–	12,500
Birkbeck	14,450–17,950	14,450–17,950	14,450–17,950	–	27,000
Birmingham	15,660	17,820	19,890	–	25,000
Birmingham City	12,000–14,500	–	–	–	14,500
Bishop Grosseteste	12,500	–	–	–	–
Bolton	11,250	11,250	11,250	11,250	12,500
Bournemouth	13,000–15,000	13,000–15,000	13,000–15,000	–	14,500
Bradford	14,900	–	17,600	–	27,500
Brighton	14,490	–	15,570	14,490	18,180–21,060
Bristol	16,300	–	20,200	24,400	–

Source: https://www.thecompleteuniversityguide.co.uk/university-tuition-fees/reddin-survey-of-university-tuition-fees/postgraduate-taught-mba-tuition-fees-2017–18,-overseas/

At institutions not included in the table, the prices can range even more wildly: at Imperial College, for example, the cheapest taught Master's for an international student is £15,000 and an MBA is £47,000. At the same institution, home / EU postgraduate students face fees spread across an even wider range, between £9,250 and £47,000.[9]

Income-contingent repayment

The Government had hoped to introduce an element of price differentiation through the Teaching Excellence Framework, with better-performing institutions being allowed to raise their fees above those performing less well. However, the parliamentary arithmetic after the 2017 General Election makes this unlikely and the fee cap is currently frozen at the £9,250 rate announced prior to the Election.

This does not mean paying different amounts for higher education is going out of fashion. Perhaps the single most important reason why it is wrong to think the UK has rejected differential payments to cover the cost of higher education is that income-contingent loans ensure the amount you pay for your higher education depends upon your earnings. While there may be a standard level of tuition fee in each of England, Wales and Northern Ireland, the loan repayment terms mean graduates can pay at least the entire cost of their course or nothing, depending on how they do in terms of earnings afterwards.

2. The position in other countries

Although, as shown in the previous chapter, price differentiation is more common within the UK than is often realised, price variability is an even bigger feature in other countries with tuition fees.

European Union countries

A European Commission study of the different fee and funding arrangements available in 2016/17 for full-time first-time students paints a complex picture. The report found that, as well as varying between countries, fees can differ markedly within countries according to the field of study, the intensity of the course and the personal characteristics of students:

> *Fees may also depend on the field of study (Bulgaria, Estonia, Spain, Portugal and Romania). In some countries, fees are linked to the real cost of the programme or the expected future personal income of graduates, making resource-intensive or high-prestige programmes more expensive for students and their families. In other countries, lower fees, state-subsidised places or specific grants … for certain study fields reflect national policies to attract more students to these programmes. In Belgium (Flemish Community), fees also reflect the number of ECTS [European Credit Transfer and Accumulation System] credits followed by the student. The socio-economic situation of students may also influence the amount of fees that they pay. In Bulgaria and Spain, students may be exempt from paying fees based on their poor socio-economic background. In Belgium (Flemish Community),*

students who obtained need-based grants pay only the minimum annual fee amount of EUR 105. In Belgium (French Community), Spain, France and Italy, students who are awarded a need-based grant are exempt from fees.[10]

Australia

Arguably, Australia has the most comparable higher education funding regime to those in place in England, Wales and Northern Ireland, and the Australian student finance regime has long influenced UK policymakers. Fees in Australia were originally set at A$1,800 when they began in 1989 but, in the mid-1990s, a three-tier system was introduced, which persists.[11]

Courses that are cheaper to teach (such as Humanities and Law) and courses that tend to produce lower graduate salaries (such as Nursing and Education) are in the lowest student contribution category. Courses that are more expensive to deliver (such as Medicine and Veterinary Science) and courses that are deemed to produce higher graduate salaries (like Law and Accounting) are in the highest student contribution category.

In addition to the three student contribution bands, the contribution from taxpayers (known as the 'Commonwealth contribution') also varies. There are eight different Commonwealth contribution levels, which – together with the three contribution bands – produce 11 different funding categories.[12]

This means the fee cap for any course reveals little about the total funding for each student. For example, Medicine and Law are in the same fee band but the Government contribution for each Medicine place ($22,809) is over ten times as much as for each Law place ($2,089).

Funding in Australia

Commonwealth Funding	Student contribution	Discipline	Full fee $	Commonwealth contribution $	Student contribution $
Cluster 1	Band 3	Law, Accounting, Commerce, Economics, Administration	12,685	2,089	10,596
Cluster 2	Band 1	Humanities	12,158	5,809	6,349
Cluster 3	Band 1	Behavioural Science or Social Studies	16,627	10,278	6,349
Cluster 3	Band 2	Mathematics, Statistics, Computing, Built Environment or Other Health	19,328	10,278	9,050
Cluster 4	Band 1	Education	17,044	10,695	6,349
Cluster 5	Band 1	Clinical Psychology, Foreign Languages, or Visual and Performing Arts	18,990	12,641	6,349
Cluster 5	Band 2	Allied Health	21,691	12,641	9,050
Cluster 6	Band 1	Nursing	20,462	14,113	6,349
Cluster 7	Band 2	Engineering, Science, Surveying Engineering, Science, Surveying	27,021	17,971	9,050
Cluster 8	Band 2	Agriculture	31,859	22,809	9,050
Cluster 8	Band 3	Dentistry, Medicine or Veterinary Science	33,405	22,809	10,596

Source: https://en.wikipedia.org/wiki/Tertiary_education_fees_in_Australia#cite_ref-goingtouni1_15-0

There are concerns that this system, which was originally designed to reflect the value of different courses, has sometimes produced too big a gap between what individual students contribute and the likely financial benefits of their courses. In 2011, an official review found:

> *Some students with little prospect of high graduate incomes pay 52 per cent of the base funding amount, while those in some high-cost disciplines with high potential graduate salaries pay 32 per cent. Other students in lower cost disciplines pay 84 per cent.*[13]

The review recommended a rebalancing so that students in all disciplines contributed 40 per cent of the costs and the Government contributed 60 per cent, in line with the apparent private and public benefits of higher education: 'the Panel believes that the 40:60 ratio should apply consistently across all disciplines.'[14] However, this proposal has not been implemented.

As a result, some people feel the Australian fee rates are too politicised and insufficiently reflect the costs of provision. Moreover, although differential fees are sometimes supported as a mechanism for increasing teaching funding, they have failed according to many of those working in the Australian higher education sector to provide sufficient income for teaching. Vicki Thomson of the Group of Eight research-intensive universities, has written: 'University teaching should truly reflect the costs of individual course offerings but currently doesn't.'[15]

Despite the recent attempts to change it, the current Australian funding system has proved sustainable through many changes of government. Some people with experience working in higher education in the UK and Australia believe it holds useful lessons for the UK. According to Ed Byrne, who led Monash

University in Australia (2009-14) and is now Principal at King's College London:

> *Australia's shared contribution model of funding is very well understood and has endured and evolved remarkably well over the past three decades. It's not a source of anxiety for students or a flashpoint of major societal contention.*[16]

The United States

It is sometimes said that the UK, especially England, has sought to copy higher education in the United States. The University and College Union, for example, have long complained about 'the Americanisation of UK higher education'.[17]

This is a relatively difficult argument to sustain for two reasons. First, higher education differs across and within the 50 states in the US. So straight comparisons are exceedingly hard. Roger Brown has written:

> *Rather than consisting of one market of like-minded consumers with similar access to identical goods, the US higher education system comprises of many markets, where very different colleges and universities produce and sell unique commodities to groups of consumers, who may or may not be competing for the same goods.*[18]

Secondly, where common features can be discerned, they are quite different from those that characterise UK higher education. For example, in the US, student support is less progressive, the undergraduate curriculum is more general and the non-retention rate is higher.[19]

The diversity of US higher education is reflected in their fees, which differ wildly according to factors such as: the type of institution (for example, whether it is a state university or private university); the type of course; the discipline; the background of the student; and whether they are from the local area ('in-state') or from another part of the US.

The US College Board, which helps people prepare for higher education, has noted:

> *In 2017-18, while the median price for full-time students attending private nonprofit four-year institutions is $35,260, 10% of full-time students attend institutions with prices below $12,000 and 13% attend institutions charging $51,000 or more.*[20]

While there are clusters of students at certain fee bands, there is also considerable variety, especially for four-year courses at not-for-profit institutions.

The picture is even more complicated when moving beyond published 'sticker prices' to the actual sums paid. According to one study, just 12 per cent of new students at private non-profit colleges pay the full quoted price and the average discount rate has risen to over 49 per cent.

It is an opaque system that is thought to hinder access and encourage headline fee increases. Yet it has proved remarkably sustainable. One recent analysis concluded with a question and an unsatisfyingly honest response:

> *So what should replace this system of college pricing? Unfortunately, no one seems to have a good answer.*[21]

3. How we got here

The relative absence of variable undergraduate fees in the UK does not reflect the law. Legally, the English system, for example, is one that allows variable fees beneath a fee cap that is high by both historical and international standards.

1998 to 2006

The first modern fees for full-time undergraduate students were introduced in 1998 throughout the UK (before the reforms to devolve higher education policymaking) and were set at £1,000.[22] The level increased in line with inflation, rising to £1,225 for 'old regime' students graduating in 2007/08. These fees are generally regarded as having been fixed rather than variable, but they were more complicated than this implies.

The Dearing review of 1997 had backed a flat-rate tuition fee set at one-quarter of the average cost of higher education tuition, to be backed by an income-contingent loan. But, while the maximum fee was set at the £1,000 level recommended by Dearing, the fees were to be paid up front rather than backed by a student loan and the amount that was paid differed according to the wealth of each student's family.

Students from the poorest families did not pay anything and only a minority paid the full amount. In the first year, 1998/99, 45 per cent of new students were exempt from paying the means-tested fees, 20 per cent were eligible for a partial fee remission and 35 per cent were eligible for the full fee.[23]

The Dearing review had supported flat-rate fees backed by income-contingent loans in part because they found the arguments for differential fees unconvincing. They identified three particular problems.

- **They rejected the idea that a contribution towards the costs of a student's tuition should depend on the wealth of students' parents** because 'we feel this should be a responsibility of the graduate.'
- **They rejected the idea of different fees for different subjects** because 'students, particularly those from poorer families, would choose cheaper subjects, rather than those which met their, or the nation's needs.'
- **They also rejected the idea of different fees for different periods of study** because 'we preferred the simplicity of a standard contribution for all years of study.'[24]

2006 to 2012

The Higher Education Act (2004) introduced a different sort of fee differentiation to the means-testing that had been in place since 1998. No longer would fees vary according to the household income for each student. Instead, higher education institutions would be allowed to set their own fees beneath an overarching cap of £3,000 from the 2006/07 academic year. (This was lower than a £5,000 cap that was also considered.) One objective of this price variability, as outlined in the 2003 white paper, was to ensure 'institutions will be able to reap rewards for offering courses that serve students well.'[25]

Before the legislation was passed, there had been demands for the right to set fees at a higher level than the new cap and a number of experts warned that fees would bunch at £3,000.[26] According to Richard Sykes, then Rector of Imperial College:

> *I think if we had put the top level at £5,000 then ... there are institutions who may have charged nothing, there are institutions that may have charged one, two or five, but I think, with three, it is so close to what we do today that most universities will just go to £3,000 …* [27]

However, Charles Clarke, the Secretary of State for Education and Skills, rejected this idea:

> *Do I believe that all universities will simply whack up their fees to £3,000? Actually, I do not, and I have spoken to a large number of vice-chancellors about this and I know that there was a fair bit of what I would call sabre rattling in this area.*[28]

The ability to charge different amounts was, according to Philip Cowley, 'the most fundamental' of various objections to the legislation, which only just squeaked through the House of Commons.[29] At the time, Robin Cook, the former Foreign Secretary, complained:

> *The central problem with variable fees is that they will have a variable effect on the distribution of revenue. The élite universities will be able to cash in on their status, and their largely public school student base, by exploiting their new freedom to charge commercial fees. Perversely, the new universities who are at the forefront of the Government's drive to widen access to working-class students will be inhibited from increasing revenue because they do not enjoy an élite status on which to trade, and in any case their student base does not have that kind of money.*[30]

But, in arguing for price variability, the Prime Minister, Tony Blair, turned the arguments of the Dearing report and other critics on their head. He argued that a higher flat-rate fee would be less equitable, less suited to the needs of the country and less beneficial for students than differential fees:

> *It would in effect ban a university from charging a lower fee than £2,500 or £3,000 for any course, regardless of whether, in response to student demand or for other reasons, it was prepared to settle for a lesser fee. And this despite the fact that most vice-chancellors, when consulted, have said that they believe their universities would charge less than £3,000 for at least some of their courses.*
>
> *They have particularly highlighted foundation degrees, sandwich courses, less popular but essential courses such as physics, and the development of new degree programmes in vocational and technical fields. These are among the highest priority areas for the development of our university system as it meets future economic needs – in new and old universities alike. It would be deeply damaging to force every university into a straight jacket which restricted their ability to meet student needs in this way.*
>
> *And this goes to the heart of the wider debate on public service reform. For those wishing to ban any variability in the fee can't realistically claim that it is fairer to students as consumers of higher education. On the contrary, students are the losers, because a lot of them will be forced to pay more. The real intention is to constrain so far as possible diversity within and between universities as suppliers – by treating them all as formally alike, and not allowing any one of them,*

or any one part of a university, whatever its strengths, to charge a fee unless all others do precisely the same.[31]

Among the politicians, both the proponents and the opponents of variable fees agreed that letting universities charge different amounts would lead to a range of course costs. But the row was not worth the effort that either side spent on it because so little price variability resulted. The Education Select Committee had predicted that 'the differentials in fees charged by universities and colleges will be small at best and possibly non-existent.'[32] And so it proved. In the event, nearly all full-time undergraduate courses were immediately priced at £3,000 – although Leeds Metropolitan University (now Leeds Beckett University) initially set their fees at £2,000.[33] In 2009, Universities UK issued a report entitled *Changing Landscapes* that claimed 'a full market' depended on the fee cap being 'above £10,000.'

2012 onwards

The Browne review, which was established in 2009 to review the fee system, differed from the Dearing report in providing clear support for fee differentials. The Browne report argued that the clustering of fees at the level of the fee cap was distorting. They recommended instead that the fee cap introduced by Tony Blair should be replaced with a new system based around a levy paid by universities to the Government. This would cover the costs of the student finance system.

There would be no levy on the first £6,000 of each course fee, but a rising levy thereafter (charged at a marginal rate of 40 per cent between £6,000 and £7,000 and 75 per cent between £11,000 and £12,000):

We do not in our proposals include a cap on what institutions can charge for the costs of learning. There is no robust way of identifying the right maximum level of investment that there should be in higher education. A cap also distorts charging by institutions. In the current system, all institutions charge the maximum amount for all courses – so the cap has become a standard price for higher education rather than a means of control to prevent unfair charges. In our proposals, we envisage that the levy will regulate the prices set by institutions so that they do not rise above the level that can be sustainably financed through future loan repayments; and the payment system will protect students by making the loan completely risk free for them.[34]

The Coalition Government in office from 2010 rejected the levy as insufficiently sensitive to the outcomes of different courses, as it would have been set according to the headline fee of each course. It was to be unrelated to the average earnings or loan repayment rates of graduates from different courses. At least one prestigious university with excellent graduate outcomes privately complained it would therefore feel like a tax on their success and would lead them to consider 'going private'.[35]

Even if the levy had found widespread support, it would have been very difficult to implement politically, given the internal dynamics and parliamentary arithmetic of the Coalition Government and the scale of the change in legislative terms. Instead, Ministers set about the easier task of increasing the fee cap from £3,375 for 2011/12 to £9,000 for 2012/13.

While deeply controversial, especially for the Liberal Democrats, this was achievable using the underlying primary legislation that had been forced through by Tony Blair. So it entailed one gruelling afternoon in the House of Commons and another in the House of Lords, rather than the months of debate and uncertain success associated with a new Act of Parliament.

There was, at the time, considerable discussion about, and expectation of, different fees for different courses and different institutions. Famously, the Government claimed fees above £6,000 would be out of the ordinary:

> *Any university or college will be able to charge a graduate contribution of up to £6,000. In exceptional cases, universities will be able to charge higher contributions [than £6,000], up to a limit of £9,000, subject to meeting much tougher conditions on widening participation and fair access. It will be up to the university or college to decide what it charges, including whether it charges at different levels for different courses.*[36]

There was a little more price differentiation in 2012 than in 2006:

- a number of institutions initially priced all of their full-time undergraduates courses at a single price beneath the maximum, including Anglia Ruskin University, the London School of Economics and Southampton Solent University;

- others, such as Derby, London Metropolitan and Hertfordshire introduced different fees for different courses.[37]

But such practices were atypical and short lived. According to the Institute for Fiscal Studies, by 2016, 'all but three of the top 90 institutions charged fees of £9,000 per year for all of their courses'.[38]

Given that the underlying legislation governing fees was not changing and given that fees had rushed up to the maximum £3,000 a few years beforehand, any expectation of widespread price variability was badly mistaken.[39]

The error had three causes:

1. **A misunderstanding of the powers held by the Office for Fair Access (Offa):** Either an institution's Access Agreement was sufficient to let them charge up to £9,000 or it was insufficient and they would be limited to a maximum of £6,000 – the so-called 'nuclear option'.[40] In early 2011, Martin Harris, the Director of Fair Access, said policymakers 'thought that Offa was going to be in a position to have legal powers to impose certain fee levels. How they came to that view I cannot say because it was obvious to me from Day One that (Offa) didn't (have such authority).'[41]

2. **A lack of institutional memory:** Before the Coalition came to office, higher education policy had bounced around Whitehall, then austerity-related reorganisations and reductions in staff meant a high turnover of civil servants. In the three months during which the Browne review completed its work, submitted it to Government and published its findings (August to October 2010), the Department for Business, Innovation and Skills had three different people in the Permanent Secretary role.[42]

3. **Rushed policymaking:** The increase in the fee cap to £9,000 had to be delivered between the end of the 2010 autumn political party conferences (to avoid, for example, the Liberal Democrat Conference voting against a fee increase) and the Chancellor's Autumn Statement on the economy in late November. Otherwise, there would not have been time to deliver higher fees for the 2012 academic year, given the time needed to inform applicants of the fees they would face and for the Student Loans Company to implement the changes. (This is a timescale about which Nick Clegg has since complained bitterly.[43])

Initially, Ministers responded to the rush to £9,000 by threatening to enforce price variability. A letter to the Director of Fair Access from Vince Cable and David Willetts in February 2011 said:

> *if the sector as a whole appeared to be clustering their charges at the upper end of what is legally possible, and thereby increasing the pressure on public funds, we will have to reconsider what powers are available, including changes to legislation, to ensure that there is differentiation in charges. We intend to keep this under very close review for 2012/13.*[44]

Subsequently, however, the lack of price variability was accepted as a feature of the system and the focus shifted to the amount that would be *borrowed* rather than the amount that would be *charged* – features such as fee waivers, which were initially encouraged (for example, as part of the short-lived National Scholarship Programme), meant the two were not always the same. In an interview with the *Guardian*, David

Willetts explained: 'there's no rule that says you have to borrow the exact amount of the fee.'[45]

Out of office, David Willetts was even clearer. In his book *A University Education*, he says: 'I claimed that fees of £9,000 would be "exceptional". That was a mistake — a wrong forecast based on a false analysis.' Indeed, he has come to see the perceived weakness of scant price variability as one of the strengths of the system: 'A student who had said, "I am going to Leeds because its fee is £7,750 and I can afford it more easily than York at £8,750" would not understand the basic features of the scheme.'[46]

Is there a cartel?

For some critics, however, the fact that nearly all full-time higher education courses rushed to, and stayed at, the maximum fee cap of £9,000 (or £9,250 from 2017) is evidence of a 'cartel'.

- **Andrew Adonis**, who is widely regarded as the architect of the £3,000 fee regime during his time as Head of the Number 10 Policy Unit, has written: 'The vice-chancellors formed a cartel and charged £3,000 for almost every course. … the vice-chancellors maintained their cartel and increased fees to £9,000 for virtually every course.'[47]

- **uk2020**, a right-wing think tank, published a report in 2017 entitled *Timebomb: How the university cartel is failing Britain's students* as well as a follow-up report that claimed: 'Students are increasingly unhappy with the value for money their education gives them and established institutions have behaved like a cartel, all charging the same and stifling new competitors.'[48]

- **Theresa May** has complained about the lack of price variability. After an interview with Andrew Marr, the BBC website reported: 'She said that when the government increased student fees it had been expected that there would be a "diversity in the system," with some universities offering shorter and cheaper courses, rather than always charging the maximum amount. "That hasn't happened. We've got to look at it again," she told Marr.'[49]

However, universities individually worked out it is rational to charge the maximum fee and there is no evidence of a cartel. When questioned by the House of Lords Economic Committee, both Andrew McGettigan (a freelance researcher on higher education policy) and Dr Gavan Conlon (a Partner at London Economics) firmly rejected the idea.

> **Lord Burns:** *Does this mean that Lord Adonis is wrong to say that the fact that everybody charges the same is evidence that there is a cartel among major universities?*
>
> **Dr Andrew McGettigan:** *Yes.*
>
> **Dr Gavan Conlon:** *There is no cartel. It is economically rational.*
>
> **Dr Andrew McGettigan:** *It is not a cartel.*
>
> **Baroness Kingsmill:** *Why is it not a cartel? It may be the most rational behaviour and they may not have colluded with each other, but it can still be a cartel.*
>
> **Dr Gavan Conlon:** *If they have not colluded with each other it is not a cartel. There is a strict definition. It is an egregious breach of competition law to engage in cartel activity.*[50]

4. Is it time for another look at differential fees?

It can sometimes feel as if there is a broad consensus in favour of differential fees encompassing people across the political spectrum. However, the differential fees question is not a binary one. Once you have decided to adopt differential fees, you then need to explain which courses should attract lower fees and / or which should attract higher fees.

For example, it could be argued that higher fees should be applied to:

- courses that are more expensive to teach, such as Engineering or Medicine;
- courses that tend to provide higher lifetimes incomes, like Economics and Law; and / or
- courses at older, more selective and more research-intensive universities.

It could also be argued that such courses should have lower fees, perhaps because:

- courses that are more expensive to teach are often particularly valued by society;
- many courses with higher lifetime incomes are relatively cheap to teach; and
- courses at selective universities tend to have fewer students from deprived backgrounds.

Alternatively, fee differentials could be applied according to the personal characteristics of each student, or there could be a free-for-all with no fee cap and each course finding its own place in a free market.

On close inspection, it is clear that many of those calling for differential fees actually have starkly different goals or different groups of students in mind. Some of the options that have been proposed are discussed below, along with some of the apparent limitations.

i) *Lower fees for STEM* (*Science, Technology, Engineering, Mathematics*)

Some people think lower fees should be offered to those taking so-called 'hard sciences' as the country could supposedly benefit if more people took these disciplines. This was proposed by Theresa May in 2013 in a speech during her time as Home Secretary, when she said Government 'could fund deep discounts in tuition fees for students who want to study degrees like engineering, where we have a shortage of skilled workers.'[51] Lower fees for STEM courses were also rumoured to be under consideration by the Labour Party before the 2015 General Election.[52]

Yet the case for introducing a lower fee cap for these sorts of courses is far from watertight. There are a number of unresolved questions that need clear answers before such a change could be reasonably justified.

a) Many (not all) STEM graduates end up on relatively high wages. So why should subsidising their courses to deliver lower tuition fees be a priority for public spending?

b) Additional taxpayer support is already provided for higher-cost subjects, including many STEM areas, through the residual teaching grant. So why should extra subsidy be provided through a new mechanism of differential fees?

c) The best way to secure more STEM students may be to fix the 'pipeline' by having more people continue STEM subjects in schools and colleges. So would earlier initiatives be more cost effective?[53]

Moreover, for many people working in the higher education sector, the main question prompted by lower fees for some disciplines but not all would be: 'why does the Government seem to care less about my discipline than about STEM?' Pitting some disciplines against others can be an uncomfortable place for policymakers. Just ask Charles Clarke.[54]

ii) Lower fees for disadvantaged students

The Sutton Trust, an influential charity that seeks to raise educational standards and promote social mobility, has called for means-tested tuition fees. According to Sir Peter Lampl, the Sutton Trust's Founder and Executive Chairman:

> *It's an absolute scandal that someone from a council estate graduates with higher debt than someone who has been to a top boarding school.*[55]

The current system of fees in England does include a limited cross-subsidy from richer students towards poorer students through the requirements of the Office for Fair Access. But the Sutton Trust have published worked-up models of differential fees that are designed to ensure those from lower-income households pay significantly less or nothing at all.

> *Means-testing was a feature of tuition fees in England from 1998 to 2006 but has become an unfashionable term of late. However, in an environment of limited resources, particularly in the context of the economic uncertainty surrounding Brexit, it remains a powerful way of balancing the cost of services in a progressive manner according to ability to pay.*[56]

The objective is to ensure school leavers are not deterred from higher education by the prospect of large student loans. But differential fee models based on some people paying less tend to come with a hefty bill. The Sutton Trust's work, which assumes fees are abolished for students from the poorest households but are £12,250 for the richest, would come at 'an additional cost of up to £2.5bn for the duration of the current cohort.'[57] Moreover, given that school leavers do not generally seem to have been put off from higher education by large fees and loans, lower fees for disadvantaged students could be said to be a policy solution in search of a problem.

Lower fees for poorer students could also have some unfortunate long-term consequences. The current funding system assumes the amount someone pays for their tuition depends on how well they do financially after graduation. In contrast, the Sutton Trust's model would mean 'those from the poorest backgrounds emerged with two-thirds less debt than their better-off counterparts' irrespective of their performance in the labour market after graduation. A poor person who ends up rich after graduating would owe much less than someone who starts off rich and ends up relatively poor. It is hard to argue this would be a fair use of today's scarce resources unless, perhaps, it were to lead to a dramatic increase in students from under-represented groups.[58]

iii) Lower fees for less prestigious universities

Some leaders of research-intensive universities are thought to favour differential fees as a way of delivering greater resources to their institutions. An article in the *Guardian* in October 2017 reported:

> *The head of one Russell Group university, who asked to remain anonymous, says: 'Ministers never intended all the new universities to charge the maximum amount. There are some stark surpluses in post-1992 universities, as their costs are much lower. The elephant in the room is whether all institutions should charge the same fees.' …*
>
> *A second vice-chancellor from the Russell Group agrees: 'At my university with fees at £9,250 we just break even for home students. But some vice-chancellors have admitted to me that teaching a student only costs them £5,000. At Oxford that is probably closer to £15,000. So you can't generalise and say the whole sector should be getting less.'*
>
> *He adds: 'Just capping fees at £9,250 is costing us tens of millions over the next five years. I really hope the government is thinking of a way of varying fees, because at the moment the harm is being done to the research-intensives.'*[59]

However, it is difficult to sustain the argument that less prestigious universities are generally more financially secure and need less money for teaching. For example, many have been adversely affected by changes such as the sharp fall in part-time student numbers and they can find it harder to borrow money at competitive rates or raise large private donations. Moreover, it is not clear whether they do need less funding to teach each student, when a higher proportion of their students tend to come from disadvantaged backgrounds and may face a number of obstacles to learning.

iv) Lower fees for courses with poorer outcomes

The 2003 higher education white paper, which announced the Government's intention to introduce variable tuition fees, noted graduates from some disciplines tended to have higher earnings than others. It argued:

> *We believe that a revised contribution system should recognise these differences properly, and not ask students who can't expect such good prospects in the labour market to subsidise those that can, through a flat fee.*[60]

More recently, others have sought to give traction to the idea that courses with higher graduate earnings should cost more. Dr Dean Machin, for example, has argued on Wonkhe that course fees should be set at a fixed proportion of the economic benefits after costs: 'fee caps should differ by course and institution to the extent that graduates' economic returns differ.'[61] (The opposite idea has been proposed by Robert Halfon MP, the Chair of the House of Commons Education Committee and a former Minister for Skills (2016-17), who wants courses with better labour market outcomes to cost less: 'People who take employability modules, wherever it's identified we have a skills deficit, should get discounts — we need people in healthcare, coding, construction, engineering, digital. Areas where we are way behind.'[62])

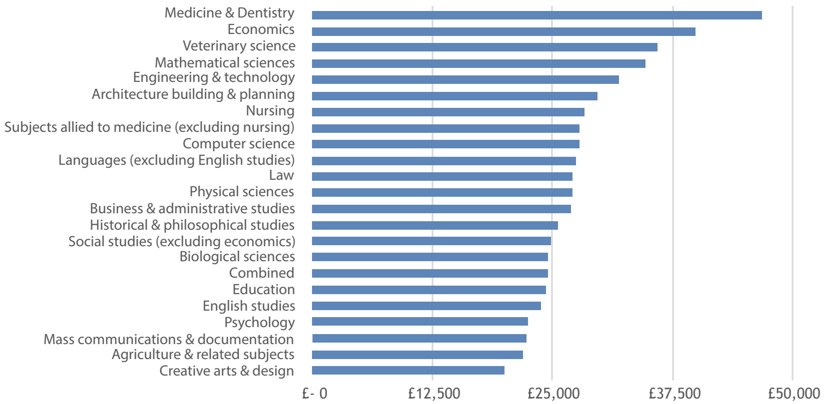
One of the reasons that the Coalition ruled out the Browne review's levy, which was designed to recoup the additional costs of lending more money to students on some courses, was its relative lack of sensitivity. The levy was designed to be applied at a single rate throughout the higher education sector.

However, since the Browne report, progress has been made in producing data that provide information on the different graduate outcomes of different courses. A detailed study by the Institute for Fiscal Studies (IFS) used tax records to show:

> *subjects like Medicine, Economics, Law, Maths and Business deliver substantial premiums over typical graduates, while disappointingly, Creative Arts delivers earnings which are roughly typical of non-graduates.*[63]

It might therefore seem obvious that disciplines which produce lower financial outcomes should also receive lower subsidies. But that could be interpreted as sending an unfairly negative signal about courses with relatively low private returns but relatively high public returns (Nursing, say). Clearly, the creative arts have a value beyond that reflected in graduate salaries.[64]

Which graduates earn the most? Median annual earnings by subject, five years after graduating



Source: Based on data from the Institute for Fiscal Studies at https://www.ifs.org.uk/publications/10177

Moreover, it is difficult to isolate differences in earnings arising from higher education choices from other factors, such as background and local labour market conditions. The IFS's research found 'students from higher income families' go on to enjoy 10 per cent higher median earnings than others, even after controlling for the institution attended and the subject chosen: in other words, a poor student and a rich student who take the same degree at the same institution do not have the same chances of high earnings afterwards.

v) Lower fees for part-time courses

When the full-time undergraduate fee cap was increased to £9,000 in England in 2012, the fee cap for part-time courses increased too but Ministers extended fee loans to part-time students on the same basis as for full-time students for the first time. Whitehall briefly worried there could be such an increase in part-time students that their numbers would need to be capped.[65] But eligibility was limited by various exemptions and, since then, the number of part-time students in England has more than halved. It is clear that many part-time students are price sensitive, and not just because they are less likely to be entitled to a tuition fee loan. They are typically older and more debt averse. One study even found, 'Many part-time learners did not identify themselves as "students"'.[66]

Some people have responded to this policy challenge by proposing the reintroduction of larger public subsidies, combined with lower fees, for students on part-time courses.[67] This follows the logic of the Diamond review of student finance in Wales:

> *The more moderate fee for part-time students should be topped-up with institutional learning and teaching grants for universities and higher education providers, based upon the lower costs to the public purse of fee loans to these students overall given that most are already working.*[68]

Peter Horrocks, the Vice-Chancellor of the Open University, has floated this approach as an appropriate policy solution in England: 'The most direct way in which the crisis in learning and earning could be addressed is through tuition fee top-ups for part-time students.'[69]

vi) Lower fees for less intensive courses

Analysis suggests that there is no material cross-subsidy from home and EU student fees to research, but there is a significant cross-subsidy from fees for students on some courses to the costs of teaching students on other courses.[70] An investigation of institutional spending by *Times Higher Education* concluded: 'there does appear to be a big transfer of funding from students studying classroom subjects to others'.[71]

During his time as the Minister for Universities and Science, Jo Johnson expressed support 'for greater transparency from providers about what they spend fee income on.'[72] He also challenged the acceptability of cross-subsidies from students on some courses to those on other courses: 'I'm keen to see cross subsidy between lower-cost courses and higher-cost courses reduced.'[73] He did not pursue this argument to one possible logical conclusion of backing differential fees. However, there has been speculation in the media that Philip Hammond, the Chancellor of the Exchequer, is interested in ensuring a link between fee levels and 'teaching hours.'[74]

In 2016, Jo Johnson asked HEFCE to consider 'teaching intensity / weighted contact hours' and later announced the incorporation of teaching intensity in the subject-level Teaching Excellence Framework pilots.[75] This whole area had been heavily influenced by the work of two academics, Gervas Huxley and Mike Peacey:

> *In a rough and ready fashion, the [teaching intensity] metric can ... be used to estimate the cost of tuition — something wholly missing in the current system,' said the authors. 'We believe that widespread adoption of our metric would help to create a more competitive environment for both students and universities and a more effectively functioning market for higher education.'*[76]

Pricing courses according to the intensity of their teaching would undeniably provide a firmer link between the sticker price and the teaching experienced by each individual student, meeting the growing concerns over whether students are receiving 'value for money'.[77]

However, those running universities tend to feel it misunderstands the complex nature of running a multi-faculty institution that undertakes both teaching and research. As one senior academic put it in an email to me: 'What University Boards actually do, is get in as much money as they can, and then use it to fund the activities that the University values and which in their judgement will make it thrive.' This is known colloquially as the 'reservoir model' because income is pooled.

Moreover, a teaching intensity metric could not on its own address all of the concerns of those who have advocated differential fees. For example, linking the price of courses to contact time would ignore graduate outcomes, could be gamed and would fail to recognise sufficiently how students learn. According to MillionPlus:

> *It is highly misleading to suggest that tuition fees should, or could, only take account of the costs of teaching a particular course and/or be linked with narrow constructs such as contact hours. Such a simplistic approach ignores the wide range of education and associated activities in which universities engage and the impact on university business models of the significant changes in teaching funding and student support regimes introduced since 2012.*[78]

Regression analysis on the results of the HEPI / HEA *2017 Student Academic Experience Survey* suggests students self-perceived learning gain is linked to factors such as access to high-quality teaching, levels of independent study and avoiding high levels of paid work but not to the level of contact hours.[79]

vii) A free for all?

It has been suggested that fees should be unregulated, with no fee caps for any subjects, as a way of producing a more diverse higher education sector. For example, Sir John Chisholm, the Chairman of both QinetiQ and the Medical Research Council, recommended this in a paper commissioned by the Labour Government and published in 2008, which said:

> *It is not difficult to imagine that the UK university sector could respond energetically and creatively once artificial restrictions on student fees were lifted.*[80]

Elaborating on his ideas to the *Daily Telegraph*, he said:

> *If universities were able to charge fees on an open market basis, they would be allowed to follow their own strategies to becoming experts in their chosen fields and students would be able to follow the best route for their education.*[81]

In 2014, the Australian Government unleashed a lively debate about the merits of deregulating fees. Opponents raised the spectre of degrees costing A$100,000, although the University of Western Australia said it planned to charge A$16,000 a year for full-time domestic undergraduates.[82] However, the plan was blocked by the Australian Senate. It is hard to believe a free-for-all would improve the standing of higher education institutions. It could lead to fierce price inflation as well as uncapped costs for taxpayers in larger loan write-offs.

This chapter began with the thought that it sometimes seems as if there is a consensus in favour of differential fees. But the proponents of price variability mean different – sometimes flatly contradictory – things by it. Moreover, none of the main representative bodies or mission groups formally support differential fees.

In a short position paper on the issue released in late 2017, MillionPlus said:

> *It is highly misleading to suggest that tuition fees should, or could, only take account of the costs of teaching a particular course and/or be linked with narrow constructs such as contact hours. … Differential fees linked with graduate salaries would not only be unfair but would also remove investment from many universities in regions where economic growth has been lower than that in London and the South-East. Imposing differential and lower institutional fees on the basis of graduate earnings would reduce funding and the unit of resource in those universities with the most socially inclusive student cohorts. … the imposition of differential fees would damage not only the standing of universities at home and overseas but also be entirely unhelpful to the students and graduates of these institutions in terms of their future employment and career prospects. … Differential fees would undermine social mobility, unjustifiably reduce*

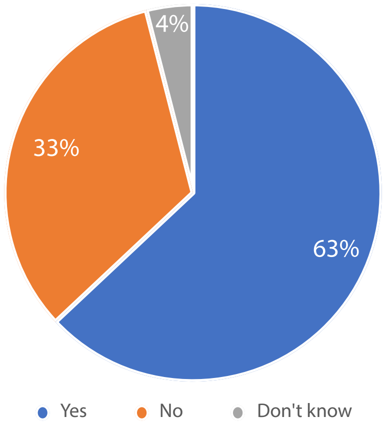
> *the unit of resource in some universities, undermine the capacity of UK universities to trade internationally and should be ruled out as a future policy objective by the UK government.*[83]

If there is a consensus in the sector, it is a consensus of scepticism about different prices for different undergraduate courses rather than a consensus in favour of different horses for different courses.

5. What do students want?

One voice that has been missing from the debates on whether or not to introduce differential fees is that of students. The opposition of the National Union of Students, as well as the Labour Party (which most students support[84]), to the current system of undergraduate tuition fees has dampened the chances of a debate on whether greater fee differentiation should be introduced. Instead, there has been a debate about the very existence of fees. Moreover, some differential fee models assume at least some future students will pay more than the current fee cap so are doubly unpalatable to those who think fees should not exist.

Do you think all full-time undergraduate courses should have the same fees?

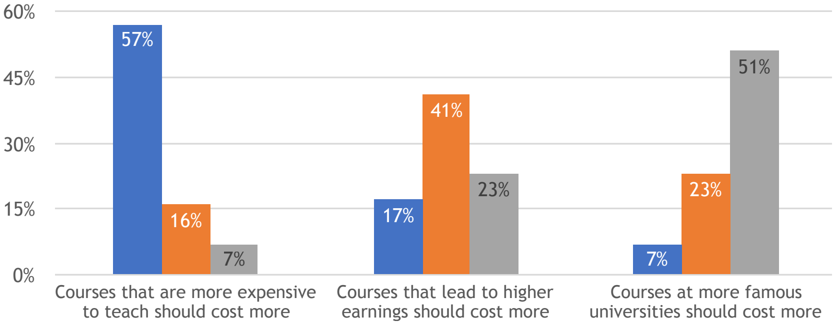


Yet we know rather little about what the mass of students think of differential fees relative to flat-rate fees (or relative to capped fees that have tended to bunch at the same level). We set out to improve our knowledge of students' opinions by asking questions on price differentiation via the YouthSight Omnibus Survey.[85]

Two-thirds of students think all full-time undergraduate courses should have the same fee levels while one-third disagree.

However, when asked to rank their preferences about three sorts of differential fees, only one-in-six students (17 per cent) chose 'None of the above' and just one-in-50 opted for 'Don't know'. The rest preferred higher prices for 'courses that cost more to teach' over higher fees for 'courses that lead to higher earnings', with less support for 'courses at more famous universities'.

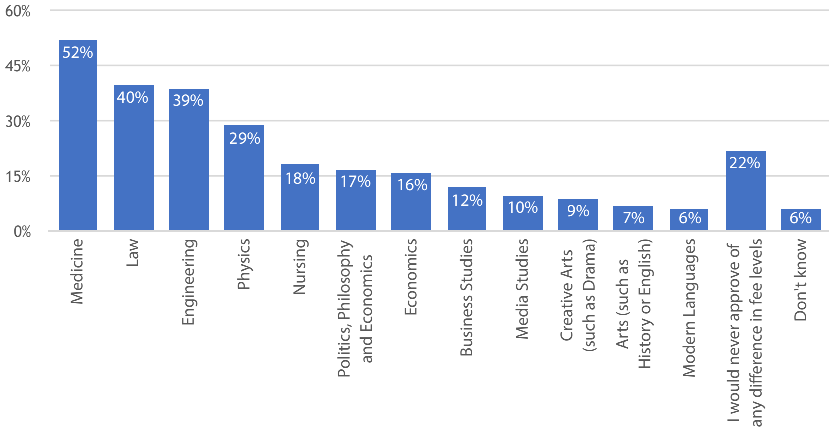
If different fees for different courses were ever introduced, what would be your preference?



When asked to express a view on a (non-exhaustive) list of disciplines where higher fees could be introduced, 22 per cent said they would never countenance differential fees and 6 per cent plumped for 'Don't know'. Beyond this, it was felt higher fees were more justified for some courses known to cost a great deal to teach or thought to offer high graduate salaries but not for many classroom-based and creative subjects.

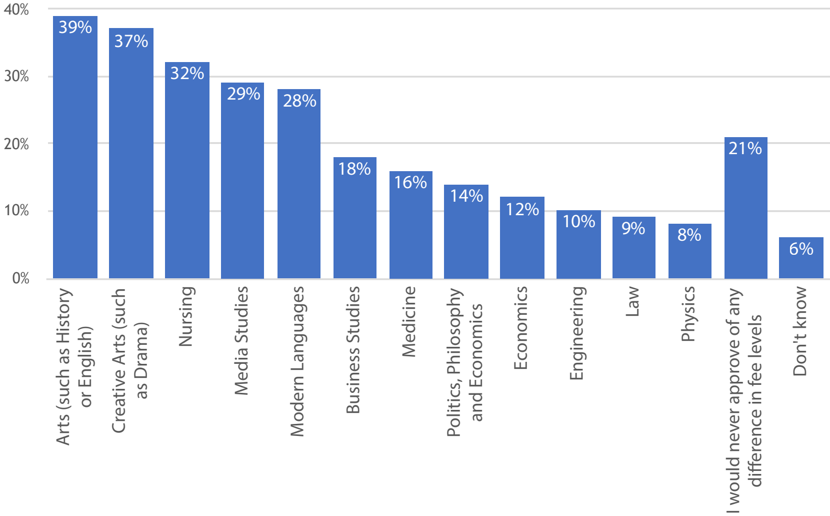
Over half (52 per cent) of respondents were prepared to think higher fees might be justified for Medicine, but just 6 per cent thought they could be justified for Modern Languages. Given that some supporters of differential fees favour lower fees for STEM subjects, it is striking that students are more accepting of higher fees for disciplines like Engineering (39 per cent) and Physics (29 per cent) than 'Creative Arts (such as Drama)' (9 per cent) and 'Arts (such as History or English)' (7 per cent). Arguably, these results map the Australian system rather well.

Imagine that different fees were being introduced. In your opinion, which, if any, of the following subjects would justify: Higher tuition fees



When the question was put the other way around, to reveal which disciplines might reasonably charge lower fees, 'Arts (such as History or English)' came top (39 per cent) followed by 'Creative Arts (such as Drama)' at 37 per cent, while Engineering (10 per cent), Law (9 per cent) and Physics (8 per cent) were at the bottom of the pack.

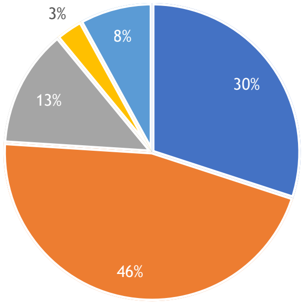
Imagine that different fees were being introduced. In your opinion, which, if any, of the following subjects would justify: Lower tuition fees



On being asked to express a view on how big any fee differential should be, students opted in larger numbers for the smallest one on offer. While 30 per cent refused to countenance any differential, 46 per cent said, 'The most expensive courses should never be more than one-and-a-half times the cost of the cheapest courses'. Much lower proportions were prepared to accept bigger price differentials: a mere 3 per cent thought the highest fee should be as high as three times the cost of the cheapest.

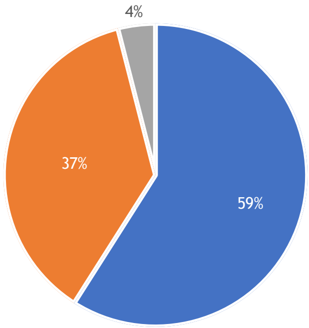
Respondents were also asked about the idea of students from poorer backgrounds paying lower fees (as part of which they were reminded 'you only pay back your student loan if you earn more than £21,000 a year after graduation'). Most students (59 per cent) did not feel lower fees for poorer students would be appropriate, though a substantial minority (38 per cent) backed the idea.

If different fees for different courses were introduced, how big a price difference do you think would be acceptable between the cheapest courses and the most expensive courses?



- I would never approve of any difference in fee levels
- The most expensive courses should never be more than one-and-a-half times the cost of the cheapest courses
- The most expensive courses should never be more than twice the cost of the cheapest courses
- The most expensive courses should never be more than triple the cost of the cheapest courses
- Don't know

Some people have argued that students from poorer backgrounds should pay lower fees. Others say this is not necessary because you only pay back your student loan if you earn more than £21,000 a year after graduation. Do you think:



- Fees should be the same for everyone
- Fees should be lower for students from poor backgrounds
- Don't know

6. Differential costs rather than differential fees

If the main underlying concern driving people to explore differential fees is the cost of delivering different courses, there is a clearer and simpler way to deliver the necessary resources: increasing the direct teaching grant so that it is not longer just a residual and nugatory part of the system.

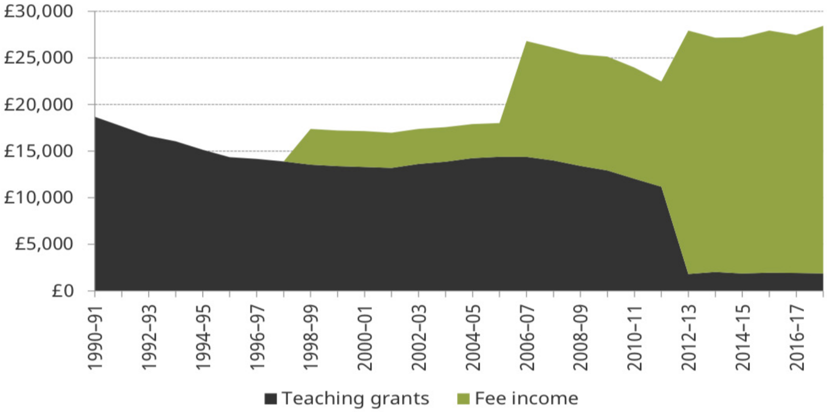
The old HEFCE teaching grant system had four Bands. Subjects in the Band A, such as the clinical stages of Medicine or Dentistry, received a teaching grant four times larger than classroom-based subjects, like History or Law, which were placed in Band D. Subjects in the two middle Bands received more than the minimum and less than the maximum.

HEFCE teaching grant, 2009/10[86]

Band A – £15,788 – clinical stages of Medicine and Dentistry courses and Veterinary Science
Band B – £6,710 – laboratory-based subjects
Band C – £5,131 – subjects with a studio, laboratory or fieldwork element
Band D – £3,947 – all other subjects

The new system introduced in 2012 swept away some of the complexity, most notably abolishing all teaching grant for disciplines in Bands C and D. But courses in Band D were cheaper to deliver than subjects in Band C. In fact, the cheapest Band D courses are thought to have cost around £6,280 to deliver successfully, compared to £8,560 for the more expensive Band C courses.[87] As a consequence, certain disciplines suddenly felt significantly better resourced (even after accounting for changes like additional access work). According to the Institute for Fiscal Studies, 'The lowest-cost subjects attracted 47% more income per student in 2017 than in 2011 while the highest-cost subjects only attracted 6% more income.'[88]

University resources per student per degree for students starting between 1990–91 and 2017–18 (2017 prices)[89]



The scale of the change, combined with the replacement of the Higher Education Funding Council for England with the Office for Students, may have led some people to believe the era of generous teaching grants is over – at least in some parts of the UK, most notably England. But there are grounds for thinking that is not so. For example, the key drivers of the increase in the tuition fee cap from £3,375 in 2011/12 to £9,000 in 2012/13 was economic turmoil, an enormous deficit and a commitment among politicians in all the main political parties to reduce public spending. Such conditions are not permanent. Moreover, even during recent cash-strapped years, extra money has been found to boost the teaching grant in various areas when a really strong case has been made.[90]

Philip Hammond, the Chancellor of the Exchequer, has expressed concern that some courses currently seem underfunded through the residual teaching grants:

> *It is a matter of concern, which several vice-chancellors have drawn to my attention, that universities incur significantly higher costs in teaching some subjects compared with others, and the funding system does not reflect those higher costs in a way that necessarily incentivises universities to focus on increasing their STEM teaching.*[91]

He immediately went on to warn that 'some have argued that there is a perverse incentive in the system, in that they can generate surpluses in relation to some of the humanities subjects that are cheaper to teach.' But Madeleine Atkins, the Chief Executive of HEFCE, has denied this is still a major issue:

> *There is a sense sometimes in the media that classroom-based subjects are overpriced at £9,250, and that a considerable surplus must be being made there, which is then directed to higher-cost courses. Our analysis suggests that that is not the case. Indeed, any surplus on classroom-based courses is eroding fast, due to inflation and other things.*[92]

So one alternative to introducing differential fees is to make a persuasive case for more teaching grant for subjects that can be shown to be underfunded currently. Extra resources could also be sought for less traditional modes of delivery, such as part-time courses, or for places where delivery costs more.[93]

The recent changes to the student loan repayment terms mean over 80 per cent of graduates will not repay the entirety of their loans.[94] So the question is not whether the Government or graduates should foot the bill for any increase in resources; it is whether the Government and taxpayers do so today or whether they do so tomorrow by writing off the loans later on.

Just as it is possible to provide extra teaching resources to institutions for the benefit of students by tweaking the current system rather than introducing differential fees, it is also possible to tweak the system to help particular groups of people deemed worthy of additional support. In April 2017, HEPI recommended forgivable fees over bursaries for trainee teachers.[95] This idea was picked up in the Conservative Party manifesto for the 2017 General Election.[96] It is now being piloted.[97]

Conclusion

It is possible, if the proponents of variable pricing are to be believed, that having different fees for different courses and / or different institutions could:

- send welcome signals about the value of different options;
- drive extra resources to urgent priority areas;
- support disadvantaged students;
- encourage people to enter certain professions; or
- protect the diversity of the higher education sector.

But we have been debating differential fees for at least 20 years, since the Dearing report came out, and countries with differential fees face issues that the UK has not had to face, such as who, which institutions and what to favour when pricing courses. What initially seems like a solvable economic question quickly becomes a tricky political one.

Moreover, in one important respect, we already have differential fees even for undergraduate courses subject to the fixed fee cap, but at the back end. This is because in income-contingent loan systems the amount you repay differs considerably depending on your earnings after graduation.

Expected average lifetime repayments by decile of graduate lifetime earnings for 2017–18 cohort (2017 prices, not discounted)[98]

It is also clear that the problems the backers of differential fees want to resolve, such as insufficient resources for more expensive-to-teach subjects or the lack of labour market planning, can be delivered in other ways given sufficient resources and political will.

Differential fees can operate effectively and sustainably, as proven by experience in other countries, but it is not clear that they solve the problems their many different advocates claim. So the arguments for and against differential fees are likely to continue. But, if the higher education sector is serious about maintaining direct public subsidy through a growing teaching grant administered through the Office for Students, then lobbying for differential fees risks pulling the rug under its own arguments.

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