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ENGLAND'S NEW MARKET BASED SYSTEM OF STUDENT EDUCATION: An Initial Report

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ABSTRACT

In 2012 the Conservative-Liberal Democrat Government introduced a number of reforms to the higher education system in England. The main change was to abolish direct state subsidies for the teaching of most subjects, and replace them with a state-subsidised tuition fee of up to £9,000 (US $13,700). A number of other changes were also made, all with the aim of increasing institutional competition and consumer choice. The Government believes the reforms are necessary to assure financial sustainability, raise quality and enhance social mobility. This paper assesses the early impact of the reforms. It concludes that, on the evidence so far, none of the Government's declared objectives is likely to be met.

A. INTRODUCTION

From the start of the current 2012-13 academic year English universities and colleges have been operating a new and more market-based system. The limit on the tuition fees charged by institutions to undergraduates has been raised to £9,000 (from £3,375). Full-time students will continue to be able to borrow the monies needed to pay for tuition and maintenance, with repayments to the Government on an income-contingent basis; part-time students will be eligible for fee loans for the first time. There will also be full or partial non-repayable maintenance grants for full-time students from households with an annual income of up to £42,000 in 2012-13. The revenue raised from fees will meet the full costs of tuition apart from a few 'strategically important and vulnerable' subjects (science, technology, engineering, mathematics and modern languages) where direct subsidies in the form of grants to institutions will continue. At the same time, controls have been lifted on a significant proportion of the student places funded by the Government. There have also been moves to increase competition from further education colleges and private, non-publicly funded institutions. This paper reports on the early impact of the changes and assesses how far they suggest that the Government's aims in introducing the reforms will be realised.

B. BACKGROUND

The new competitive regime for English higher education was described in an earlier paper in this series (Brown, 2011). Briefly, the UK has had tuition fees for Home and European Union (EU) students since 1998, when an up-front charge was first levied. In 2006, in England, variable fees of £3,000 for full-time undergraduate degree courses were introduced. The fees were intended to be variable between institutions (and subjects) – hence their name – but in practice almost every institution charged the full amount for most subjects from the outset. Institutions continued to receive direct state subsidies for the balance – in practice, the greater part – of the costs of teaching. These came in the form of unhypothecated state grants from the Higher Education Funding Council for England (HEFCE). Students could borrow the money to pay the fee from the Government and repay the loan once they had graduated and were earning an income of £15,000 (US $9,870) or more.

The new regime was extremely controversial, with the Government getting the necessary legislation through the House of Commons by only a few votes. The main concern of those who opposed the legislation was the potential impact on participation, especially of those from less favoured socioeconomic backgrounds. Accordingly, the Government agreed that the whole regime should be independently reviewed after three years.

This review was conducted in 2009-10 by a committee chaired by Lord Browne of Madingley, the former Chief Executive of British Petroleum. It found that the higher level of fee had so far had little impact on participation. It recommended that there should be no statutory limit on the level of the full-time undergraduate fee, but that institutions charging more than £6,000 should have some or most of the additional revenues clawed back. The fee should cover the whole of the cost of teaching except for a few 'priority subjects' where there might not be sufficient market support and where a continuing government grant to institutions would be appropriate. To enable more popular universities and colleges to expand, there should also be no limits on the numbers of students they could admit. There should however be a cap on the number of students in the system with access to publicly subsidised loans, based on the level of entry qualification. This was all on the basis that the creation of a genuine higher education market would increase both efficiency and quality. It should be noted that the review covered only England. Scotland now has no fees for Scottish domiciled or EU students at Scottish institutions. Wales will have a cap of £3,575 for Welsh students studying anywhere in the UK from 2013-14. Northern Ireland has a cap of £3,575 for local students at local institutions.[1]

The Government accepted the broad thrust of the review report. But rather than an open-ended commitment, the fee cap was raised to £9,000 with effect from October 2012. There was also a partial deregulation of funded places, with no restrictions being placed on the enrolment of students with grades of AAB or better in GCE A Level, the principal entry qualification for higher education. However these were not the only changes introduced. In particular, the Government has introduced a series of measures to increase competition from further education colleges (broadly equivalent to US community colleges) and private, non-publicly funded colleges. These include a 'core and margin' system whereby a proportion of places is made available to all publicly funded universities and colleges charging an average fee of £7,500 or less through a bidding process. The Government has also modified the criteria to enable small institutions with 1,000 Full Time Equivalent students to apply for a university title: as a result there will soon be a further 10 universities to add to the present 115. Finally, and following the lead given by the previous Government, there has been a further expansion in the public information for students and others about quality and standards.
The Government summarised the case for the changes in the following terms:

> *Our reforms tackle three challenges. First, putting higher education on a sustainable footing. We inherited the largest budget deficit in post-war history, requiring spending cuts across government. By shifting public spending away from teaching grants and towards repayable tuition loans, we have ensured that higher education receives the funding it needs even as substantial savings are made to public expenditure. Second, institutions must deliver a better student experience; improving teaching, assessment, feedback and preparation for the world of work. Third, they must take more responsibility for increasing social mobility.* (Department for Business, Innovation and Skills, 2011, Executive Summary, paragraph 3).

What does initial experience of the reforms suggest about the likelihood of these core purposes of sustainability, quality, and social mobility being achieved?

C. SUSTAINABILITY

At the time variable fees were being proposed (2003-6), and following the Browne report in 2010-11, most attention focused on the increased costs to students/graduates and the potential this might have to reduce applications, especially from students from less favoured backgrounds. However it is strongly arguable that in the longer run the key issue is the attempt to transfer the great bulk of the cost of educational programmes from the taxpayer to the student/graduate. The OECD has estimated that whereas prior to the reforms the public/private split in meeting the costs of student education was 60/40, it will now be 40/60 (OECD, 2011). This is chiefly due to the radical reduction in the direct subsidy for teaching: the HEFCE teaching grant has fallen from £4.18bn in 2010-11 to £314mn in 2012-13 (Million+, 2013). Nevertheless, since both fees and student living costs will continue to be supported by state-subsidised loans, there will still be a substantial public contribution to higher education costs. The future size of this contribution, together with the impact of the new regime on public expenditure generally, has occasioned some controversy.

The main issue is the relationship between the value of the loan repayments made by graduates and the long-term costs to the Exchequer (i.e., the taxpayer). This is known as the Resource Accounting and Budgeting charge or RAB. If no repayments were made, the RAB would be 100 per cent; if all loans are repaid at the required rate of interest, the RAB is zero. The Government now estimates that the RAB charge should be 34 per cent. However the Higher Education Policy Institute, which has the best record in critiquing government policies generally, believes that this is far too low, and hence that the savings from reducing the direct subsidies will be less than the Government projects: there could even be a net cost (Thompson and Bekhradnia, 2012).

The main reasons are that the Government has assumed that (a) the growth in earnings with age and experience that most graduates have enjoyed in their careers to date will be repeated over the next thirty years and (b) this will not only be true on average but the distribution of earnings between high and low earners will remain the same. However both assumptions are questionable, especially the belief that all graduates will increase their earnings at the same rate: high and low graduate earnings rates have been diverging for many years. In addition, the Government assumed that the average fee level would be £7,500 when the actual figure charged is £8,527, reflecting the fact that no less than three-quarters of institutions are charging the full £9,000 for at least some courses, a figure which the Government originally regarded as 'exceptional' (even more are planning to do so for 2013-14). A net cost to the taxpayer will be even more likely if the inflationary impact of the increased charges turns out to be as great as some analyses (McGettigan, 2012) suggest. This is because the increased tuition charges raise the level of the Consumer Prices Index which is used to determine changes in the level of state pensions and other benefits, as the Governor of the Bank of England has confirmed.[2]

There are therefore considerable grounds for doubting whether the new financial regime will be sustainable. If it is not, then there are various options, none especially palatable:

- The Government can seek compensating reductions in expenditure elsewhere. This seems unlikely: higher education's lack of favour with the Government is shown in the fact that it has already absorbed a bigger share of the government's post-2010 expenditure cuts than any other sector of education (Chowdry and Sibieta, 2011).
- The Government can further reduce the remaining institutional grants for strategic subjects and other priority areas, such as widening participation and specialist institutions. However as well as placing these areas at greater risk, this will further constrain the Government's ability to 'steer' the system towards what it regards as public priorities.
- The Government can try to offload its future liabilities by selling the loans, although any purchaser might well exact a large discount or a continuing subsidy (this could create a lucrative income stream for a private company with the payments guaranteed by the state).
- The Government can make graduates pay more by changing the terms and conditions on which loans are provided: subsidised loans that may be non-repayable can after all be seen as the equivalent of an up-front grant. One of the UK's leading authorities on student funding, Nicholas Barr, argues that the current repayment threshold – the level of income required before students have to start to repay the loan – should be reduced from the present £21,000; the interest rate could also be increased (Barr, 2012). In this connection it needs to be borne in mind that personal tax rates are still lower than they were a generation ago.
- The Government can reduce the number of places it will fund. This takes us to the issue of participation (see next section).

Because of the length of the planned repayment period (up to 30 years) it will not be known for many years whether the Government's estimate is correct. In fact, the financial settlement is likely to come under pressure much sooner than that. As part of its further attempts to rebalance the UK economy, the Government is seeking more expenditure cuts across Whitehall departments in 2015-16. This could mean the Department for Business, Innovation and Skills having to find savings of 12.7 per cent, a process from which higher education, as the biggest item in the Department's budget, is unlikely to be excluded.

D. PARTICIPATION

There is a clear relationship between the cost of the reforms to the taxpayer and the number of funded places. As already indicated, the chief objection to the increased fee was the potential impact on participation, with fears that either students in general or particular categories of student would be put off applying by the increased costs of tuition and the associated levels of debt. What is the story so far?

According to official figures, there was a 5.5 per cent drop in applicants' acceptances of full-time undergraduate places in 2012 compared with 2011. These are for all applicants to all UK institutions. By country of residence, acceptances by English students were 6.6 per cent down, Scotland up by 0.3 per cent, Wales up by 5.3 per cent and Northern Ireland down by 3.7 per cent. Acceptances to institutions in England were down by 6.3 per cent whilst acceptances to Scotland and Northern Ireland were slightly up, by 1.9 and 5.2 per cent respectively; acceptances to Welsh institutions were down, by 8.1 per cent. Acceptances by mature (21 and over) students are down by 6.02 per cent compared to 5.4 per cent for younger applicants (Universities and Colleges Admissions Service, 2013).

Enrolments by part-time students, which are outside the central applications system, are also down although they have been falling for several years. This is the first drop in acceptances since 2006, when variable fees were introduced, and is only partly accounted for by the reduction in the size of the underlying18-20 year cohort (the number of 18-20-year olds in the population is due to fall by 14 per cent between 2010 and 2020) and by a reduction in the number of deferrals from 2011. Finally, the recent relative improvement in participation by students from less favoured backgrounds appears to have continued (Higher Education Funding Council for England, 2013).

Several questions then arise:

- Whether, as happened after 1998 and 2006 (when tuition fees were introduced or increased), numbers will bounce back this year (2013-14). The latest figures for 2013 applications to all UK institutions from all sources show a small increase over 2012 applications of 3.5 per cent; however this is still 4.2 per cent down on 2011, and 2 per cent on 2010.

- Whether the reductions in numbers will affect all subjects equally: no clear pattern can be seen so far although medicine, science, technology, engineering and mathematics – the so called STEM subjects – appear to be doing (relatively) better than arts, humanities and social science.
- Whether the reductions will affect all parts of the country equally: the North West has seen a fall of 15 per cent in enrolments whilst the South East has seen only a 7.1 per cent drop.
- Whether the reductions will affect all institutions equally. This is important because a high proportion of students from less favoured socioeconomic backgrounds are educated in a small number of 'access institutions', many of them former polytechnics in London and other major cities.

It does indeed appear that some of the major losers are access providers: London Metropolitan is down by 43 per cent, Bolton by 25 per cent, Greenwich and Leeds Metropolitan by 23 per cent, East London by 20 per cent, Cumbria by 18 per cent and University of Central Lancashire at Preston by 16 per cent. But there have also been some significant losers amongst the elite: Southampton is down by 13 per cent, Liverpool by 10 per cent, Sheffield by 9 per cent, and Birmingham by 7 per cent. However, Bristol grew by 28 per cent, University College London by 22 per cent, Cardiff by 13 per cent, and King's College London by 12 per cent. Nevertheless, it appears that the institutions showing the greatest reductions in recruitment are generally those with the lowest entry tariffs.

Even if the near tripling of the fee does not affect the long term demand for undergraduate places, there are widespread concerns that it may affect the demand for postgraduate places. There are particular worries about the increasing dependence on overseas students – whilst total postgraduate enrolments have increased by over 200 per cent since 1999, Home and EU enrolments have increased by only 18 per cent (Higher Education Commission, 2012) – and about the socioeconomic make-up of the students (Sutton Trust, 2013). This has prompted calls for serious consideration to be given to extending the subsidised loans system to postgraduate programmes (Fazackerley, 2013).

Finally, there are concerns that the tightening up on visa requirements by the UK Border Agency (Acton, 2011) will affect both under- and postgraduate recruitment. Acceptances of full-time undergraduate places by non-EU students fell in 2012 by 5.4 per cent after a long period of growth. UK higher education is heavily dependent on the revenue from international students that is used to support other university activities, especially research.[3] However there is a 9 per cent increase in applications from non-EU students to English institutions for 2013-14.

E. QUALITY

The Government's second objective was to improve quality, the argument being that creating what is in effect a 'voucher' system for undergraduate education (Friedman, 1962) would force institutions to raise the quality of their teaching or lose students and revenue. The argument is encapsulated in the following quote from the report of the Browne Review:

> *In our proposals, we are relying on student choice to drive up quality. Students will control a much larger proportion of investment in higher education. They will decide where the funding should go; and institutions will compete to get it. As students will be paying more than in the current system they will demand more in return.* (Independent Review, 2010, p. 29).

Similarly:

> *Our proposals are designed to create genuine competition for students between HEIs, of a kind which cannot take place under the current system. There will be more investment available for the HEIs that are able to convince students that it is worthwhile. This is in our view a surer way to drive up quality than any attempt at central planning.* (Independent Review, p. 8).

To support the introduction of full cost fees for most subjects, the Government is expanding the amount of information that institutions are required to publish about their provision, as already noted. It is also encouraging private companies to use this information to provide fuller information and guidance, and the Consumers Association *Which?* has now introduced such a service: *Which University?* The centrepiece of this enhanced information drive – which actually goes back to the 2009 White Paper *Higher Ambitions* of the previous administration (Department for Business, Innovation and Skills, 2009) - is the so called Key Information Set (KIS). This sets out no fewer than seventeen items of information at undergraduate course level for each institution. These items include the proportion of time spent in various learning and teaching activities (by year/stage of study, with a link to further detail); the mix of summative assessment methods used (by year/stage of study); the destinations of graduates six months after graduation; of those employed, the proportion in managerial/professional jobs six months after graduation; and salary data (upper quartile, median, lower quartile) six months after graduation from the course concerned and for all courses in the subject across all institutions, six and 40 months after graduation (HEFCE, 2012). Universities are also being 'encouraged' to publish anonymised information about the teaching qualifications, fellowships and qualifications of their teaching staff.

Again, it is much too soon to say whether the Government's objective of raising quality through this student 'empowerment' will be achieved, but there are several reasons for doubt.

First, none of the measures included in the official websites or the commercial league tables are indicators of educational quality. At best they are proxies for, in most cases, resourcing levels, research income, student selectivity and institutional longevity. Second, any indicators that could be devised would have to be tailored to the very diverse range of backgrounds, motivations and dispositions that characterises today's student body (Brown, 2007b). Third, there is nothing to suggest, in the extensive literature that has now accumulated on the subject, that even if suitable (and accessible) indicators could be devised, many students would actually make much use of them (for a recent review, see Brown, 2013a).

There are however various ways in which the Government's reforms, coming on top of the long process of marketisation that began with the Thatcher Government's decision in 1979 to remove the fee subsidy for overseas students (Brown, 2013b), could damage educational quality (the quality of programmes of study and the associated awards):

- There is the diversion of effort that assembling and publishing the additional information represents, not to mention the additional resources being put into marketing and other mechanisms for attracting students in an even more competitive environment.[4]
- There is the threat to quality arising from the fact that, whether or not it proves to be sustainable for the taxpayer, the new funding regime may not deliver the quantum of funding for the sector as a whole that is needed to protect standards. The UK spends a lower proportion of GDP on higher education than almost any other comparable country. In spite of the improvements in institutional revenues since the early 2000s, there remains a huge backlog of investment in buildings and equipment that it will take many years to unwind, particularly bearing in mind the cutbacks in government capital funding which in turn puts further pressure on institutions' current revenues.[5]
- Even if the overall amount of funding turns out to be adequate, the way in which it is distributed may simply exacerbate existing disparities in resourcing and performance between institutions. In terms of revenue per student, and allowing for differences in subject mix, the best funded university in 2010-11 (Cambridge) had four times the revenue of the least well funded (Edge Hill); the differences in institutional wealth (net assets excluding pension liabilities, per student) were even greater. These differentials in part reflect huge differences in research funding, which enable the (so called) 'research intensive' universities to have better libraries and laboratories, more graduate students, etc. Whilst there is no proven link between funding and quality, differences of this kind will be bound to raise the question of how long the UK can continue to enjoy the 'controlled reputational range' which David Watson some years ago (1998, p. 76) described as the main reason for the high international standing of UK degrees.
- There is a very clear risk that the emphasis on student market power, choice and information will reinforce the reconstitution of the identity of the student as consumer (Williams, 2012). This in turn poses a threat not only to conventional meanings of quality and standards but also to the role of the academic community as the guardian of those standards and to collaborative peer review as the key protective mechanism (Brown, 2009).

Finally, we should note that the Government is actually adding to the risks to quality by requiring HEFCE and the Quality Assurance Agency for Higher Education (the principal regulator) to introduce what is termed a 'risk-based' approach to quality assurance, under which institutions with good quality 'track records' will be subject to less frequent and/or less intensive monitoring and review. Although the latest version of the new methodology is much less selective than was originally envisaged, it still increases the chance that major quality problems may go undetected, especially as it is being introduced at the same time as the level of risk in the system as a whole increases as a direct result of the Government's other reforms, which will certainly lead to significant and unpredictable fluctuations in student numbers at many institutions even if there is an overall increase in the resources available to the sector as a whole.

F. SOCIAL MOBILITY

> *Fair access is a fundamental principle of our reforms. It is vital that all those with the ability should have access to higher education.* (Department for Business, Innovation and Skills, 2012, p. 4).

As already mentioned, one of the principal objections to variable fees was the negative effect it might have on the participation of students from less favoured backgrounds. One of the concessions made by the Government in introducing them was to require universities charging more than the previous maximum fee level of £1,100 to devote a proportion of their income to bursaries and other forms of support for low-income students under 'access agreements' approved by a new independent regulator, the Office for Fair Access (OFFA). Historically, there has been a gap in participation between students from different socioeconomic backgrounds which has hardly narrowed as the system has expanded. [6]

Although there has been some improvement in the mid-2000s – ironically, coinciding with the introduction of variable fees – this remained a concern with the planned near-trebling of the fee from 2012. In response to these continuing concerns, the Government has pointed to the increase in the level of loans and maintenance grants, the introduction of a new National Scholarship Programme for undergraduates who are eligible for the full maintenance grant, and a strengthening in the resources and powers of OFFA. It has also commissioned a 'national strategy for access and student success' from OFFA and the Funding Council (HEFCE, 2012b). The strategy will examine how moneys allocated to bursaries, scholarships, fee waivers and community outreach – estimated to reach £1 billion a year by 2015-16 – are spent, and which types of financial support are most effective in helping people from socially disadvantaged groups into higher education. But:

- The Government has abolished a number of programmes that were helpful for widening participation, notably the Aim Higher national outreach programme and Educational Maintenance Allowances for disadvantaged young people aged 16-18. It has also terminated the fee subsidies for adults on Level 3 (GCE A Level equivalent) and Access Courses. There has also been a decline in the availability and quality of careers advice following the Government's decision to abolish the independent Connexions Service and return it to the schools.
- The Government has followed the previous administration in cutting the overall numbers of funded places: in January 2012 it announced a further cut in funded Home/EU student numbers for 2012-13. This cut of 5,000 places is on top of the 10,000 additional places funded in 2011-12 that has not been repeated in 2012-13. These restrictions on the overall number of places will not be helpful for widening participation. Matters will be even worse if Treasury responds to the fall in demand in 2012 (and possibly 2013) by further cutting the overall number of funded places.
- The Government is seeking to shift the responsibility for widening participation away from the state and towards institutions and students (through the diversion of fee income to bursaries, etc.). It is also increasingly depicting differential participation in terms of 'fair access' to more selective institutions by 'bright working- class students' rather than in terms of the more general problem of working class access to higher level study.
- At the same time, the deregulation of places for AAB+ students will almost certainly discourage some of the more selective institutions from using 'contextual data' to make offers to students with qualifications below the line (since these places are still capped). This would be a particular pity because there is recent evidence that state school pupils are gaining places at the more selective universities with lower grades on average than their peers from independent schools (Grove, 2013).
- The further reduction in part-time numbers is worrying because historically the part-time population contains larger numbers of students from non-traditional higher education backgrounds.

However, the biggest threats to widening participation in higher education from Government policies lie in the combination of unprecedented spending cuts on state education generally (planned public spending on education in the UK will fall by 3.5 per cent per annum in real terms between 2011 and 2015: Chowdry and Sibieta, 2011)[7] and the increased fragmentation of the school system through the widespread introduction of academies and free schools. This will almost certainly increase the existing class-based differentials between schools that are the curse of the English education system.[8,9]

G. CONCLUSION

> *Marketing and advertising of colleges threaten to produce a system of highly prestigious sought after institutions in high demand, a second layer of less illustrious institutions doing their best to imagine themselves illustrious, and a huge number of institutions using all the marketing techniques they can get their hands on to sell their product to a consuming public.* (Reay et al., 2005, p. 140).

It is obviously much too soon to offer any firm conclusions about the impact of the new competitive regime for English student education that came into force at the start of the current academic year. But there are already major questions about its sustainability (at least with the present level of participation), about the implications for quality (where increased competition poses a direct threat to collaborative peer review), and about the effect on social mobility (where the problems lie much further back in the educational and social system). However certain things are becoming clear.

First, the English higher education system is already heavily stratified, with the more selective institutions drawing their students mainly from private schools and middle class households, and the less selective ones recruiting more heavily from state schools, further education colleges, minority ethnic communities and working class households. The reforms will intensify this. The situation was symbolised by the announcement in March 2012 that four members of the so-called 1994 Group of Universities

(Durham, Exeter, Queen Mary and York) would be joining the Russell Group of highly selective institutions (Russell Group, 2012). In commenting on Exeter's decision to leave the 1994 Group, the Vice-Chancellor, Sir Steve Smith, is reported to have said that 'the sector is changing' and that 'the AAB thing [had] changed the debate'. He added that 'Durham and ourselves were up there and then York was a little bit lower, but not much' (Morgan, 2012). There could hardly be a clearer indication of the way in which Government policies are driving hierarchy and differentiation within the sector or, to be more accurate, stimulating and reinforcing tendencies within the institutions that are already present in the system.[10]

Second, although there is no clear sign of a move in student preferences towards more 'vocational' subjects, there are initial moves to rationalise provision that does not have clear market support (or sufficient direct subsidy by institutions). In 2011, the Association of Business Schools voiced its strong opposition to the way in which, in many universities, revenue from business and management studies is used to subsidise programmes where the income-cost balance is less favourable (Matthews, 2011); this subsequently received support from the Minister for Higher Education (Matthews, 2012b)). It seems almost inevitable that 'weaker' programmes and subjects will be cut out, further reducing the university to a series of barely related entities. Whether this rationalisation will extend to the pattern of institutions is less clear. However it needs to be borne in mind that there has already been a substantial rationalisation over the past thirty years, with the absorption of the colleges of education, the London medical schools, and most art and design colleges into larger, multi-faculty institutions. The irony is that, to the extent that these changes are intended to enhance student choice, the ultimate outcome is likely to be *reduced* choice as the number of competing centres and institutions falls.[11]

Third, although the Government has made some moves to encourage institutions that have not previously received direct subsidies for teaching to enter the market, neither further education colleges nor private providers have so far made much headway except in niche markets: local markets in the case of FE colleges, business and law in the case of the private providers, a fact reluctantly acknowledged by Ministers (Matthews, 2012c). At the same time, the Government's wish that there should be a 'level playing field' between different categories of provider is leading to a pretty complex and potentially quite expensive regulatory framework, in spite of the Government's stated desire to reduce unnecessary 'bureaucracy'.[12]

Another comment concerns the speed with which these changes have been introduced. As the Funding Council has said in its public report on the reforms, 'rapid changes in policy can lead to unpredictable outcomes' (Higher Education Funding Council for England, 2013, p.56). There can in fact be little doubt that the move to a voucher system for most undergraduate courses is one of the most radical reforms ever attempted in higher education anywhere (Usher and Medow, 2010). Yet there was no piloting, modelling or serious consultation. The AAB policy is a further case in point. Together with the 'core and margin'system, it was invented 'on the hoof' when it appeared – contrary to Government statements and expectations – that, so far from being 'exceptional,' the £9,000 fee would become quite common. There was no reliable information about the numbers of students likely to be involved. Yet even before the policy had been implemented, Ministers announced that the threshold would be lowered to ABB with effect from 2013.[13]

The final comment concerns the reasons put forward to justify the reforms. Were improving sustainability, quality and social mobility the *real* reasons? An alternative interpretation of Government thinking might be on the following lines:

- *Britain is facing a severe economic crisis. The Government believes that cutting public expenditure is essential to ending the crisis. Higher education absorbs a significant share of public expenditure. But, unlike most other publicly funded activities, student education has the capacity, at least in the medium to longer term, to generate substantial private revenues. It is therefore particularly vulnerable at a time of expenditure cuts, especially as the universities do not enjoy the same degree of public affection as, say, the National Health Service.*
- *The reduction of the share of public expenditure devoted to higher education also contributes usefully to the wider dismantling of public provision and the transfer of responsibilities from the state to the individual that is the declared or undeclared Government aim in other areas of the 'welfare state', such as health, local government, social care and social housing(Taylor-Gooby and Straker, 2011).* [14]
- *England's 'top' universities have long complained that they cannot compete with the leading US institutions for internationally mobile staff, students or donations. Nearly trebling the fee and deregulating a significant proportion of funded places goes some way to compensating them, as does even greater research selectivity.*[15]
- *However other English universities do not have sufficient competition. Deregulating places, introducing numbers bidding, and facilitating the entry of FE colleges and new, privately owned providers will force them to give students what they want, or disappear from the scene.*
- *The exiting providers will include some of the access institutions. These institutions are of lower quality, but in any case it is strongly arguable that there are too many students pursuing degree courses at university who would be better suited to a vocational course at a local college or an apprenticeship with a local firm. Cutting the size or growth of the most expensive*

sector of education would not only reduce the cost to the taxpayer of our existing, and still relatively generous, arrangements for subsidising student education and living costs but would also make better use of our human resources.

When the Thatcher Government embarked upon its monetarist experiments in macroeconomic policy in the early 1980s, the distinguished American economist J K Galbraith remarked on how fortunate it was that this experiment was taking place in a country with a resilient social fabric. A similar comment might be offered about the English universities and the UK Government's higher education reforms.

NOTES

1 Scotland and Wales both followed England in introducing 'top-up' fees in 1998. The devolved administration in Scotland soon replaced this up-front fee with a form of graduate contribution – a 'Graduate Endowment' – between 2001 and 2008. Since then there have been no tuition fees for Scottish or EU students at Scottish institutions. Wales introduced a variable fee of £3,000 in 2007, a year later than in England. In 2012 fee costs for Welsh students studying in Wales or other parts of the UK were held at 2007 levels (adjusted for inflation) with the balance of the fee of up to £9,000 being met by a non-repayable fee grant provided by the Welsh Government (see Bruce, 2012).

2 The think tank Million+ has estimated that the short term savings arising from the reduction in the HEFCE teaching grant will be outweighed 6.5 times over by the long term costs. This reflects a nearly 40 per cent write-off for the new loans, lower tax revenues from lower student numbers, and the inflationary impact of higher fees (Million+, 2013).

3 According to the latest (2010-11) official estimates of income and economic costs by activity, non-publicly funded teaching income represents 131 per cent of the costs of the activity whilst research income covers only 77.6 per cent (http://www.hefce.ac.uk/media/hefce/content/whatwedo/leadershipgovernanceandmanagement/financialsustainabilityandtrac/TRAC%20data%20return.pdf [accessed 14 March 2013].

4 At a marketing conference in London in September 2012, the Deputy Vice-Chancellor of Bournemouth University was reported as predicting that UK universities would rapidly approach the 22.7 per cent of revenue spent on marketing and recruitment by the leading US 'for profit' institutions (Matthews, 2012a; see also, Burns, 2013).

5 Not only has there been a huge reduction in capital funding in recent years but such capital funding as there has been has mostly been allocated selectively, rather than by formula. This particularly benefits the major research universities with extensive science, engineering and medical education provision.

6 This difference is not confined to entry into higher education: students from disadvantaged backgrounds are more likely to be living at home (which may mean them missing out on various extracurricular activities and networking), more likely to be working whilst studying (with greater risk to their academic attainment), more likely to drop out, and more likely to be studying less economically 'valuable' subjects (Brown 2007 a).

7 The social geographer Danny Dorling has suggested (2012) that this relative improvement may have been due to increased expenditure on schools in deprived areas under the previous government which in turn raised performance pre-A level in academically weaker schools.

8 Whereas across all OECD countries, on average 57 per cent of the performance differences between schools can be attributed to the social character of the intake, in the UK the social intake accounts for over 70 per cent of the differences (Centre for Learning and Life Chances in Knowledge Economies and Societies, 2011). There is a direct relationship between variability in school performance and fairness of progression to higher education: countries providing fairer access to higher education – such as Finland, Ireland and Spain – are also those with the most equal between-school performances in PISA 2000 (OECD, 2008). This led the OECD, in its Economic Survey of the UK (2011), to recommend that the Government should experiment with proscribing the use of residence criteria in admissions to schools in some areas. This would be an important step towards ensuring that state-funded schools are as similar in character, intake and process as possible, so that a child's background, or where they live, makes little difference to the kind of school they attend, the kind of education they receive, or the sort of post-compulsory experience they go on to have (Thrupp, 1999). Per contra, the conversion of most local authority schools into semi-independent 'academies' or 'free schools' will almost certainly make between-school differences worse (see also, Glatter, 2010).

9 Reforms to the post-18 exams system – the effective phasing out of the Advanced Secondary (AS) intermediate qualification, the reduction in the proportion of assessed coursework, and the division of subjects into academically acceptable and unacceptable categories ('facilitating' and 'non-facilitating' subjects) – can also be expected to work against students from less favoured backgrounds.

10 Croxford and Raffe (forthcoming) have analysed the degrees of social segregation in entrants to universities and colleges in the different countries of the UK over the period 1996 to 2010. They find little change in the degrees of segregation over time but also that such segregation is highest in England.

11 In physics, the number of universities offering honours degrees dropped from around 72 in the mid-80s to 47 or so in the mid-2000s. This was largely due to the combined effects of research selectivity and reduced funding per student, although declining student demand was also a factor. More recently there has been a resurgence of interest and four new courses have either opened or will open soon (Peter Main, personal communication). The fact that a significant proportion of the courses closed were at the 'applied' end of the subject shows how the baleful influence of research selectivity has spread to university teaching. Douglass (2012) notes how the US research universities are becoming even more 'tribal' as state funding falls and commercial opportunities increase for some subject areas.

12 In the longer run, however, there is a very clear danger that the private, 'for profit' providers will 'cherry pick' the more 'profitable' subjects, leaving the mainstream institutions to offer 'bread and butter' programmes with or without public subsidy. There is also a more direct threat to established institutions if the Government succeeds in bringing non-state funded institutions within the overall numbers controls since under present policies the places for the new providers can only come from state-funded institutions.

13 In fact, the Government overestimated the number of highly qualified applicants so that the overall ABB pool turned out to be smaller than forecast; the selective universities' concentration on ABB applicants may also have led to more unfilled places at those institutions. At the same time, more than a third of the places allocated to low-cost universities were not taken up (Matthews, 2013). Overall, under-recruitment to student number control limits was greater than the Funding Council anticipated (Higher Education Funding Council for England, 2013). In a review of austerity-based approaches, Douglass (2010) described this as the 'leap before you look' approach to higher education policy making.

14 The Government is aiming to reduce the share of national income taken by state spending from the 48 per cent it inherited in 2010 to 42 per cent by 2015 and 39 per cent by 2017. This would be the largest ever reduction in the size of the British state (Montgomerie, 2013).

15 In 2012 the Government removed funding for research activity 'recognised internationally in terms of originality, significance and rigour' in the last Research Assessment Exercise in 2008. The two higher categories are 'internationally excellent' and 'world leading'. The most selective universities have a higher proportion of research in these two categories, and therefore benefitted disproportionately from the change. To be fair, some of the Russell Group institutions opposed the AAB+ policy on the grounds, already noted here, that allowing the unlimited recruitment of students with high A level grades would make it harder to give fair access to the disadvantaged (Morgan, 2012b). In 2010 the Secretary of State, Vince Cable, told the Girls Schools Association that one of the main reasons for raising the fee cap was to head off pressure from some of the leading institutions to 'go private' (Gill, 2010).

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