

# future universities towards a genuinely sustainable system

Matt Grist

February 2012

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DEMOS

# FUTURE UNIVERSITIES

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Any mistakes and omissions are of course all my own.

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## EXECUTIVE SUMMARY

### Introduction

This paper is an attempt to think through the reforms in the recent White Paper on higher education in England, *Students at the Heart of the System*, and the reform of tuition fees and student loans that passed through Parliament at the end of 2010. It accepts the *general* approach of these reforms, which is:

- to shift more of the burden of funding higher education to its users;
- to make this shift in burden as fair as possible through ‘progressive’ terms of repayment;
- to allow good institutions to expand and bad ones to contract;
- to make it easier for new market entrants to bring innovation to the sector;
- to phase out ‘quotas’ on numbers of students;
- to increase social mobility through higher education;
- to put English higher education on a sustainable footing.

However, the paper takes issue with the detail of the reforms put forward by the present government and presents alternative policies aimed at correcting (some of) their shortcomings. The idea is not to articulate precisely costed policies. Rather, it is to provide a set of policies that complement one another, the exact calibration of which remains flexible and should be based on more detailed economic analysis than can be provided here (but which Demos hopes to carry out in the near future). Thus the idea is to create a debate around what room for manoeuvre there is within the current

general policy framework as we enter the next political cycle in 2015 (or perhaps sooner).

The paper is focused on full-time undergraduate education and has little to say on other aspects of higher education such as postgraduate education and links between universities and businesses. Such other aspects are highly important and are not discussed here simply due to restrictions of space. The paper also does not come close to dealing with all the issues raised by the White Paper itself, again this is due to lack of space.

### Methodology

This paper is the result of desktop research by the author and interviews with vice chancellors of English universities, to which the author owes a debt of gratitude.

### Key Argument

This paper finds that the Government's recent reforms of higher education have in some instances over-extended a free market approach and in other instances under-extended it. Rather than starting from an ideological position with regard to markets and the state (as the Browne Review seemed to do), the paper starts by defining what higher education is supposed to do – primarily, provide a 'universal education' where graduates become independent learners in their chosen fields. It then asks what has made English higher education successful (on the whole) in providing such an education, arguing that success is built on three principles:

- open competition for the best students and staff;
- institutional autonomy;
- the 'Robbins Principle' which states that: 'courses of higher education should be available to all those who are qualified

by ability and attainment to pursue them and who wish to do so'.

Thus when the paper advances an argument for a free-market approach, it does so because such an approach helps sustain these three principles. When it advocates some curtailment of the market, it is for the same reason. On the whole, it is argued that markets are well suited to maintaining the three principles which in turn encourage and allow institutions to focus on developing *excellence in distinct educational missions* (including when missions consist in providing a broad liberal arts education).

However, where markets fall short the state should certainly act as funder, administrator and regulator of higher education, as it has done, largely successfully, in the past. This classic British compromise is not a fudge to be resolved by clear-sighted committees of economists. Rather, it is what has brought English higher education the success it currently enjoys.

On analysis of the recent White Paper the following two conclusions are reached, which are the central claims of the paper and underpin the policy recommendations.

- That the White Paper does not deal with the central impediment to an efficient, competitive and high quality sector, which is excess demand for student places.
- That the damage to social mobility from locking out prospective students from higher education is likely to be greater than that of the debt averseness created by large loans.

### Key recommendations

The following are intended as amendments of the general approach that has been adopted since the recent White Paper, not a radical rejection of that approach. However, some of the policy shifts called for are significant and would require political bravery to be



implemented (the full list of policy recommendations is at the end of the paper).

- The Government must work towards reducing the cap on student numbers so that as many as possible of those who are capable of benefiting from higher education can do so, and so that supply and demand between degree places and prospective students are better matched. The current mismatch between supply and demand is by far the biggest impediment to bringing down fees and to introducing competition into the sector. The cap on student numbers also impedes social mobility by restricting access. Unmet demand could reach 100,000 individuals per year by 2020<sup>1</sup> making the cap a serious problem that must be addressed.
- The Government must make the repayment terms of loans moderately less generous in order to bring down the unacceptably high level of loan write-off that will occur under current proposals. The anticipated high level of loan write-off (estimated to be between 32 per cent and 37 per cent of the loan book) is the major reason for a stringent cap on numbers (and hence is the major cause of the mismatch between supply and demand cited above).
- The Government should, at the earliest possible date, start the process of removing all restrictions on the growth of higher education institutions beyond those imposed by any remaining cap on student numbers and the risk-based regulation and quality assurance assessments carried out by the Higher Education Funding Council for England (HEFCE) and the Quality Assurance Agency (QAA). The ultimate aim should be to create a completely open market in terms of institutional expansion and contraction.
- The Government should not allow institutional spend on bursaries to count towards Access Agreements. This would mean that the majority of bursaries and all fee waivers (see next recommendation) would be means-tested and centrally distributed through the existing student loans system, and

thus fair, well-targeted and easy to understand. Under the current system the complexity of deciding how much different university courses will cost is overwhelming, with candidates having to factor in different kinds of bursaries, loans, maintenance grants and fee waivers. Moreover, at the moment, students are paying (through higher fees) for bursaries for other students (hardly the most equitable way of funding social mobility).

- The Government should ban universities from offering fee-waivers so price is clearly signalled through tuition fees. Institutions are able to use fee waivers as a quick and easy way to satisfy Access Agreements whilst at the same time bringing net fees down so as to be able to bid for 'margin' places. This use of fee waivers to satisfy OFFA means less effort and resources are spent on what really increases social mobility: successful outreach programmes.
- HEFCE should look to encourage the teaching of external degrees where 70 per cent of content is set and assessed by an external institution (e.g. the University of London, a professional body, an established education provider). The spread of external degrees would lead to efficiency savings whilst also driving up standards and reassuring employers and students about the quality of degrees. Allowing 30 per cent of an external degree to remain 'in-house' would preserve the 'synergy' between research and teaching that currently exists in most UK universities.

## INTRODUCTION

### What is Higher Education for?

*Universitas* – ‘the whole’; in late Latin ‘society, guild’

*Universitas magistrorum et scholarium* – ‘a community of teachers and scholars’

Higher education is not defined by being above level 4 in the current Qualifications and Credit Framework. It is defined by the idea of a university and a ‘universal education’.

Thus, to understand the future we must go back to the past. The word university derives from the Latin *universitas* meaning ‘the whole’ and in later usage ‘society, guild’. A universal education took place in a ‘community of scholars and teachers’ that was bound by standards and norms protected by the state but independent of it. Most notably, scholars and teachers were bound by truth rather than power and from very early in Europe were given special dispensation to speak freely.

The ‘society’ or ‘guild’ that a universal education took place in and through was concerned with ‘the whole’ in the sense of knowledge in its entirety, rather than knowledge of some specific thing like carpentry. This concern with the whole of knowledge should not lead us into thinking that the origins of a universal education lie in the modern concept of a liberal arts education. Granted, a universal education was originally scholarly and concerned with what we would today call the humanities. But such an education was soon expanded to include vocational scholarship and teaching – notably medicine and law. And anyway, in medieval times and even in early modernity, subjects like philosophy and theology were not seen as separate from subjects like medicine and law. The former were

considered the foundation of the latter and so common principles were held to span them both.

Therefore the commonality amongst ‘academic’ and ‘vocational’ subjects in early universities was a commitment to learning the *underlying principles of things*. Once one understood these principles one could apply them for oneself to new phenomena, becoming an *independent enquirer* and so a member of the society or guild of scholars and teachers who were granted special dispensation to speak freely.

In modern parlance we would call someone who had grasped the underlying principles of things *an independent learner* – someone who has ‘learned to learn’ in the fullest way.

Despite the perceived divide between academic and vocational study at universities (e.g. studying the humanities versus studying law), the same commonality exists today between these two forms of study, just as it did in medieval and early modern times. The shared identity lies in the idea of grasping underlying principles so that one can apply them to new situations and learn new knowledge and techniques for oneself.

For example, someone who has learned the principles of physics can apply them to a new problem in physics; someone who has learned the principles of engineering can apply them to building a new kind of bridge; someone who has learned the principles of literary criticism can apply them to a new text; someone who has learned philosophy can apply the principles of ethics to a new ethical problem; someone who has learned the principles of computer programming can apply them to creating a new kind of programme, and so on.

Graduates of higher education are graduates of a universal education in the way just described – they are independent learners who have ‘learned how to learn’ within the parameters of some established body of knowledge or practice.

The ‘graduate premium’ is paid because graduates are perceived to have acquired knowledge and skills to a high level. But also because

they can apply both of the latter to new situations and so are considered to be 'self-starters', 'adaptable', 'flexible', 'creative', possessors of 'transferable skills' etc.

Hence the difference between a Higher National Diploma and a full degree in (for example) radiography should be that the graduate is not only able to operate equipment and carry out a set of technical routines; she can also, with little fuss, understand how to use any new piece of equipment and adapt to new routines quickly. How can she do this? Due to her having understood the underlying principles operative in her chosen field and hence having 'learnt to learn' within that field.

**Box 1****From past to future – the continued prevalence of the idea of a universal education in the English system**

It is the ‘gold standard’ of a universal education that should guide any regulation of standards in the expansion of higher education. Our thinking should be guided by looking up to this standard, not by the bureaucratic systems that have (or should have) been developed to help us protect and spread it (e.g. the UCAS tariff system; QCF).

It does not matter whether a universal education is provided by the Open University via correspondence, or by some other institution providing a similar service online. Nor does it matter that further education colleges might provide much of the teaching and practical learning elements of a degree-standard education, which under the Government’s new White Paper they can expand in doing. What matters is that all providers reach the standard of a universal education and only enrol students capable of reaching this standard.

The English system is perhaps uniquely placed in the world in terms of honouring the idea of a universal education. For example, in 2010-11 a staggering 35 per cent of entrants to higher education had no qualifications recognised by UCAS.<sup>2</sup> Some of these entrants will have had foreign qualifications or other level 3 qualifications not recognised in the tariff system, but we must presume that many of them were simply adults who did less well at school than their abilities allowed and whose talent for independent learning was spotted and nurtured by admissions officers. This level of informal entry to higher education shows that the English higher education sector is still firmly governed by the idea of a universal education and not by the qualifications bureaucracy designed to measure it.

## SECTION 1

### What do universities do? What should they do?

If the purpose of higher education is to provide a universal education, then *how* do universities do this? Very roughly, universities in the UK carry out the following functions:

(a) *General education*

Degree-level teaching that provides a general education – e.g. degrees in humanities

(b) *Vocational education*

Degree-level teaching that provides a vocational education – e.g. business studies degrees, law degrees

(c) *Professional accreditation*

Awarding professional accreditations such as degrees and post-graduate degrees in dentistry, medicine, engineering, nursing, teaching and accountancy.

(d) *Cultivation and preservation of the arts and humanities*

Providing specialist training in the arts – e.g. music, drama and fine arts degrees; acting as guardians of learning and culture – for example, producing scholars in Middle English.

(e) *Research*

Carrying out scientific research of various kinds and other kinds of research such as social scientific research.

(f) *Partnerships in innovation*

Working with government, industry, the public sector and the third sector (e.g. Joseph Rowntree Foundation) to carry out

research and pursue knowledge of strategic importance to the economy and society, at both national and international levels

(g) *Partnerships in civic renewal*

Working in partnership with local authorities and other bodies to promote and sustain civil society and social projects (social partnerships, social enterprises).

England has excellent provision in all these areas, although of course there is plenty of room for improvement. One proof of such excellence is the continued over-representation of UK universities in the top 100s of world university rankings, although these rankings should not be treated as definitive since they only measure one of the above functions, research output.<sup>3</sup> Large numbers of foreign students also come to the UK to study, with a projected increase in applications from non EU applicants at the time of writing of 13 per cent.<sup>4</sup> This rise must be balanced by a fall in non-home EU applications of 11 per cent, probably due to rises in fee levels.

Thus any analysis of the UK university sector must start from the fact that the system thus far has produced excellent results from modest inputs. Most European countries would dearly love to have universities of the world stature that the UK has, as well as the research outputs to match.

**Achieving excellence through distinct educational missions**

To recap the argument so far, it has been argued that higher education is concerned with providing a universal education, that there are various different ways universities can provide such an education, and that the English sector has been historically very successful at many of these.

The argument now is that, at least in part, a market-based approach to English higher education is the best way of ensuring that universities – whether small or large, new or old, real or virtual – develop and sustain excellence in their distinct educational



missions. Each institution should decide which functions from the list above they can carry out well, in which proportions, and relentlessly pursue excellence. This is what universities *should* do and a market is a suitable framework in which to do it because it grants freedom to institutions to hone their offers, whilst at the same time focusing minds on the task at hand, since distinct excellence of mission will be one of the major selling points of an institution.

Conversely, this paper rejects the idea that differentiation of mission leads inexorably to pernicious consequences. It is a logical mistake to think that if institutions pursue different missions (e.g. a Russell Group university concentrating on research; a Million+ university concentrating on teaching and learner support), that one mission will be highly esteemed and so high quality, and the other lowly esteemed and so low quality. Public esteem and quality of educational offer are not identical. People will esteem how they will and it is no business of government or universities to interfere in public attitudes. But what government and universities can do is support the relentless pursuit of excellence in the functions on which an institution chooses to focus.

No-one thinks that we cannot have excellent kindergarten teaching, or social care, or primary school teaching, even if in the mind of the public the missions of kindergarten, care homes and primary schools are not esteemed as highly as those of Oxford colleges, blue-chip companies or the Civil Service Fast Stream. Similarly, an ex-College of Technology, such as Surrey University, can become a centre for excellence in international hospitality management, despite the great and the good of the chattering classes not esteeming it as highly as PPE at Oxford. Finally, a university such as London Metropolitan can pursue the mission of taking young people from deprived backgrounds and educating them to degree level despite substantial disadvantages (as long as the quality of degrees is not diminished in the process).

All these distinct missions may be esteemed differently but that should not matter a jot: they are all worthwhile and what matters is

excellence in each mission rather than some utopian wish for a world where nothing is esteemed more highly than anything else.

In the next section we will start by looking at what, at the macro-level of sectoral organisation, England should do to enhance its ability to provide excellence within all the distinct (but often not separate) educational missions its universities undertake when they impart a universal education. We will then examine how English universities have traditionally provided excellence in their distinct missions, before moving on to discussing how such provision has been undermined by recent policy. Finally, we examine how the policy landscape after the recent White Paper can be improved so that a market in higher education can sustain and improve excellence in English universities, and so that the state can play the most fruitful role possible when it shapes and regulates that market.

## SECTION 2

### Excellence in distinct missions – the market approach, ‘differentiation’ and the three principles of English higher education

There are roughly three ways higher education sectors can be organised:

- by the state, as in France and Denmark;
- almost entirely free of input from the state as in the case of Ivy League institutions in the US;
- through a combination of state input and sectoral autonomy (as is the case in the UK).

Although these categories are somewhat indistinct – for example, Ivy League universities benefit from state subsidies through student loans – they are useful in deciding the best way for the UK higher education institutions to develop excellence in their distinct educational missions (for the sector to ‘differentiate’ itself in a positive manner to the maximal degree).

In deciding how English higher education achieves maximal differentiation, as much weight must be given to history as is given to arguments from first principles. Roger-Francois Gauthier has recently argued that educational systems are not rational entities to be organised solely according to strategic aims and objectives.<sup>5</sup> They are rather historical entities rooted in culture, tradition and established practice.

#### How should England organise its higher education sector?

Arguments about how to organise the higher education sector at a macro-level are really arguments about differentiation – that is, how do we get maximum quality and value from the sector in terms

of the functions identified earlier? Arguments for a free market approach usually cite the success of the Ivy League universities in the US, the income of which overwhelmingly comes from endowments, partnerships with business, private contributions by alumni and student fees. The high degree of autonomy enjoyed by these institutions certainly allows them to pursue cutting-edge research and to relentlessly pursue excellence by investing huge amounts in staff and infrastructure.

However, it would be a mistake to think that such institutions are completely free of state input – for example, they benefit from state funding of student loans and state investment in strategic research. Moreover, these institutions are not a good model for the UK because their excellence in large part depends on a culture of alumni donation and a legacy of huge financial endowments. The UK has no such culture or legacy of any significance and has a very long history of state input into universities that has not, to any great extent, compromised institutional autonomy and academic freedoms. Whilst medieval Italian universities such as Bologna were supported by princes and noble men and French universities by the church, England's medieval universities were protected by the state against religious interference and undue influence from the rich and powerful.

In the last two centuries the state has had a major role to play in building and funding universities but has done so whilst allowing UK institutions, particularly those operating under Royal Charter, a great deal of autonomy. Although some would say the success of UK higher education is despite, not because of, state input, the latter must be reasonably benign for this success to have occurred.

The most damning argument against a complete free market in higher education comes from the fact that one exists nowhere in the world. The Ivy League universities in the United States operate in a system that has many differentiated parts – Community Colleges offering associate degrees, State Universities, four-year private providers of general education (liberal arts colleges) and research-intensive private universities (including the Ivy League). This degree of differentiation is only achieved because the US state

invests a far higher amount of money than the UK in higher education, with a substantial amount of government funding going to Community Colleges and State Universities (e.g. in 2007 the US spent 3.1 per cent of GDP on higher education whereas the UK spent 0.7 per cent). Even in a system such as South Korea's, which gets 80 per cent of provision from the private sector (and has 80 per cent of its young people enter higher education), it would be an error to describe higher education there as operating within a totally free market, as the government is heavily involved in regulating and funding the tertiary sector.<sup>6</sup>

What of the state-run model adopted by France and Denmark? The latter country has recently reorganised its system along differentiated lines, splitting off three 'world-class' research institutes from eight universities focused more on general education.<sup>7</sup> However, one vice chancellor interviewed for this paper described Denmark as 'irrelevant' since it is a small country with a population less than London's, and it does seem that maximising excellence and value through central planning is not germane to a diverse and (comparatively) large country like England. Denmark, can act like a well-organised (albeit very large) corporation; England cannot.

Moreover, in the course of writing this paper various vice chancellors and commentators were interviewed who warned that England needed a more strategic approach to planning and funding higher education. However, none were in favour of a centrally organised system such as Denmark's. In fact, all seemed convinced that England suited some sort of market approach with decision-making decentralised to autonomous institutions, lest we are to ignore Gauthier's injunction to take seriously the history and culture of educational systems.

But what of France? France has organised its system centrally and according to different functions, although with a strong attachment to traditions that do not make its system particularly rational. The highly selective Grand Ecoles (not actually universities) educate the elite for academia, government, business and the civil service, and for study in specialist subjects such as science, architecture and

engineering. The public universities provide what might be termed a 'general education' at degree level and are the closest equivalent to English universities. French public universities also provide non-selective education for business and industry. Research areas at these universities are largely assigned to institutions according to distinct subject areas (although individual institutions belong to research 'clusters'). Could this be a model for the UK?

There are few voices calling for the UK to reorganise its sector along the lines of France, primarily because academics in the UK are strongly wedded both to institutional autonomy and the idea of preserving the 'synergy' between research and teaching, as well as the 'cross-fertilisation' the diversity of departments within an English university often brings about. It is due to the importance of cross-fertilisation and the synergy between research and teaching that the French Education secretary, Valerie Pecresse, is currently exploring how the French system could be more like the English.<sup>8</sup> A further unhelpful idiosyncrasy of the French system is that public universities cannot be selective at all beyond insisting on a basic competence to undertake higher education. This feature of the system seriously harms the ability of public universities to pursue excellence in distinct educational missions (i.e. they are unable to develop degree schemes that only attract some of the best students in a given field).

Whilst vice chancellors and other commentators who spoke to Demos acknowledged that a shift back towards teaching quality over research output (as envisaged by the recent White Paper) was needed to a small extent, concern was expressed over too much of a reorientation towards teaching via institutions focussed solely on it (as in Denmark and the US). Russell Group universities might be expected to argue that it is in the synthesis of cutting edge research and teaching that their unique offer lies. But a prominent vice chancellor from a Million+ university expressed to Demos that he saw the key to high quality teaching in this synthesis too. In this regard, there seems to be relief that research grants have not been cut but also a worry that target-chasing in terms of proxies for good teaching (such as numbers of contact hours), could detract from the

unique ‘synergy’ of research and teaching typical of English universities. As this same vice chancellor put it:

*I like the idea that you live in a community which thrives on a synergy between new ideas and existing ideas. And that is one loosely between research and education. I like the idea that there will be teaching fellowships in a variety of different areas in the sector, but I don't want that to be seen as a breakdown between the fundamental synergy between education and research. There are ways of doing that by having some research only and teaching only and a broader range of staff doing both but I think there is just a need to recognise that synergy is in fact what defines the university.*

Of course some higher education institutions are very much focused on teaching in a more narrow range of subjects than the traditional university – for example, teacher training colleges, music conservatoires, new market entrants focused on professional accreditation in law – and there is nothing wrong with such focus as long as students know what they are choosing and academic standards are maintained. However, the untrammelled growth of such institutions at the expense of institutions where research and teaching constantly bump up against one another would not be a desirable outcome for English higher education. Certainly maximal differentiation should be sought in the system so that each institution pursues excellence in its distinct missions. But for the majority of institutions distinctness of mission is defined by the synergy between research and teaching.

A recent pamphlet from CentreForum argued for the separation of teaching and research, and whilst making sense in terms of efficiencies and economies of scale, this kind of reform, if rolled out too widely, would be completely out of kilter with the history of English universities and what makes them successful.<sup>9</sup> However, accepting the need for a large amount of synergy and cross-fertilisation, institutions still need to be sure of their mission and to continually hone it.

Autonomy, research–teaching synergy and cross-fertilisation are all historically well-established features of the English system. But they

are also probably features any university system would seek to emulate if it were to succeed in a complex global economy – one in which, dynamic, somewhat creative and entrepreneurial institutions are most likely to succeed.

These arguments lead us to embrace – in a hopefully non-Panglossian way – the very system we seem to possess; a broadly market-oriented higher education sector with a high degree of institutional autonomy but with a reasonable amount of regulation, funding and strategic guidance still coming from central government. The question then becomes what kind of balance is to be struck between a free market and government input, in order to create maximal differentiation in the system; that is, differentiation with regard to developing distinct but excellent educational missions?

In what follows it is argued that in order to achieve the maximal differentiation the market-based approach of the recent White Paper should be extended in some instances yet in others drawn back. Rather than start from a presumption that it is only system-level reform based on either markets or state that will work, this paper begins from the premise that England's higher education system is historically one where both operate together (and to great success). The real spade-work for policymakers lies in deciding in which precise ways state and market should be married, given the strengths of the English system and its current weaknesses.

### **Strengths of the English higher education sector**

The 'three principles' of success in English higher education post WWII have been the following:

- competition for the best students and staff amongst universities and the judging of universities on the calibre of their student intake;
- the institutional autonomy granted to universities, especially with regard to the relative freedom of movement of



academics so that they can build centres of research excellence, according to international meritocratic standards, rather than standards mired in patronage and bureaucracy;

- the ‘Robbins Principle’ which states that: ‘courses of higher education should be available to all those who are qualified by ability and attainment to pursue them and who wish to do so’.

Thus in English universities, excellence in teaching and research have been driven by the demands of prospective students who are themselves merit-based candidates from a wide variety of backgrounds (although not as wide as might be liked), and by the freedom with which institutions can deploy both capital and high-quality staff.

When we discuss the future of universal education in England, we should always bear in mind the ‘three principles’ just listed. For the ‘synergy’ between research and teaching, and the cross-fertilisation across departments in English universities, are both products of institutions facing outwards to the needs of meritocratically chosen students, as well as to the honest appraisal of the international research community.

### **From strengths to weaknesses**

This paper has been largely positive about English higher education – asking the reader to resist the doom-laden narratives that bemoan the decline of English universities and recognise that the sector has in fact been uniquely successful in international terms. However, it would not be right to suggest there is no danger lurking.

Where there has been concern over higher education in England it has been, broadly speaking, in the following six areas:

- concern over social mobility with too few poorer students attending ‘elite’ institutions;

- concern over a fall in academic standards following the expansion of student places;
- concern over increases in bureaucracy and managerialism;
- concern over a retreat from teaching and an over-concentration in research;
- concern over whether elite universities are able to generate enough income to compete in a global market;
- concern that too many young people are taking degrees so that the latter are devalued and the country is inefficiently over-educating its workforce.

Whether all these concerns are justified is a moot point, but there are certainly elements of all that are.

The recent White Paper attempted to respond to all of these concerns in one way or another. It is not possible here to gauge how successful all these responses will be. Rather, the focus is on the following two areas:

- costs, competition and institutional autonomy;
- social mobility and access to higher education.

The next section analyses weaknesses in the approach taken by the White Paper with regard to these three areas of concern, all the time with the three principles of success in English higher education in mind. In the section that follows the next, a menu of policy recommendations is advanced that could help to correct some of the weaknesses of the White Paper.

## SECTION 3

### Building on the White Paper

#### Shifting to the majority of funding for higher education coming from students

Before we look at specific policies that might support a healthy market in English higher education, we need to deal with the basic question of why students should pay more for their degrees. To answer this we must remember that the UK, and England within it, is currently facing a multi-faceted debt crisis – a structural deficit, large private sector and individual debt, a large government debt and large unfunded commitments such as Public Finance Initiative (PFI) schemes and public sector pensions. But there has also been a general decline in the opportunities for growth for the UK within a world economy increasingly shifting towards the so-called BRIC countries, and with the recent troubles in the Eurozone. Moreover, with increased longevity and the retirement of the baby-boomers, the UK faces massive increases in the costs of pensions and health and social care.

Within this economic climate, savings must be made wherever they can be. Graduates are prime candidates to save the state money since there are variable but often large private gains associated with obtaining a degree – for example, higher wages, as well as personal gains in wellbeing.<sup>10</sup> Moreover, recent Demos research has shown that a university education significantly protects against unemployment.<sup>11</sup> There are of course also public gains from these private goods – such as lower unemployment rates and increased productivity, as well as more obvious public goods including but not limited to the development of socially and economically important skills (e.g. medical skills).

In times of less debt and with a different demographic situation, on balance it might be argued that, due to the public goods that accrue from higher education, individuals should not be expected to pay too much for their degrees. However, we are in the times we are in

and, given the considerable accrual of private goods by graduates, it seems asking them to contribute more is justified. However, it is a premise of this paper that higher education should be sustainable over the long-term, not forced to make severe savings for the sake of short-term budgetary targets. Since the UK's low and stable borrowing costs are largely due to the average maturity of its debt being around 14 years,<sup>12</sup> it seems that what the markets care about is the long-term health of the UK economy, not short-term plans based around the political cycle.

Therefore the position taken here is broadly supportive of the shift of costs from state to individual in higher education, so that a majority of the funding is student-led. Nevertheless, in what follows serious misgivings are expressed about the precise combination of student debt, capped overall student numbers and market incentives that the Government has proposed.

### **Costs, competition and autonomy**

The White Paper tries to marry together what would indeed be a marvellous pair of complements: on the one hand, efficiency savings through market diversification and greater competition for students; on the other hand, greater quality of provision (namely teaching) achieved through student choice. Hence with 'students at the heart of the system' costs should go down and quality should go up. Or that's the idea anyway.

The first thing to say is that such a happy state of affairs could be achieved, as long as one's expectations are modest. For a start, the input costs for higher education are hard to reduce dramatically without damaging quality. There could be some savings in terms of splitting up research and teaching functions so that not all academics are paid for research time (e.g. sabbaticals). There is also undoubtedly scope for new market entrants to focus on teaching in niche areas like professional accreditations and deliver excellence whilst keeping costs low due to not having to pay for research. But many universities have already gone quite far in this direction (e.g. through the employment of teaching assistants) and it is not clear

how much more distance could be travelled without losing the ‘synergy’ between research and teaching that marks out most good English higher education. Moreover, the greater power of student choice in the new system is just as likely to push costs up as students expect more contact time with staff who are leaders in their fields.

There are other efficiency savings that could be made, such as pooling administrative and other ‘back office’ functions, but the reduction in costs such initiatives are likely to produce will be small beer. Other initiatives, like two-year degrees and more good-quality online learning are to be welcomed as giving students more choice and creating efficiencies, but again, there is no evidence that savings from such initiatives will be huge.

However, it is not idle to hold that greater competition between institutions and greater student choice, within a system where fees remained capped, will both improve quality of provision by forcing a relentless focus on excellence in distinct missions, whilst at the same time creating modest savings in terms of fees through greater competition (and modest savings are not to be sniffed at when they are year-on-year). So the problem is not that modest savings could not be coupled with improvements in quality. It is that in some respects, the White Paper actually stands in the way of this coupling.

The basic problem that the White Paper does not tackle is that excess demand for degree places means institutions are not under particular pressure to bring down costs and raise standards. There was of course a large amount of pressure bearing down on institutions to maintain standards under the old system of HEFCE grant funding – any institution dropping standards too far would quickly find itself having to work very hard to attract enough students. But the White Paper stakes the house on ‘student choice’ driving up quality considerably, whilst at the same time driving down costs. However, as long as there is excess demand in the system, institutions will be under no great pressure to work towards achievable modest reductions in costs, nor to greatly push up quality through keener focus on distinct missions.

Controls on student numbers (or ‘quotas’ as the White Paper calls them) have been in place since 2008 and their purpose is to protect the Exchequer from excess costs due to the rising demand for higher education. Since the reforms of the White Paper one might think that such controls could be lifted, with students paying fees themselves and a massive reduction in HEFCE grant. However, due to the generous terms of the loan repayments system, the Government has had to revise its estimates of the Resource Account Budgeting (RAB) charge for unpaid student loans.

The Department for Business Innovation and Skills (BIS) estimates that the RAB charge could be as high as 32 per cent<sup>13</sup> and one study put it as high as 37 per cent.<sup>14</sup> Given that the 32 per cent figure is based on past patterns in graduate wage growth, and given the fact that the graduate premium is much more variable than it was once considered to be, it is quite plausible that the BIS estimate of the RAB charge is somewhat optimistic. If that is the case, then the terms of student loan repayment adopted by the Government look as if they may have to be revised. In the meantime, the Government has no plans to reduce the cap on student numbers since that would mean storing up even more bad debt for future generations.

So despite the White Paper railing against the complacency in the sector that ‘quotas’ give rise to, it has left in place the main impediment to reducing complacency, the tight control of student numbers and the excess demand in the system this causes.

Work by HEPI estimates the excess demand for student places in 2010-2011 to have been approximately 60,000 individuals (a figure that is much lower than newspaper headlines but which properly identifies genuine unmet demand).<sup>15</sup> However, more troublingly, HEPI estimates that unmet demand is likely to rise to 100,000 by 2020.<sup>16</sup> This estimate is based on a higher fertility rate amongst more affluent families, the continued increase in participation in higher education amongst disadvantaged groups, improvements in boys’ progression to level 3 qualifications and the raising of the compulsory participation age to 18 in 2015. One might add to this list the adoption of the Ebac performance measure and a Department for Education generally pushing curricula in a more

academic direction – in short, DfE policy on schools is aimed at raising academic attainment but BIS has no plans to accommodate the increase in demand for higher education likely to result.

Thus the White Paper leaves in place the following triumvirate of mutually reinforcing factors: the high cost of the RAB charge for student loans necessitates a stringent cap on student numbers, which ensures excess demand in the system, which in turn reduces pressure on institutions to drive down costs and increase quality.

The Government has come up with a number of fixes to try to break this vicious circle and create a healthy market that marries moderately reduced costs with increased quality. However, these fixes have too many unintended consequences that threaten the three principles of success in English higher education outlined above. Below we list some of these consequences before going on in the next section to outline policy recommendations that might turn the vicious circle just cited into a virtuous one.

### **Unintended consequences of government regulation of competition**

The White Paper has attempted to introduce more competition into the higher education sector in four ways.

First, institutions are allowed to enrol as many ‘higher threshold’ students (those with grades at AAB+) as they like. In effect, the 65,000 AAB+ students who start degrees each year are ‘off quota’.

Second, once AAB+ students are put to one side, an institution has its ‘core’ allocation of non-AAB+ places reduced by 8 per cent. It can then bid for as many places as it thinks it can successfully win from the pool of 20,000 ‘margin’ places created by this top-slicing process. The allocation of ‘margin’ places is decided by HEFCE panel. Institutions can only compete for ‘margin’ places if their average net-fees are below £7,500.

Third, it is to be made easier for new market entrants, including private institutions, to provide higher education in the UK.

Fourth, with greater provision of information, student choice is to push institutions into providing higher quality education for less money.

Here we demur on the third and fourth strategies. In terms of the first two, the Government announced its intention in the White Paper to continue to increase the pool of ‘margin’ places, and to lower the ‘higher threshold’ from AAB+ over the life of this parliament. However, there are a number of perverse incentives and market distortions that arise from increasing competition in this way:

- Many Russell Group universities (e.g. Manchester and Oxford) have developed expertise in offering places to prospective students below AAB from less-affluent backgrounds by considering ‘contextual data’. Many of these students go on to do just as well or better than AAB+ candidates. The new unlimited expansion of AAB+ places, in tandem with the reduction of non-AAB+ places, would mean an institution could well be less likely to continue to make such offers, thus harming social mobility.
- Many STEM subjects are considered extremely hard at ‘A’ level and candidates are much less likely to get the highest grades. The Government has made expansion of many STEM subjects a national priority. HEFCE has removed STEM subjects (and other ‘strategically important subjects’) from the 8 per cent top slice of ‘margin’ places. Yet many universities may think twice about taking students for STEM subjects with non-AAB+ grades if students above this threshold can be recruited in unlimited fashion.
- With non-A level qualifications included in the AAB+ ‘higher threshold’ criteria it will become increasingly difficult to police inclusion in this group creating a greater burden on administrative officers and leading to the gaming of the system.



- The Government says it wants to raise academic standards – hence the Ebac performance measure and the mooted move to make A\* at A level harder to achieve. But if AAB+ students can be recruited in unlimited fashion, more prospective students are likely to study ‘easier’ subjects at A level or to game the system by taking the same subject twice with two different exam boards.
- Allowing ‘elite’ institutions to mop up AAB+ students will put pressure on ‘middle tier’ universities to reduce fees to an average of £7,500, once the number of ‘margin’ places is increased, putting them in competition with the ‘bottom’ rather than the ‘top’ of the sector. It is not clear this bi-polar system is desirable, since it may eventually make extinct a certain kind of valuable institution, as well as reduce competitive pressure on ‘elite’ universities, leading to two markedly differentiated markets, rather than a whole host of differentiated markets ranging from the top to bottom of the sector.
- Only allowing competition for ‘margin’ places with average fees of £7,500 may lead to levelling prices up as much as levelling them down. With a strict cap on numbers and supply exceeding demand, new market-entrants, FE colleges and newer universities may well be motivated to raise their fees *up* to an average of £7,500 (especially as cost does not form part of the HEFCE panels’ decision-making rubric – see next bullet point).
- An institution’s bid for ‘margin’ places will not be decided by student choice but by HEFCE panel, creating a large new bureaucratic decision-making process. As the ‘margin’ expands, more and more student places will be allocated by such panels. Hardly putting student choice at the heart of the system and hardly supporting the tradition of institutional autonomy amongst English universities.
- There are concerns about the growth of merit-based, rather than need-based, scholarships, in order for institutions to

attract ‘higher threshold’ students. Merit-based bursaries have a proven negative impact on social mobility, becoming largely cornered by the upper middle classes (as research from the US attests).<sup>17</sup> Moreover, the Higher Education Policy Institute (HEPI) has warned that a bidding ‘arms race’ will start between middle-tier institutions over attracting the best students and that such a race could prove financially ruinous.<sup>18</sup>

No doubt *ad hoc* amendments could be found for many of these unintended consequences but as such fixes pile up the system will become more and more complex and burdensome for institutions. But until demand better matches supply, and thus until the RAB charge for student loan write-offs is reduced, proper competition will not be reintroduced into the English higher education sector. Moreover, since social mobility is largely a product of increasing participation in higher education (this has certainly been the case in the past), the estimated 100,000 applicants locked out of higher education by 2020 is arguably of greater concern than debt aversity deterring applications to university. It is difficult to estimate the effects of debt aversity on participation in higher education – or in other words, to estimate the effects of the recent massive increases in tuitions fees on participation. At the time of writing, applications are down 8 per cent on the previous year (2011-12)<sup>19</sup> but the deadline for applications is not yet closed and there is evidence that applicants are leaving it late to decide, since at the end of November 2011 applications were down 15 per cent year on year.<sup>20</sup>

A BBC survey found one in ten prospective students might not go to university due to increased fees.<sup>21</sup> If we take the results of this survey at face value (which we probably should not) then arguably the locking out of 100,000 applicants from higher education in 2020 is a significantly bigger problem for social mobility than raised fees. Why is this? The annual cohort of full-time undergraduates is approximately 360,000,<sup>22</sup> which means by 2020 a group larger than one quarter of this cohort could be locked out.

Surely this is a flagrant and harmful violation of the Robbins Principle that deserves much more attention than it is getting?

Given the vicious circle of student cap/high RAB charge/lack of competition/higher than necessary fees, and given the social harm done by the locking out of so many students from the system by 2020, we conclude that in the medium and long-term the Government must take steps to break this vicious circle and open up more places in higher education. This conclusion, in conjunction with the continuing economic stagnation in the UK, leads us in the next section to some very tough policy choices.

## SECTION 4

### Policy recommendations

These recommendations are designed to break the vicious circle of high RAB charge/student cap/excess demand/lack of competition/higher fees/high RAB charge etc. etc. They are meant to show that within the current policy framework changes can be made that will open up more places and create a healthy market.

The recommendations are also meant to preserve the three principles of success in English higher education, namely:

- open competition for the best students and staff;
- institutional autonomy;
- the 'Robbins Principle' which states that: 'courses of higher education should be available to all those who are qualified by ability and attainment to pursue them and who wish to do so'.

Due to limits on the author's time, the policy options are not fully costed and further research would be needed to carry out such costing (Demos hopes to carry out this research). The idea is to provide a menu of policy options that can be calibrated more precisely based on further economic modelling.

*Policy: Make repayment terms on loans for fees and maintenance moderately less generous*

*Outcomes: Less money lost through writing off loans; this money could be used to pay for more student places, reducing excess demand and thus increasing competition amongst institutions as well as increasing social mobility through greater participation in higher education.*

Currently, repayment terms on student loans are too generous. Not because they make repayments eminently manageable for graduates (£67.50 a month when earning £30,000 per annum), which is obviously to be applauded, but because they are so generous that it is estimated that between 32 per cent and 37 per cent of loans will eventually be written off by the Treasury. Some combination of the following could significantly reduce the RAB charge from loan write-offs:

- a lowering of the threshold at which loans are repaid;
- a scrapping of the 30-year time limit on loans so that loans are liable to be repaid over a person's whole working life;
- an increase in the 'real' rate of interest on loans that is charged to higher earners;
- a slight increase in the 'tax' on earnings above the threshold for repayment (the 'tax' is currently set at 9 per cent).

A combination of these changes could be implemented without jeopardising the 'progressive' nature of the repayments scheme. Such changes could substantially reduce the RAB charge for loan write-offs and fund an expansion of student places.<sup>23</sup>

*Policy: Reduce, as far as possible, the cap on student numbers*

*Outcomes: Supply and demand for places in higher education could be better matched, putting much more effective pressure on universities to reduce fees which would have the effect of reducing the future RAB charge; social mobility can be aided through greater access to HE*

In a liberal society, where individuals are expected to become financially and socially independent, rationing a primary route to such independence is to be avoided if at all possible. Arguments based on a vague notion that too many people are going into higher education are unfounded. There is no 'right' level of higher education for an economy or society, with South Korea educating around 80 per cent of its population to this level. Higher education is by no means an unconditional good, but there is evidence to suggest that in advanced economies like the UK, it bolsters economic growth.<sup>24</sup> There are also social benefits to having many people receive a universal education, such as better health and better outcomes for children who have better educated parents.<sup>25</sup>

Substantially reducing the cap on student numbers could be paid for by less generous repayment rates on loans (see above) but the measure itself would very likely reduce per capita costs to the Treasury since supply would better match demand thus forcing universities to drive down fees in order to attract students. Moreover, with slightly more arduous repayment terms, students would be even more incentivised to choose degrees that offer value for money.

Reducing the cap will also do much for social mobility. Ironically, under current plans, fees are being inflated in order to pay for bursaries and fee waivers to satisfy Access Agreements, all in the name of reducing fees for poorer students! Lower fees through supply matching demand are desirable for increasing access to HE. But the single biggest boost to social mobility would be the expansion of places.

*Policy: Open up all university places to open competition amongst all institutions, creating a proper market without perverse incentives and distortions*

*Outcomes: Differentiated market driven by student choice not arbitrary regulation of price and HEFCE panel; reduction of damaging unintended consequences of the Government's present policies on competition*

As was detailed above, the Government regulating the market in terms of only allowing expansion for AAB+ places and places at universities with fees on average at or below £7,500, yields many unintended consequences that are harmful to social mobility, that reduce institutional autonomy, and that polarise the market in a way that undermines competition.

With complete open competition for places, universities could adopt expansion or consolidation plans that would rest on nothing other than the merit of their courses and student choice. When it came to increasing access through lowering grade requirements, they would be free to use their own judgement. And a polarisation of the market along the lines of 'elite' research universities and 'the rest' would not be encouraged by funding structures. Of course, strong differentiation would still exist between 'top, middle and bottom', but there would be plenty of gradations of quality and price in between. As things stand, the Government risks destroying the middle tier universities simply because of pricing structure. If these universities are complacent or overstretched, their refocusing on a distinct educational mission should be driven by student choices, not HEFCE panel.

It is doubtful whether complete open competition would lead to rapid expansion or contraction amongst institutions at least in the medium term. Changes in student populations would probably not be any greater than were allowed under the 'tolerance bands' system that was in place in the 1990s. Some new institutions might expand rapidly, as was the case with ex-polytechnics in the early

1990s, but on the whole change in institutional size should occur at manageable speeds.

*Policy: Maintain tight controls on degree awarding powers through the Privy Council and encourage the use of external degrees*

*Outcomes: Maintaining and improving standards with clearer signalling on quality; economies of scale created that will lead to savings*

The new regulatory framework proposed by the White Paper should help with policing the open market outlined above. With regulatory burden parsed in terms of risk, new entrants will be policed intensively, hopefully ensuring a ‘race to the bottom’ does not ensue.

The White Paper also proposes making it easier for institutions and bodies to award degrees – this move should be resisted if it goes beyond streamlining needless bureaucracy to lowering the bar in terms of quality assurance and risk assessment. In a choice-led system, neither students nor employers will be helped by even more uncertainty about the quality of degrees. This isn’t to say that new degree-awarding powers shouldn’t be granted, rather that the process to win such powers should be rigorous, demonstrating ability to maintain standards over a period of time.

In lieu of new degree awarding powers, new institutions should be encouraged by HEFCE, where appropriate, to work to external degree programmes where at least 70 per cent of content is assessed by an existing and respected degree-awarding institution, professional body or established education provider. Such external degrees will reassure students and employers that a certain level of quality has been reached and that such quality will be maintained, as is the case, for example, with the external degree arrangements already offered by the University of London. The separation of teaching, grading and curriculum design should be a force for more



objectivity in the higher education sector, reducing the variation of degree quality.

Moreover, the awarding of external degrees should not be restricted to new market entrants. There is already a plethora of institutions in England that offer a huge number of degrees. Some of these degrees have been offered not particularly to serve the needs of students but the research interests of academics. Of course it is good that academics get to teach the subjects they are researching and are most passionate about – this ‘synergy’ of research and teaching is what has made English higher education so successful. But the best degrees all have large elements of standard practice and canonical knowledge that students must learn, and these should be able to stand scrutiny from external assessment and thus be more or less interchangeable across institutions.

As a result of the move to a more market-based system, some universities have moved to streamline their offer (e.g. London Metropolitan University). This is welcome as a way of focussing minds and resources on excellence in distinct educational missions. It would be natural to build on this streamlining trend by rationalising many degrees into far fewer but better respected and policed external degrees, so that employers and students had more of a guarantee of quality. Such a move would also go a long way towards protecting the reputation of English universities in a globally competitive market.

Finally, handing over the majority of curriculum design and grading to an external institution (at least 70 per cent) will lead to efficiency savings, whilst ensuring that a certain amount of synergy between research and teaching is retained at the majority of institutions, with 20-30 per cent of content still developed and taught by an institution’s own academics. With time savings on curriculum design and assessment, institutions could focus better on teaching, pastoral care and employability training, so that they develop excellence in these missions (while being held to exacting external academic standards). And they could improve such focus at a price below the present average fee that institutions are charging for undergraduate degrees. Lower fees could be achieved partly

through economies of scale and savings on research time for academics. But they could also be achieved through innovations such as teaching degrees over two years with shorter holidays as well as through high-quality digital teaching materials.

*Policy: Instruct research councils to make more research funding available in small, easy-to-access grants for individual academics to keep up with the literature in their field and write books.*

*Outcomes: Research money still reaches a large number of academics maintaining (alongside a 70/30 per cent external/internal degree scheme) a synergy between research and teaching at the majority of English higher education institutions; the trend towards every kind of university department 'professionalising' and basing educational missions on large research programmes (and hiring only staff with strong publishing records) would be countered, doing much more than the publishing of contact hours to reorient academics towards teaching.*

This is a policy that would apply perhaps more to the arts and humanities and some social sciences than it would to the hard sciences (since the latter often do require large-scale intra- and inter-institutional collaborations to carry out effective research), but it would still go a long way to creating a funding structure that re-aligns academics towards teaching, whilst also maintaining a high level of research-awareness amongst UK academics. As we have seen, the synergy between research and teaching is an important aspect of English higher education and this policy would reorient institutions towards teaching whilst maintaining such synergy.

In a way, this policy would make it possible for the kind of academic to exist that did in the 1960s and 1970s – someone who was passionate about teaching and passing on knowledge to students but who also kept abreast of all the latest developments in his or her field, perhaps publishing two or three books over a career. Such

academics have been squeezed out by professionalised ‘publishing drones’ who know how to get articles in the best peer-reviewed journals but are not interested (and have not been told to be interested) in teaching undergraduates or writing books that the educated general public might read. Of course, we need highly specialised and research-oriented academics and the professionalisation of English academia over the last thirty years has in many ways helped it maintain its share of a global market (since peer-reviewed research is the hard currency of international academia). But there is no doubt that this professionalising model has been spread too far and too thinly and the result has been the sad loss of the dedicated academic who primarily teaches but also does some research.

*Policy: Draw up a national charter on academic standards and fund it in part through a levy on businesses*

*Outcomes: The preservation of standards at English universities; sending a signal to world markets that English universities have high standards*

One of the major issues that White Paper does not deal with – or rather only deals with through the limited means of student choice – is the upholding and improving of academic standards. As has already been argued, the wider adoption of external degrees and strict regulation around degree-awarding powers should help to raise and maintain standards. But arguably, academic standards in English higher education have fallen, with the disappearance of practices like double-blind marking. Pushes for efficiencies are likely to further erode such practices. There is obviously a need to counteract trends towards slackening standards and although some institutions will want to maintain their market share precisely by maintaining exacting standards, this is an instance where the market needs some extra help.

We propose a small levy on businesses who employ more than 200 graduates to pay for a national charter on academic standards.

Money from the levy would be distributed to institutions to fund practices like double-blind marking and thorough external examination. For too long English businesses, especially in the professional and managerial sectors, have relied on a subsidy from government and students in order to train their staff. It is time they paid something back and in doing so would have a much stronger hand in insisting on the rigorous standards they say they want from universities. This policy would also protect the brand of English universities in the world market, sending a signal that the country as a whole is committed to excellence across the board.

*Policy: Ban tuition fee-waivers and don't allow bursaries to count towards Access Agreements; invest any money saved into means-tested fee-waivers and maintenance grants administered through the student loans system*

*Outcomes: Clear, easy to understand entitlements more likely to counter debt aversity; more efficient use of resources; more equitable funding of fairer access to higher education; easy to understand costs*

Under the auspices of the White Paper, the rather strange situation has come about where students, through their fees, are funding bursaries for fellow students who may only be slightly poorer than them. This is not a particularly equitable way of making university more financially viable for poorer students. Neither is it particularly efficient: with every university running its own schemes, bursaries and fee-waivers are unlikely to be well-targeted at poorer students. Making the calculation of how much studying for a degree will cost has become incredibly complicated for prospective students, who have to factor in fee-waivers (see below), the National Scholarship Scheme, entitlement to maintenance grants, and individual bursaries on offer from universities.

It would be much more efficient and equitable, and easy to understand for prospective students, if bursaries were not allowed to count towards Access Agreement compliance and fee-waivers

were banned. Prospective students would be able to understand the cost of a course easily. Unfortunately, at the moment an institution can offer a degree at fees of £9k (signalling high quality) but bring net fees down to, say, £7.5k, with fee waivers. Such mixed signalling allows universities to have their cake and eat it in terms of marketing their courses, and simply confuses prospective students. Any money that was saved as a result of smaller Access Agreements with OFFA (money saved through lower fees translating into a smaller loan-book) should be re-invested in increasing maintenance grants and offering fee-waivers through the student loans system. These waivers and grants would be means-tested and thus well-targeted at the poorest of students.

Removing bursaries and fee-waivers from Access Agreements would allow OFFA to relentlessly focus on outreach programmes, which are proven to be the most effective way of widening access to university (in addition, of course, to better primary and secondary education). In doing so, OFFA needs to become a conduit through which best practice can be shared and spread rather than a policeman.

## **CONCLUDING REMARK**

Developing and implementing the policies outlined above would take political bravery and a willingness to admit that the present White Paper, whilst right in its general thrust, is wrong on many details. But after surveying the evidence, these are the policies we believe would best serve future generations of English students and taxpayers.

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## NOTES

<sup>1</sup> Figures according to HEPI analysis from *Higher Education Supply and Demand 2020*, Robbie Coleman and Bahram Bekhradnia, HEPI, 2011.

<sup>2</sup> Ibid.

<sup>3</sup> See <http://www.timeshighereducation.co.uk/world-university-rankings/> (accessed 18<sup>th</sup> January 2012).

<sup>4</sup> <http://www.telegraph.co.uk/education/universityeducation/8992752/University-applications-drop-by-23000-after-fees-hike.html> (accessed 19th January 2012)

<sup>5</sup> 'Education systems urged to restructure. Why? What questions are really asked?', Roger-Francois Gauthier (paper distributed at recent Cambridge Assessment conference, 'Is 14 the new 16?').

<sup>6</sup> See <http://www.timeshighereducation.co.uk/story.asp?storycode=416475> (accessed 18<sup>th</sup> January 2012).

<sup>7</sup> See *Staying on Top*, Russell Group papers, Issue 2, 2010.

<sup>8</sup> See her interview with the New York Times: <http://www.nytimes.com/2011/05/23/education/23iht-educlede.html>

<sup>9</sup> See *Degrees of Quality*, Gill Wyness, CentreForum, 2011.

<sup>10</sup> See *Higher Learning, Greater Good*, Walter W. McMahon, Johns Hopkins University Press, 2009.

<sup>11</sup> *Youth Labour's Lost*, Matt Grist, Demos, 2011.

<sup>12</sup> See <http://www.bbc.co.uk/news/business-15717770> (accessed 18th January 2012).

<sup>13</sup> See *Higher Education: Students at the Heart of the System: An Analysis of the White Paper*, Jon Thompson and Bahram Bekhradnia, HEPI, 2011

<sup>14</sup> London Economics (2011), 'The Returns to Higher Education Qualifications', BIS Research Report. [www.bis.gov.uk/assets/biscore/higher-education/docs/r/11-973-returns-to-higher-education-qualifications.pdf](http://www.bis.gov.uk/assets/biscore/higher-education/docs/r/11-973-returns-to-higher-education-qualifications.pdf)

<sup>15</sup> *Higher Education Supply and Demand to 2020*, Robbie Coleman and Bahram Bekhradnia, HEPI, 2011

<sup>16</sup> Ibid.

<sup>17</sup> Merit Aid and College Access, Donald E. Heller, Center for the Study of Higher Education The Pennsylvania State University, Symposium on the Consequences of Merit-Based Student Aid, Wisconsin Center for the Advancement of Postsecondary Education University of Wisconsin, Madison, March, 2006 [www.personal.psu.edu/deh29/papers/WISCAPE\\_2006\\_paper.pdf](http://www.personal.psu.edu/deh29/papers/WISCAPE_2006_paper.pdf)

<sup>18</sup> *Higher Education: Students at the Heart of the System: An Analysis of the White Paper*, Jon Thompson and Bahram Bekhradnia, HEPI, 2011

<sup>19</sup> <http://www.bbc.co.uk/news/education-16409944> (accessed 19th January 2012)

<sup>20</sup> <http://www.telegraph.co.uk/education/universityeducation/8921210/University-applications-drop-sharply-after-fees-hike.html> (accessed 19th January 2012).

<sup>21</sup> <http://www.bbc.co.uk/news/education-15392743> (accessed January 25, 2012)

<sup>22</sup> *Higher Education Supply and Demand to 2020*, Robbie Coleman and Bahram Bekhradnia, HEPI, 2011

<sup>23</sup> See *Assessing the White Paper on Higher Education*, Nicholas Barr, LSE ([http://econ.lse.ac.uk/staff/nb/index\\_own.html](http://econ.lse.ac.uk/staff/nb/index_own.html)) for a more detailed view on how to expand student places by changing the terms of student loans.

<sup>24</sup> *Higher Learning, Greater Good*, Walter W. McMahon, Johns Hopkins University Press, 2009

<sup>25</sup> Ibid.

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**PEARSON**

There has been much controversy over the decision to treble tuition fees in England, with protests both in and outside parliament. Yet there is broad agreement among the main political parties that more of the burden of funding for higher education should be borne by students. The Government has now set out its vision for the future of the sector, in the shape of the White Paper on higher education in England, although it appears to have shelved plans for a higher education bill.

Future Universities examines the White Paper, putting it in historical perspective and assessing whether it will succeed in achieving its stated aims. It identifies a significant problem at the core of government policy: the fact that the generous terms of the new student loans settlement will create a large amount of unpaid debt for future generations. It argues that whilst it is correct to shift more of the costs of higher education onto students, the stringent student cap needed to control the costs of future unpaid debt is itself the enemy of both improvements in quality and social mobility.

The paper concludes that, although it is a tough political choice, the repayment terms of student loans should be made less generous. This way the state could afford to loosen restrictions on student numbers, introducing more competition into the sector. These changes would in turn drive down tuition fees whilst also aiding social mobility by allowing more people to enter higher education. The end result would be progress towards a higher education sector genuinely sustainable in two senses: fiscally sustainable through realistic assumptions about debt repayment and socially sustainable as it will be able to expand to meet increased demand.

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