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AFTER BROWNE: THE NEW COMPETITIVE REGIME FOR ENGLISH HIGHER EDUCATION

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Roger Brown
Liverpool Hope University

ABSTRACT
From 2012 English universities and colleges will be operating in a more demanding market environment. There will be competition on tuition fees for undergraduate (Baccalaureate) programs for the first time. New private, including "for profit", providers will be entering the market. There will be much more information about what institutions will be offering to existing and potential students. The Government believes that this will raise quality as well as providing a sustainable basis for the future. However there is little evidence to support these beliefs and considerable grounds for supposing that these policies will create a more stratified, and potentially more wasteful, system.

> *The lessons to be learnt from the American experience are that fees will continue to rise, unequal access between rich and poor will become structural to our system, and the for-profit sector will grow* (James Vernon, 2010).

Prior to 1998, the costs of university teaching in England for UK and EU-domiciled students were met through a mixture of grants to institutions allocated by a government agency (the Higher Education Funding Council for England – HEFCE) and modest student fees (also funded by the Government). Student support – maintenance – was funded by a mixture of state backed loans and grants. In 1998, and following an independent review, the Government introduced a "top-up" fee regime, with means tested fees representing about a quarter of the average cost of tuition, with the balance still being met by government grants. For maintenance, state backed loans replaced grants.

The cost of tuition fees was a major issue in the 2001 national election campaign. In 2003 the Government published a White Paper proposing a variable fee regime, with fees representing some 40 per cent of institutions' teaching income. This was enacted in 2004 and came into effect in 2006. Students could either pay the fee "up front" or borrow the money from the Government at preferential rates, with repayment dependent on future earnings ("income contingent loans").Maintenance grants were reintroduced, so that students from families with an income of up to £60,000 ($96,000 at current exchange rates) could obtain some grant; state loans continued to be available.

When the variable fees legislation was going through Parliament – where it passed only with the help of the votes of Scottish MPs, even though Scotland opted for a different regime – the Government agreed to an independent review of the impact, especially on widening participation (access). This review, under Lord Browne of Madingley, former Chairman of British Petroleum, reported in November 2010 The UK Government has accepted the main thrust of its proposals for England (Scotland, Wales and Northern Ireland have still to decide). This paper describes and assesses the new competitive ~~-~~regime that will apply from September 2012 and speculates on its potential impact on English universities and colleges~~. It should be read in conjunction with the paper *What Future for UK Higher Education?* published in this series a year ago~~ (Brown, 2010a).

THE NEW COMPETITIVE REGIME

The first and most crucial change is that in future nearly all of the costs of teaching will be funded through student fees (tuition). Only a small number of "priority subjects" – such as medicine and some of the sciences – will continue to receive direct public funding (the amounts involved have yet to be confirmed but they will almost certainly be considerably less than the approximately £1.3m ($2.08m) currently devoted to them).

From 2012/13 the tuition fee cap will be raised from the present £3,290 ($5,264) to £9,000 ($14,400). The Government's "expectation" (and strong preference) is that £9,000 will be exceptional. Any institution charging over £6,000 ($9,600) will have to show how it will spend some of the additional income making progress in either widening participation (access) (if it has serious underrepresentation of students from poorer backgrounds) or retention (if it has a more balanced social intake but weak student retention). The result will be that, in broad terms, the shares in the costs of teaching will move from the present 60/40 public/private to 40/60 public/private.

As before, students can either pay the fee up front or take out a loan. If they take out a loan, they will start to repay it once their income reaches £21,000 (£15,000 at present) ($33,600; $24,000). The repayment will take the form of a 9 per cent tax surcharge on income above this threshold level. Instead of a subsidised interest rate, graduates will pay interest at or above the Government's cost of borrowing: 0 per cent below the earnings threshold, rising to 3 per cent at the higher threshold (£41,000: $65,600). Outstanding loan balances will be written off after 30 years (currently, 25).

Maintenance loans of at least £3,670 ($5,872) will be available to everyone. Students from low income households will also have access to a grant of £3,340 ($5,344). This will be available in full if the family's income is below £25,000 ($40,000); in part, if below £42,500 ($68,000). Fee loans will be extended to part-time students although there will be cuts in the direct funding for these courses and an end to the means tested grants that currently help some part-time students meet their tuition and living costs.

To protect access, there will (by 2014/15) be a new £150 m ($240m) National Scholarship Programme. This "will be targeted at bright potential students from poor backgrounds", defined as the estimated 18,000 in receipt of free school meals. All institutions charging fees of over £6,000 will be obliged to participate in the scheme and match government funding: according to recent guidance from the Office for Fair Access (OFFA), institutions charging £9,000 should commit at least £900 to access-related activities (Office for Fair Access, 2011).

In another major change, the Government wishes to enable more private and "for-profit" providers to enter the market. This may involve their having access to direct funds for priority subjects as well as their students having access to the government financed loan and grant regime. If funded numbers are capped (as seems almost certain – see below) there may also be implications for the numbers of funded students at "not for profit" institutions.

To facilitate this competition, there will be more information for students and prospective students. A HEFCE report (HEFCE, 2010) proposes that in future published course level information should include learning, teaching and assessment methods and professional accreditation (where relevant). Subject level data will include the results of the annual National Student Survey, employment and salary data. Institution level data will include bursaries, accommodation costs and information about the student union. This is in addition to the information already published on the UNISTATS website covering things like entry qualifications/salary points, students continuing/completing/leaving without awards, First Destinations, links to quality reports, etc. This is being described as a Key Information Set.

There will also be a stronger external quality assurance regime. In particular, the scope and intensity of institutional review – broadly equivalent to regional institutional accreditation – is being increased. At present, reviewers' published judgements cover two areas (academic standards and learning opportunities); they are now being extended to four (threshold academic standards, public information, learning opportunities and enhancement). A number of other enhancements are being introduced (Brown, submitted for review).

To oversee all this, the Browne Committee proposed a new coordinating body with five main roles: investing in priority courses; setting and enforcing baseline quality levels; delivering improvements on the access and completion rates of students from disadvantaged backgrounds; ensuring that students get the benefits of more competition; and resolving disputes between students and institutions. This would subsume the roles currently discharged by the principal funding agency (HEFCE) and the principal regulator (the Quality Assurance Agency for Higher Education, the QAA). The Government's response to this proposal will be announced in a White Paper due in May.

The basic rationale for the new regime is that the system will be more effective and efficient if money follows the student so that the popular institutions can expand in response to student demand and less popular ones either raise their quality or perish. To quote the Browne Report: "Students are best placed to make the judgement about what they want to get from participating in higher education" (Independent Review, 2010: 29). 1

THE NEW COMPETITIVE REGIME - CONTEXT

The new competitive regime can be seen in the context of a progressive process of marketisation that began with the introduction of full cost fees for overseas students in 1980. The main elements are:

- The lowering of market entry barriers to facilitate the entry of new providers.
- The separation of teaching and research funding.
- Universities receive a high proportion of the revenue they need to defray their teaching costs in the form of a tuition fee. This is effectively a voucher system (Bekhradnia and Massy, 2009).
- Universities compete on the level of the fee as well as on course quality and availability.
- Students, potential students and others receive a good deal of information about many aspects of universities' provision to guide their choices.
- But just to be sure there is also a strong regulatory regime, including the enforcement of baseline academic standards.
- Research is funded selectively.

ASSESSING THE NEW REGIME

The Independent Review (Browne) Report is entitled Securing a Sustainable Future for Higher Education. In assessing the new competitive regime the key questions are:

- Will it remedy the longstanding underfunding of UK (English) higher education?
- If it will, will it do so in a way that protects quality and diversity as well as efficiency?

To provide proper answers to these questions we need to consider the overall quantum of funding and sources; equity; diversity; regulation; quality; and the balance between private and public goods.

FUNDING

There is general acceptance that UK higher education is underfunded as compared with many of its international competitors, and that the main reason for this is the unfunded expansion from the mid-1980s to the early 1990s. This is reflected in the share of spending on institutions as a proportion of GDP, where the UK is below the OECD average, and well behind countries like the US (we are not as far behind on research spending or spending on student support).

One might therefore have expected the Browne report or the Government's response to it to have contained projections of future income or expenditure, if not shares of GDP (which would obviously depend on assumptions about other countries' spending – in fact, most are safeguarding or even increasing their spending). But there are none. One reason for this is of course the fact that the whole package relies on private revenue coming to substitute for public revenue, together with unspecified efficiency gains. No one can be sure that the first will happen. As for the second, UK institutions are already pretty efficient by most criteria - such as student/staff ratios, graduation rates and expenditure per student – and it is not obvious that these can be worsened without (further) reductions in quality. (Similarly, there are no projections for the publicly planned unit of funding, the "unit of resource" for teaching).

It is also generally agreed that in order to get the variable fees legislation past a sceptical House of Commons, the Government had to concede what is by any standards a generous student support regime. It was therefore expected that, post-Browne, a significant portion of the costs of teaching and maintenance would shift away from the taxpayer to the principal beneficiaries - students/graduates.

But an analysis by the respected, independent Higher Education Policy Institute (Thompson and Bekhradnia, 2010) questions whether there will in fact be savings for the taxpayer. The argument is technical, but essentially the issue is the relationship between the value of the repayments made and the estimated long term cost of the loans – known as the Resource Accounting and Budgeting charge (RAB).

If no repayments are made, the RAB is 100%; if all loans are repaid at the required rate of interest, the RAB is zero. HEPI believes that the RAB charge estimates are lower than they should be i.e. that the savings that will accrue to the Government will in reality be much lower than expected, and that far from a saving, there may even be a cost to the Government i.e. the taxpayer. It is incidentally quite clear that, in cash terms, the new arrangements will cost the Government more than they will save: in its Economic and Fiscal Outlook – November 2010, the Office for Budget Responsibility estimated that, assuming a fee of £7,500 and 90 per cent loan take-up, the additional cash requirement over the three years will be £2.5 bn in 2013/14, £4.3 bn in 2014/15 and £5.6 bn in 2015/16, compared with savings of £2.9 bn by 2014/15).

EQUITY

The Government has argued that the new funding package is progressive because graduates on lower incomes will pay less. HEPI points out that whilst this is true on average, not all of those in the lowest income quartile will pay less. In fact, 17% of those on lower incomes who pay fees of £9,000 will actually pay more than at present. Nevertheless, most in the lowest quartile will pay less whilst those on high incomes will pay more. But by paying up front, the wealthiest students can also avoid the interest charges that less well off students cannot.

However, there is also the issue – arguably of greater importance – of whether students from poorer backgrounds will enter higher education at all given the significantly higher fees/debt (and possibly poorer job prospects), not to mention the ending of Educational Maintenance Allowances and the introduction of fees for adults at Level 3. The defenders of the new regime have relied essentially on four arguments. First, the repayment terms, which are in most respects more generous for such students than now. Second, the anticipated continuance of the "graduate premium", the earnings gap between graduates and school leavers with A Levels etc. Third, the OFFA stipulation that institutions charging the maximum £9,000 should spend at least £900 per student on access related measures. Fourth, the evidence that the introduction of variable fees not only did not apparently harm widening participation, but actually saw an improvement.

The counter arguments are that it is very difficult to convey the economic benefits of higher education to many working class students; that in any case finance is only one of the many considerations that affect their participation; that the £900 will do very little directly to improve access; and that we should anyway be very cautious about drawing any conclusions from such a short and untypical period. HEPI provides a good balanced view:

The reality is we cannot safely extrapolate from the introduction of fees in 1998, and then their increase to current levels, to predict the effect of the new arrangements. It seems quite plausible that some potential students will be deterred from entering higher education, but we do not know how many. Their actual impact will depend to a large extent on perceptions. To the extent that loans are not distinguished from ordinary debt from banks, then fees will act as a deterrent. How the new arrangements are described and "sold" will be crucial. (Thompson and Bekhradnia, 2010: paragraph 37).

In any case, the progressive/regressive argument is not confined to affordability. There is also an institutional dimension, since those institutions that currently cater for the great majority of students from disadvantaged backgrounds are amongst those most at risk from the new regime. We shall return to this point in discussing the impact on institutions. 2

DIVERSITY

The Secretary of State's grant letter to HEFCE just before Christmas setting out the funding for 2011/12 spoke of:

> *a more diverse sector, where the choices of informed students provide a constant drive towards high quality teaching and efficient use of resources* (Department for Business, Innovation and Skills, 2010b).

Widening participation is of course an important aspect of diversity. Another important aspect is the subject range. The past twenty years or so has seen a dramatic expansion in the number and range of disciplines and fields of practice taught in universities. However as already noted, the Government has made it clear that with the exception of a small number of priority subjects, direct public funding of teaching will come to an end. This means that other subjects – and especially the arts, humanities and social sciences – will be more heavily dependent on their attractiveness to students than hitherto.

Most commentators expect that such a sharp and significant increase in the cost of tuition will reinforce the secular trend towards vocational subjects, and that whatever the repayment terms, subjects like history or sociology will in future be the preserve of the wealthier middle classes. This parallels the trend already well under way at secondary level whereby certain subjects – classics, modern languages, chemistry – are now the more or less exclusive preserve of fee paying and/or highly selective secondary schools. (There are those who believe this to be no accident).

Whether or not the new funding regime leads to the "vocationalisation" of the curriculum, there are already indications that it will necessarily be more closely tied to the actual or perceived needs of the labour market. The Guardian on 3 January carried a report (Shepherd, 2011) that several universities are considering awarding students in all subjects extra marks if they can show "corporate skills" or job experience. BBC News on 13 January reported that the accountants KPMG would be paying tuition fees for selected students from 2012 (Coughlan, 2011). It is incidentally interesting that all the universities mentioned in these reports are pre-1992 institutions.

Turning to the mix of provision, concerns are being expressed about the impact on postgraduate courses, for example by the President of the British Academy (Roberts, 2010). There is particular anxiety that, even if institutions do not increase their postgraduate fees, the increased charges and debt will reduce further the proportion of Home applicants (especially those from access backgrounds). This in turn will mean, inter alia, that a higher proportion of academic posts will be filled by overseas applicants (if they can get visas). Finally, there is the potential impact on part-time students. Most people have welcomed the extension of fee loans but there is also concern that institutions will now just raise their fees, so that the net position will not change. This is a complicated subject that I don't have time to go into here.

REGULATION

In a recent speech to Vice Chancellors, the Higher Education Minister, David Willetts, said that the Government's ambition was to make the new framework "as de-regulatory as we can"(Department for Business, Innovation and Skills, 2011). The implication is that the existing barriers to price competition, recruiting extra students and market entry will be removed or loosened up, with a reduction in regulation, bureaucracy and state control. But the aforementioned guidance to OFFA envisages detailed access agreements under which institutions charging over £6,000 (almost certainly, the great majority) will need to satisfy the authorities each year about their performance on access or retention against criteria that have still to be determined. Next, if the Browne recommendations are followed, institutions that still receive direct government support for some of their teaching will experience tighter external control over the curriculum, with the new higher education authority "setting basic programme content requirements, e.g. the minimum number of laboratory hours for applied science courses".

When we turn to the entry of new providers, we find the Minister thinking aloud about a "core plus margin" scheme to reward "those providers which offer students high-quality programmes at a price that represents best value". This sounds like the old Polytechnics and Colleges Funding Council funding method which absorbed vast resources in institutions bidding, HMI judgements, advisory committees, appeals mechanisms etc. The other ideas being mooted – the recruitment of additional students "off quota", tariff-based systems – could also prove to be very bureaucratic. Finally, it seems most unlikely that even if they prove to be feasible (course based information about employment and earnings?), the new information requirements will reduce institutions' compliance costs. All of this is on top of the new quality assurance regime.

In his classic text The Higher Education System (University of California Press, 1983), the late Burton Clark described the state, the market and the academic oligarchy as alternative means of regulation. It looks as though under the new higher education framework we shall have lots of all three.

QUALITY

It is interesting how, as the claims about reducing the costs to the taxpayer and increasing equity have been increasingly questioned, the Government has come to rely on the argument that the new regime will improve quality:

> *Student choice will be a key long term driver of quality, and to support that choice we have committed to improving the information available to prospective students, so that applicants can make well informed choices between the range of programmes and institutions, and students can hold institutions to account for the quality and cost-effectiveness of what they provide.* (Department for Business, Information and Skills, 2010b).

Drawing on work for an edited international survey of marketisation (Brown, 2010b), the author set out the problems with this view in a lecture at Thames Valley University (TVU) in November (Brown, 2010c) and, more succinctly, in an article in The Guardian in January (Brown, 2011a). In brief, the argument is that in general quality is linked to resourcing. If the system overall, or most individual institutions within it, are financially no better off then it is hard to see how quality can improve (efficiency gains may or may not lead to improved quality). But the means of funding is also important.

The argument that student choice will improve quality is only valid if students have reasonable quality measures on which to base that choice. Yet the Browne Report itself accepts that this is infeasible:

> *One option is to link funding to a measure of quality. However, there is no measure that we have seen that could function effectively across the whole range of institutions and courses. There is no 'national curriculum' for higher education. Looking at student outcomes by institution can be misleading as these reflect which students the institution selected as much as the value added by the institution* (Independent Review, 2010: 29)

At the same time, the Browne Committee ignored the clear evidence that in the absence of suitable measures of the quality of student education, other indicators, especially prestige and resources, act as a substitute (Brown, 2010b; cf., McPherson and Winston, 1993). Hence price – the tuition fee – is not an indicator of quality but a substitute for it. This means that resources accrue to those institutions that have greater prestige without any corresponding improvements in quality. So we should be very sceptical about the argument that putting resourcing in the hands of students will improve quality.

In the TVU lecture, the author also warned that one possible (and very serious, indeed possibly terminal) consequence of the Browne proposals for quality could be a significant threat to the reputation for quality that brings so many overseas students to our shores. There has begun to be some discussion of the potential implications of the new funding regime for overseas students, with some suggestions that with the narrowing of Home/EU and overseas fee differentials, the incentives to recruit such students (as well as the justification for what have hitherto been higher, sometimes much higher, charges) may be diminishing. In fact, UK institutions will continue to have strong incentives to recruit international students, but many of those institutions that do not charge the maximum £9,000 may find status conscious markets like Malaysia or Singapore still more difficult in future.

PUBLIC AND PRIVATE
But perhaps the most important, and dispiriting, aspect of the new regime is the likely impact on the balance between the public and private benefits of higher education.

It is accepted by nearly everyone that higher education provides a range of both private and public goods. The private goods include both “market” goods such as higher wages and “non-market” goods such as better health. The public goods include increased tax revenues; greater productivity; increased consumption; increased workforce flexibility; decreased reliance on government financial support; reduced crime rates; increased charitable giving/community service; increased civic quality of life; social cohesion/appreciation of diversity; and improved ability to adapt and use technology (Lyall and Sell, 2006: 33).

The provenance of these public goods - which a leading scholar (McMahon, 2009) has estimated amount to 52% of the total benefits of higher education – is the principal justification for the direct subsidy of teaching. Yet the Government has followed Browne by confining these public goods to a few, mostly scientific, subjects and arguing that otherwise the public interest is the same as the private interests of thousands of individual students. Instead of being seen as a public good, higher education is seen as a private investment. This is reductionism on the grand scale, and it will lead over time to a diminution of the public benefits of higher education beginning, probably, with the detriments of a much narrower curriculum. It is this - as much as the increase in the fee and the reduction in teaching funding – which has fuelled the near total rejection of the package within the sector. The following is a quote from what I think is the best critique so far of the Browne Report (ironically, not from a higher education specialist but from an English Professor at Cambridge):

> *What is at stake here is not primarily the question of whether this or that group of graduates will pay a little more or a little less towards the costs of their education, even though that may seem (particularly to those in marginal seats) to be the most potent element electorally. What is at stake is whether universities in the future are to be thought of as having a public cultural role partly sustained by public support, or whether we move further towards redefining them in terms of a purely economistic calculation of value and a wholly individualist conception of “consumer satisfaction”* (Collini, 2010: 25).

So to summarise the assessment, the new regime will not obviously remedy the longstanding underfunding of English higher education; will not necessarily reduce the costs of the system to the taxpayer; will offer only a marginal financial inducement to working class students; will almost certainly reduce the diversity of the curriculum; will damage quality (and our international reputation); will almost certainly lead to an increase in bureaucracy and other activities not directly related to teaching or research; and will certainly reduce the public and private non-market benefits of higher education.

THE IMPACT ON INSTITUTIONS
The new funding regime – whilst demanding enough for most institutions – is not the only challenge English universities and colleges face. The potential impact on institutional revenues of parallel cuts in public expenditure such as the National Health Service has already been mentioned. There are also the challenges from increased employment costs (salaries, pensions), increased utilities costs (reflecting rising commodity prices) and carbon reduction commitments.

At the same time there will be increased competition from private providers, FE colleges and even schools. 3 In the all-important international student market also, UK universities face increased competition not only from other “exporters” like the US, Canada and Australia but also from former “importers” like Malaysia and China, not to mention the potential impact of the withdrawal of visas from students on sub-degree courses by the UK Borders Agency (Acton, 2011). There are also of course all the challenges – and the costs – of increased compliance, information and consumerism.

Clearly, the crucial issue here is whether we shall in fact see serious price competition in the undergraduate market for the first time. What we do know is that for the great majority of institutions the break even point, the point at which increased fee income fully offsets the reductions in HEFCE teaching grant, is around £7,500. What we don’t know is how many institutions will want and be able to charge that much or more for all or some of their courses. In November, about a fifth of universities responded to a Times Higher Survey. All said they would charge more than £6,000, and the majority said they would charge over £7,000.

On the one hand, there is the experience after 2006 when institutions that charged less than the permitted maximum gained no competitive advantage and actually lost revenue. This could have been predicted from the kind of "market" higher education actually is (Brown, 2010b). As much as the need to recover their costs, this suggests that all or most institutions will go to £9,000 or thereabouts for all or most of their courses. However, there might have been more price competition after 2006 if the Government had stuck to its original intention of a fee cap of £5,000. And it is hard to see most students at the newer universities being prepared to pay £8,000 or £9,000 and incur even higher levels of debt for what is effectively the same product even if the repayment terms – to the extent that they appreciate them – are more generous.

There would appear to be two possible extreme cases, both starting from the fact that all institutions are facing dramatically reduced direct funding for teaching. These are:

- The Government's dream scenario.
- The Government's nightmare scenario.

Under the Government's dream scenario, a small number of elite institutions will be able to more than recoup their lost direct funding by charging fees of well over £7,500 for all or most of their courses. These are the institutions that are already relatively well resourced through history and research. 4 They will continue to have access to the reduced pool of direct funding for priority subjects, as well as continuing to be the beneficiaries of the dysfunctional policy of successive governments – reaffirmed in the grant letter – of concentrating public research funds in a small number of so called "research intensive" institutions. However, the great majority of institutions will not have access to this pool or be able to charge premium fees. Unless they can attract large amounts of private donations and/or make extraordinary efficiency savings without serious loss of quality, they will be less well funded than now, and significantly less well funded than the elite institutions. The latter, of course, will be using their additional revenue to put even further distance between themselves and their rivals. In effect we shall see a recycling of both public and private resources from less to more prestigious providers, as has been happening for many years in the US (Brown, 2011b).

Under the Government's nightmare scenario, all or most institutions move fairly swiftly to charge premium fees, with the additional income more than compensating for any loss of demand. This may of course increase the requirement for fee loans, and hence the claims on the Exchequer. This suggests that there would be Government intervention well before this happened, even if this meant limiting either the fees charged or the numbers recruited. The former would seem infeasible, the latter would mean institutions being able to charge what they liked (up to £9,000) so long as demand outstripped supply (as it does at present) (see Bekhradnia, 2010).

In his recent speech to Vice Chancellors the Higher Education Minister warned that universities charging more than £6,000 might be penalised by having their funded student numbers cut. However the Government seems to envisage that the main way in which prices will be kept under control is through the market entry of private, and especially "for profit", providers.

At present, both access to the market and access to public funds are tightly controlled. Institutions seeking degree awarding powers, the first step to a university title, have to show that they have a track record as a successful, self-critical academic community (to paraphrase the rules). As a result, only a handful of private institutions have their own degree awarding powers and only one – the University of Buckingham – has a university title. It appears that the Government now intends to allow organisations that do not teach to award their own degrees. If this happens, it will be even more radical than the new funding regime.

The other main current obstacle to private sector participation is access to public funds. Only the small number of students at private institutions with their own degree awarding powers are able to access state loans and grants. The Government apparently intends to relax this requirement, although there will continue to be limits on the number of publicly funded students each institution can enrol (it remains to be seen if the latter will be a disincentive for the private providers).

Numbers and demand are clearly crucial. Although the Government's longer term intentions on numbers are not yet clear, it has announced that the 10,000 places added to the system for this (2010/11) year will be withdrawn in 2012/13. This is on the basis that by 2012 the population will have passed its "demographic bulge". However yet another HEPI report (Coleman and Bekhradnia, 2011) suggests that such is the potential level of demand in the system that as many as an extra 30,000 places will be needed each year until 2020/21. (HEPI argues that some of this demand could be absorbed by new market entrants and/or shorter, cheaper or more intensive courses).

In the short run, the likeliest scenario is that most institutions will charge different fees for different courses depending on their position in the markets concerned. But in the longer run a settlement around £9,000 looks most likely for most courses at most institutions. There is by the way an irony here. Under the Government's dream scenario, public funding (both research and teaching) will be concentrated in a small number of research universities. Virtually no direct Government funding will go to the rest. Thus those institutions with possible aspirations to go private and/or loosen Government control over them will be more Government-dependent than those that used to constitute the "public sector" of higher education. They will also have tighter external control over their curriculum if the Government heeds the advice of the Browne Committee. 5

The authors of a recently published survey of affordability and access across the comment apropos of Browne:

> *Elsewhere in this paper, we have noted that cheaper systems of higher education do not automatically lead to higher levels of accessibility. But this is uncharted territory; no one has ever tried to run a research-intensive system of public higher education with such a high reliance on student fees before. [Alternative scenarios based on Browne] would represent the single largest one-year increase in net costs anywhere in the world since mass higher education began. How students would react to such a major shift in costs – even with loans freely available – is impossible to tell. Nothing on this magnitude has ever been contemplated before.* (Usher and Medow, 2010: 35).

Finally, most commentators are assuming that there will be a good deal of institutional restructuring in the form of takeovers, mergers, strategic alliances and the like, and indeed this is the preferred scenario in the Browne Report:
[The regulator] ... will have powers to provide targeted funding to prevent institutional failure from taking place...and will explore options such as mergers or takeovers (Independent Review, 2010: 50).

In this, the Committee may perhaps have been influenced by the views of right wing think tanks like Policy Exchange, which called in 2009 for a more robust approach to "failing universities" (Fazackerley and Chant, 2009). However, the former HEFCE Chief Executive (David Eastwood) pointed out in The Guardian in 2009 that the costs of restructuring could well exhaust the modest reserves of most institutions and require further borrowing, so increasing the sector's indebtedness and placing a further burden on future revenues (Eastwood, 2009). It is certainly true that larger and more broadly based institutions are better able to spread risk and do more than smaller and more narrowly focused ones. However a study for Universities UK some years ago (Ramsden, 2001) suggested that there were economic benefits from rationalization only where one of the partners was weak. Savings in support services were offset by the increased costs of managing a larger and more complex operation. Nevertheless there can be little doubt that there will be some institutional restructuring. 6

In parallel with this institutional reconfiguration, there will be a restructuring of the curriculum. Institutions with a reasonably wide range of course offerings that receive a significant level of stable revenue are able, through cross-subsidy, to balance programmes that are more and less attractive to students. But the more an institution is subject to the vagaries of student demand, the more it will be forced into "popular" courses, and the less it is able to preserve provision "for its own sake". The market participation of private "for profit" providers, which tend to "cherry pick" the more profitable areas of the curriculum, may exacerbate this. Comprehensive "not for profit" institutions are then less able to protect their more economically vulnerable courses. The result, paradoxically, is a reduction in the choices available to students. This has already happened in subjects like physics, chemistry, classics and modern languages. We can expect it to accelerate if entry barriers are lifted and /or competition becomes fiercer. This is what the marketisation of higher education means.

CONCLUSION – WHAT KIND OF SYSTEM?

Whilst the new competitive regime for English higher education can be seen as part of a longer term process of marketisation (Brown, in preparation), it nevertheless also marks a radical departure from previous policies. What kind of system will it produce?

Experience of what has happened in the US and other market or "semi-market" (Brown, 2010b) systems suggests that by the middle of the decade our university system will have the following principal characteristics:

- There will be much greater resourcing and status differentials between institutions than is currently the case. These will arise from the very widely varying ability to attract private and public revenue for both teaching and research. There may also be much wider quality differences though these may not be as great as the resourcing differentials.
- The student population is unlikely to be any more representative of the general population than is currently the case, and may well be less. The existing pattern of students from wealthier backgrounds attending wealthier institutions and students from poorer backgrounds going to poorer institutions will be further solidified.

- A much greater proportion of the university curriculum will be “vocational” or concerned with “employability”. Non-vocational subjects – especially but not only the arts, humanities and social sciences – will be confined to a small number of elite institutions catering for wealthier students, together with poorer students on scholarships – just like the 1950s.
- Research will be even more heavily concentrated in a small number of institutions. Staff salaries, terms and conditions will vary to a much greater degree (in the US a professor at a private research university already earns almost 50% more than their counterpart at a public one). A much bigger proportion of the teaching force will be on part-time and/or temporary contracts, again as in the US.
- Students will be even more clearly consumers (rather than producers). Institutions will be putting much greater effort into student care and complaints, as well as into marketing, advertising, branding and recruitment. There will also be more conspicuous expenditure: what one American college president recently called the “amenities arms race” will have come to Britain.
- Most institutions will experience a tighter regulatory regime because of the inability of markets to police quality in any serious way, and the unwillingness of governments to accept this.

ENDNOTES

1 It should be noted that these regime changes are being accompanied by severe cuts in the remaining funding for teaching between now and 2015 as a result of the national economic crisis. Universities will also be affected by cuts in research funding (though these are less draconian), the National Health Service, the Training and Development Agency (for school teachers), and the Regional Development Agencies, and indirectly by cuts in post-16 Further Education expenditure, especially the abolition of Educational Maintenance Allowances (grants for 16- to 18-year olds in education) and the ending of subsidies for adults studying Level 3 (A Level equivalent courses). So far from facilitating the economic recovery, these cuts may well impede it (Ross, 2011).

2 On 28 December the Government announced that it had appointed the Deputy Leader of the Liberal Democrats, Simon Hughes, to become its “access champion”. This will be a six month post in which he will work to encourage more young people from modest backgrounds to enter higher education. Given the new regime, the ending of sponsored outreach schemes such as Aim Higher and the abolition of Education Maintenance Allowances, not to mention other Government policies on such things as taxation, this must rank as one of the most risible positions ever to have been offered and accepted in British public life.

3 In October the Times Educational Supplement carried a report that Methwold High School, near Thetford in Norfolk, was considering running degree courses in law and business administration from September 2011 and could become a national pilot. It is also planned that the new academy in Portland, Dorset, will take pupils from 0-19, and ultimately 21.

4 Work done for HEPI in 2006 (Brown, N. and Ramsden, 2006) found that, taking together teaching and research income per weighted full-time equivalent student, and allowing for subject mix, the best funded institution enjoyed an income of up to two and a half times the mean sectoral figure whilst the most poorly funded institution had an income of just under half the sectoral mean (2004/5 data).

5 It should be noted that the Independent Review only looked at the funding of student education. As in the US, most of the money for academic research comes either from external public funds or institutions’ own resources. Since the mid-1980s, public research funding has been increasingly concentrated, to the point where 25 institutions receive between them three quarters of the available funds, a trend that the Government supports.

6 A recent report by the Government’s spending watchdog, the National Audit Office notes that between 2007 and 2010 the number of universities categorised by HEFCE as being “at higher risk” rose from 10 to 43 (National Audit Office, 2011). This was during the period when universities were receiving substantial amounts of additional income from variable fees.

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