

# MODERNIZATION OF UK HIGHER EDUCATION

**JACK GROVE** || Over the past two years, UK higher education has undergone what is arguably the most radical transformation in its entire history, culminating in a new system which came into effect in 2012. Some of the changes might bring about unintended negative consequences such as university closures and an erosion of the diversity that is currently a strength of the sector. There are also considerable fears over the affordability of the new loans system, the introduction of new student visa restrictions and the arrival of private providers on the scene.

## THE TIMES HIGHER EDUCATION AND ITS RANKINGS

This paper will address the sweeping changes which have taken place in British higher education over the past few years. It will also examine some of the reforms taking place in German universities, and what each country could learn from the other. The intention here is to detail the reasons for these changes in the UK, and in particular to examine what the likely consequences will be for students, staff and the higher education landscape over the next five years and beyond. This paper will also consider whether the student loans system which came into effect in September 2012 is sustainable and affordable in the longer term, and reflect upon some of the doubts expressed within the sector on the new system.

At the outset it may be relevant to mention that the author is a writer for the publication Times Higher Education. As one of the leading higher education magazines in the world, the THE is a specialist title written for academics and includes opinion pieces from scholars and academic professionals across the world. The print circulation of about 20,000 is distributed mainly in the UK. But the magazine also has a strong global online following, with about 200,000 unique visitors every week, of which some 40 per cent are from abroad. The THE is particularly popular in Singapore, Hong Kong, Tokyo and USA, though it has many readers in mainland Europe.

In recent years, the brand has become increasingly known for its Times Higher Education World University Rankings. Although they are controversial as not everyone agrees with the principle of rankings while others take issue with aspects of its methodology, these rankings have proven very popular, and following the launch of the seventh annual rankings, the website attracted just over 1.6 million hits in 24 hours on 6 October 2011 and more than 7 million hits in October 2011. So it is one of the three main world rankings, next to the Shanghai Jiaotong (which is based exclusively on research measurements, prizing volume and size over more weighted indicators) and QS World University Rankings (which cover a range of issues, including a peer review survey, citation scores and graduate employment figures). The popularity of the THE rankings reflects how higher education has changed over the past decade or so, and how it now operates as a global market.

In the past, higher education was very much a local market. Young people went to their local university or somewhere fairly close, a system still in existence in France and many other European countries. Nowadays, students are far more mobile and are prepared to go to different countries or even continents for their education, particularly for postgraduate study, where quality matters far more than geographical proximity. In this world of increasing student mobility, rankings

along with trusted independent indicators will play a great part.

### **CHANGES TO HIGHER EDUCATION IN BRITAIN FROM 2012**

One of the major changes taking place from September 2012 is the substantial increase in student fees as students will have to pay up to £ 9,000 a year for undergraduate courses, which is almost three times the previous fee of about £ 3,300 a year. The justification for this increase is to make up a funding shortfall which goes back to 2010 when the UK government decided to cut its support for universities by almost 80 per cent by citing the need for higher education to share in the round of austerity cuts.

The cuts included the withdrawal of government support for all classroom-based subjects (most of the arts, humanities and social science subjects) and remaining funding is only available for expensive, mainly laboratory-based subjects such as medicine and the sciences.<sup>1</sup> In the face of such massive cuts, there was little option but to adopt the outline findings of the October 2010 Browne Review which recommended that tuition fees should rise substantially. Eventually, a compromise deal saw the cap on tuition fees rise to £ 9,000, with most universities setting fees at this level or very close to it. Fees, after bursaries and financial support, were set around an average of £ 8,660 a year.

This move provoked considerable anger among students, and led to reactions including riots in London in October 2010. The media carried pictures of furious young people clashing with police and burning various objects; while the image of Prince Charles and his wife Camilla, the Duchess of Cornwall, caught in the maelstrom of angry students as their car was surrounded by angry protestors beating its sides and throwing paint at the limousine has become iconic. These were perhaps the most violent demonstrations seen on the streets of London for a generation.

### **THE STUDENT LOAN SYSTEM**

Despite anger over the changes and the apparent end to direct funding for students, there is still a good deal of government support for higher education. It comes via a different mechanism, namely a heavily subsidized student loan system.

In this new system, a typical student will take on debt of £ 27,000 (£ 9,000 x 3 years) and loans for living costs (about £ 3,500 a year). According to estimates backed by the National Union of Students, the new system will see most graduates take on a debt of more than £ 50,000, a sum which takes into account debts accrued from maintenance loans and other living cost expenses, with about £ 40,000 of this amount subsidized by the government. Others put the total at almost £ 60,000.<sup>2</sup>

One important aspect needs to be borne in mind. Unlike other student loan systems, there are some very favourable terms of repayment. Under this new system, no students will pay while they are in education (unlike in the US system). Repayment will only begin once students have graduated, and that includes part-time students who take longer to complete their studies.

The key aspect of the loan system is that it is contingent on an individual's income. Graduates will pay back 9 per cent of their income above £ 21,000, where the average starting salary for top firms is £ 25,000 a year. Therefore a graduate earning £ 30,000 a year will pay only about £ 800 a year in loan repayments. Put this way, the payback does not seem so onerous, although most graduates in mainland Europe would venture that the deal they have is better as they do not have to pay back any loans at all. This is the case in most parts of Germany, where at the worst students have to pay EUR 1,000-1,500 a year for income-contingent tuition or registration fees.

However, the question is already being raised in the UK whether the student loan system is too generous and whether the government, and thereby the taxpayer, will have to write off large amounts of money from the students' loan book because graduates are not earning enough. For instance, Tim Leunig, an economist at the London School of Economics, has calculated that graduates must earn about £ 42,000 a year for 30 years in order to pay off a typical student loan.<sup>3</sup> Given the current labour market, this is very unlikely for even a minority of students. Liam Burns, president of the National Union of Students, has also raised this point repeatedly and stated that most students will never pay off the final third of their debts. Different analysts claim that around 30 to 40 per cent of loans will have to be written off.

To put it another way: if offered a mortgage deal which allowed customers to buy a house but to repay the money only if they were earning a good wage, most would take it. Such a mortgage deal would mean that there would be no repayments as long as there were no earnings, in cases for example of time out to have a family, periods of unemployment or voluntary choice of low-paid career. And the best part would be that if the mortgage had not been paid off after 30 years, the house could still be kept. That sounds like a wonderful deal, and most people would take it. These favourable terms and conditions for student loans sound almost too good to be true, and perhaps they are. The current government is committed to introducing a market into higher education, so to have such a heavily state-subsidized loan system at the heart of it seems to be at variance with this policy. By analogy, banks would not give out loans if they knew they could only count on a return of 60 or 70 per cent of their investment.

### **POSSIBLE CHANGES TO FUNDING SYSTEM**

A debate has started on whether the terms of student loans are set to change. It is a question that Sir Alan Langlands, Chief Executive of the Higher Education Funding Council for England, asked at the organization's November 2012 annual meeting. If more cuts have to be made, are they to come from the budgets reserved for various special interest groups such as social mobility projects, the disabled, medicine, science, strategically important but vulnerable subjects like languages, all of which have their own champions and defenders. Or will the cuts come, and they are likely to come once again, in the form of more imperceptible changes such as the incremental reduction of the repayment terms of student loans, so that graduates pay more.<sup>4</sup>

David Willetts, UK minister of state for universities and science, has often outlined a 60/40 private/public split in funding: 60 per cent paid by the individual and 40 paid by the state. So far, there has been no substantial debate on the direction this funding is heading. The pace of reform has been rapid and no one, not least the media, has had a chance to reflect on what constitutes a fair division.

### **CONTROLLING UNIVERSITY COSTS**

It remains to be seen what will happen in this debate and where it will lead the country. But it appears that the UK is heading down the path of the USA, where total graduate debt is now estimated at \$ 1 trillion.<sup>5</sup> Levels of state subsidy in the US are much lower and graduate debt weighs far more heavily on students. With dropout rates also far higher, many young people are having to pay dearly for an education which they never completed, and without even attaining the supposed 'graduate premium' of the higher wages earned by graduates with university degrees. Student debt is now a major issue in the US and was a key subject in the 2012 presidential debate. Part of the problem in the US is that tuition fees for students have sky-rocketed. In 2003, there were two universities charging more than \$ 40,000 a year all-in, but by 2009 that figure had increased to 224. Some top private institutions are charging around \$ 60,000 a year for a four-year liberal arts degree.

In Britain, the debate is only just starting on what higher fees could mean in the long term for young people. To control costs and prevent top UK universities from charging excessive fees, limits on the amount to be charged have been put in place. For 2012-13 that is £ 9,000 a year. Nevertheless, within this subsidized system it is the taxpayer who picks up much of the bill. Most UK universities need to charge £ 9,000 a year to cover their existing costs, let alone improve facilities. That means that the universities of Oxford and Cambridge are charging the same as less distinguished places, for example the University of East London. For all the good work this particular university does as a regional university serving an entirely different demographic, it is regularly found at the far end of university league tables.

So another instrument has been designed to drive down costs at the lower end of the market. Universities charging less than £ 7,500 a year will be able to compete for a slice of 20,000 student places, while overall numbers will be cut by a certain percentage. At the same time, universities will be able to recruit as many students scoring AAB at A level or its equivalent, with the result that there will be more choice at the upper end of the market and this will encourage good universities with high-flying students to grow.

But there are many concerns that the restrictions are too tight and it is not clear whether they will really open up choice at the so-called quality institutions. Both Oxford and Cambridge universities have said they have no plans to increase their intake significantly. They have no reason to, as they are quite satisfied with their status quo as small, relatively exclusive bastions of excellence. Furthermore, it is claimed by those involved in the process, among them the philosopher A. C. Grayling, that it costs about £ 18,000 to educate an arts & humanities student under the expensive tutorial system. Other highly-rated institutions which would like to expand claim that they cannot because their infrastructure of student rooms, laboratories and classrooms is insufficient to cope with the extra numbers, and there are no additional financial resources to build such facilities.

### **PRESERVING THE DIVERSITY OF THE BRITISH HE SYSTEM**

The squeeze is likely to come at the bottom end of the league tables, and it appears that this is where the losses will be. Any advantage that there is seems to benefit the older established universities, which can attract unlimited numbers of top students if they so desire. Students at these universities are generally richer, have often been educated at private schools and have had plenty of opportunities. The older universities also have reputations, established over several decades, which enable them to attract more overseas non-EU students who pay far more than domestic students, sometimes more than double the amount. That system is in direct contrast to the situation in Germany, where tuition fees are the same for students irrespective of their country of origin. In most cases, there are no fees at all.

New universities are trying to establish themselves, and often provide very sound teaching and research, but they are losing students and, consequently, the income from tuition fees. This appears to be taking place at the expense of older universities. That is regrettable since in addition to providing some commendable courses, these universities often lead the way in teaching innovation and generally teach poorer students from worse schools. Data released by the Office for Fair Access, the body which monitors the social

make-up of British universities, continually shows that about 40 per cent of students at modern universities (former polytechnics given a royal charter in 1992 during a key period of massification of higher education) come from families earning less than £ 25,000 a year, whereas only about 21 per cent of students at Russell Group universities do so (the Russell Group is a group of 24 elite, research-intensive universities which include Oxbridge, University College London, Imperial College London, and other high-flying universities). At Cambridge, that percentage was only around 13 per cent, while at Oxford it was nearer 15 per cent.<sup>6</sup>

New universities also admit more older students and more students from ethnic minorities. It is said that there are more black Afro-Caribbean male students at London Metropolitan University, a large modern university in north London, than at all the 24 Russell Group universities combined. Therefore, many would argue that the new system is not recognizing either good quality in new institutions or the diversity it brings to the graduate profile. Reducing the size of these universities may well lead to reduced opportunities available to people from these minorities.

This failure to recognize the quality across the whole sector finds maybe its most potent expression in the education secretary Michael Gove, who has made known his intention to bring universities into his remit by taking them away from the Department of Business, Innovation and Skills currently controlled by his Liberal Democrat coalition partner – some say antagonist – Vince Cable. By asking schools to focus on getting more of their students into Russell Group universities, including Oxbridge, he has ignored the fact that attending a strong local university might be an equally useful option for that student. Indeed, since both Oxford and Cambridge universities are relatively small, boutique operations and only a tiny proportion of Britain's school leavers can ever hope to go there, this does seem an ill-conceived target for most schools. For example, there is a school in the East Midlands where only about half of the students will gain 5 A-Cs at GCSE and only one student in the past 13 years has progressed to Oxbridge. That can be compared to the Hills Road Sixth Form College this author attended in Cambridge, which has been

home to the children of many academics and affluent, highly educated middle-class families and which has one of the highest levels for Oxbridge entry. Adopting a measure of success like this is totally wrong for most schools and utterly irrelevant to what they should be doing for their students.

There are many who fear the stratification already present in the system is set to worsen and thereby to reinforce the hierarchy that already holds considerable sway in the job market. Other manifestations of this increased sense of hierarchy might also lie in changes to research funding, where experts say the upcoming reforms are likely to concentrate doctoral training and research in fewer universities such as the Russell Group universities and the like.

In a global world, where competition for the best staff and students is intense and crosses national frontiers, some might argue that excellence should be rewarded wherever it is found, and should be allowed to flourish. As this paper has already pointed out, there are several difficulties to achieving this. And there is a feeling that the diversity within the British higher education sector – an aspect which is not acknowledged in league tables such as the Times Higher Education World Rankings – will be lost.

### **IMMIGRATION CONTROLS ON UNIVERSITIES**

This paper will also indicate a few other issues exercising the minds of vice-chancellors and academics concerned about the health of the British higher education system. One major issue at the moment is the crackdown on student visas that threatens to strip British universities of thousands of non-EU students and consequently of millions, perhaps billions, of pounds of revenue to universities and the wider economy.

A report by the government itself has found that foreign students contribute about £ 10 billion a year in export earnings to the UK economy, a sum that could rise to £ 16 billion a year within ten years if Britain manages to capitalize on the growing global middle class in countries such as China, Nigeria, India and Indonesia.<sup>7</sup> However, a promise by the Conservatives to reduce net migration from around 250,000 a year to below 100,000 threatens to derail this, as one of the few options open to the government is to restrict

student visas, not through quotas but by making it less attractive for students, including highly-skilled postgraduates, to come to the UK.

This is damaging not only in terms of lost revenue. These highly-skilled people are vital if Britain is to remain a knowledge economy; for instance, the UK is not training enough engineers to replace those who are due to retire, let alone encouraging enough home-grown engineers to innovate and create new business in manufacturing. Countries like Germany are actively trying to lure top graduates in scientific disciplines to their country by not only offering to pay the vast majority of their fees, but allowing them a two-year grace period to work while seeking a graduate position. In the UK, overseas non-EU graduates will have to return home unless they have work which pays a fairly high starting salary lined up by the time they complete their university studies.<sup>8</sup> So this concern is currently uppermost in the minds of university heads as they view foreign students not only as a vital part of their economic models but also as enriching the student experience for all undergraduates on campus.

### **EMERGENCE OF PRIVATE PROVIDERS**

A further major concern is the emergence of low-cost, no-frills private degree providers, who could compete with more modern universities and draw away the vital numbers required to ensure a 'critical mass' for teaching and research. Unrestricted growth in this sector, which is supported by the subsidized student loan system, is a worry for many within the higher education field. Such institutions may be run by private companies seeking to maximize profits for their shareholders, a phenomenon not currently present within the system as it stands. Many views have been expressed that the cheap basic degree offered by these private companies will not provide a rich university experience with its additional sports, social and educational opportunities. Instead, such a degree course will have a narrow focus on providing qualifications and professional certificates. This is a far cry from the rounded university experience at undergraduate level that this authors's generation had the good luck to experience.

There is a further concern that private providers who, understandably, leave the market once

profits are not forthcoming might damage the reputation of Britain as an attractive destination for overseas students. Student leaders are currently calling for the installation of a safety net for all those who would be caught out if their institution were to fold. It is vital that rules should be introduced to regulate this growing market and to provide safeguards for students operating in the new system.

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**NOTES**

- <sup>1</sup> Recurrent grants and student number controls for 2012-13, briefing paper by Higher Education Funding Council for England, [http://www.hefce.ac.uk/media/hefce/content/pubs/2012/201208/12\\_08\\_1123.pdf](http://www.hefce.ac.uk/media/hefce/content/pubs/2012/201208/12_08_1123.pdf), p. 14 for teaching allocations.
- <sup>2</sup> Shepherd, Jessica: Guardian, August 12th 2011, <http://www.guardian.co.uk/money/2011/aug/12/student-debt-to-rocket-2012-freshers>
- <sup>3</sup> Leunig, Tim / Wyness, Gill: Early repayment of student loans: should government impose early repayment penalties?, Centre Forum study, Sept 2011, p. 3, <http://centreforum.org/assets/pubs/early-repayment.pdf>
- <sup>4</sup> Grove, Jack: Times Higher Education, April 26 2012, <http://www.timeshighereducation.co.uk/story.asp?storycode=419747>
- <sup>5</sup> CBS News: May 8 2012, [http://www.cbsnews.com/8301-500395\\_162-57429655/student-debt-clock-strikes-\\$1-trillion/](http://www.cbsnews.com/8301-500395_162-57429655/student-debt-clock-strikes-$1-trillion/)
- <sup>6</sup> Grove, Jack: Times Higher Education, 5 July 2012, <http://www.timeshighereducation.co.uk/story.asp?sectioncode=26&storycode=420472&c=1>
- <sup>7</sup> Driving economic growth: Higher education – a core strategic asset to the UK, report by Universities UK, January 2012, final page, <http://www.universitiesuk.ac.uk/Publications/Documents/DrivingEconomicGrowth.pdf>
- <sup>8</sup> Grove, Jack: Times Higher Education, <http://www.timeshighereducation.co.uk/story.asp?storycode=419917>