

PARLIAMENTARY BRIEFING

Funding Higher Education, Westminster Hall Debate

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MillionPlus is the Association for Modern Universities in the UK, and the voice of 21st century higher education. We champion, promote and raise awareness of the essential role played by modern universities in a world-leading university system. Modern universities make up 52% of all UK undergraduates, and 37% of all postgraduates, with over one million students studying at modern institutions across the UK.

Our Core Principles of Higher Education Funding

Sustainability

The UK's higher education sector is world class, diverse, and innovative. It offers students an excellent experience of a quality acknowledged globally. This success has been achieved because of long-term and sustainable investment. It is crucial to maintain this approach so that institutions can plan for the future and invest in their students and facilities. Reductions in funding, increased volatility, or the removal of funding streams without replacement therefore pose significant risks and can impact on course viability, investment in students, and the reputation of the sector, both at home and around the world.

Fairness

Everyone benefits from higher education; individuals, businesses, public services, and society more generally. Having a highly educated and highly skilled workforce in every sector of the economy is vital in ensuring economic growth and prosperity. It is also good for the health of democracy and civil society in the UK. Funding for higher education, therefore, must take this important balance into consideration when looking at ways of funding higher education.

Flexibility

A significant challenge to higher education in the UK is the reduction in part-time and mature students. Since 2009/10 we have seen a 50% drop in part-time numbers and a 24% drop in mature student numbers. With a workforce that will require even greater re-skilling and upskilling, through technological changes and longer working lives, getting part-time provision right is vital for the UK's economic future. It is important to note that university is not just for school leavers aged 18, in fact, in 2016/17, mature students made up 46% of undergraduate students in UK higher education institutions. University funding must be flexible enough to enable part-time study as a realistic option for everybody.

Accessibility

The growth and success of modern universities has gone hand-in-hand with the broadening of access to higher education for a wider and more diverse range of students. Having more people study at university has helped grow the skills base of the UK and opened more channels for social mobility. At modern universities 69% of all students are from the areas of the UK with the lowest participation rates in higher education, and 54% of all BAME students study at modern institutions. It is clearly important that university funding continues to enable students from all backgrounds to access a university experience that is right for them and allows universities to invest fully in these students.

The Impact on Universities and Students

Since the reforms of 2012, and the increase in the maximum tuition fee limit to £9,250, the amount universities receive from the government in the form of the teaching grant has fallen from £3.6bn in 2011/12 to £652m in 2017/18. Tuition fee income, therefore, has not supplemented the income universities received per student, it instead replaced one funding stream with another. The lack of direct government control also enabled the cap on student numbers to be lifted, so more students than ever before now have the ability to study for a degree, if they so choose.

It is also important to recognise that under the current system, fee income is not linked directly to the course that any one particular student studies, and it was never designed to do so. Fee income, like almost all university income, is used for a range of purposes, including investing in staffing, in campus facilities (both educational and extra-curricular), in learning support services (including mental health support), in administration, and in a range of programmes to widen access and participation by students from disadvantaged communities. All of these elements of what a university is and should be.

UK students deserve to have the best-quality university experience possible. That will not mean the same university experience for all students. The diversity of high quality provision, and what the range of UK universities provide enables all students to be able to choose what is right for them and allows students not to take decisions made mainly on financial grounds. Maintaining this diversity, and quality, can only happen with sustained levels of investment across the sector.

A significant reduction on the income received at universities is likely to hit hardest the institutions with the highest levels of students from disadvantaged backgrounds and would risk damaging consequences on their student experience. It would be counter-productive to move towards any arrangement that took investment away from the students that need it most, further disadvantaging them.

Fee Differentiation

The introduction of differential fees is a proposal that has been raised recently, with respect to any possible changes to the funding of UK higher education. It is important to note that, for some courses, the government does provide additional levels of direct funding for some courses, many STEM courses for example. However, under a system based on fees we believe it is important for a number of reasons that the UK does not move to a model of fee differentiation. Such a move would:

- reduce the unit of resource in universities that lead the field in creating opportunities for new generations of students to study for degrees and other higher education qualifications
- harm the government's ambitions to promote social mobility
- undermine the investment made in the pupil premium in schools
- damage key sectors of the economy, the national quality assurance regime that applies to all UK universities and the employment prospects of graduates
- ignore the wider benefits to the Treasury, the taxpayer and employers of investing in higher education
- be an intervention in the market for which there was no robust evidence base or consumer justification

Fee income is rightly used to fund and support a wide range of university functions and activities that benefit students. It is therefore wrong to suggest that tuition fees should, or could, only take account of the costs of teaching a particular course and/or be directly linked with narrow constructs such as contact hours. Such an approach ignores the wide range of education and associated activities in which universities engage and the impact on university business models of the significant changes introduced since 2012.

If differentiated on the basis of outcomes, and average graduate earnings, it would ignore the wealth of evidence that family background plays the most significant factor in this regard¹, as well the regional disparities that exist in wages across the UK. It would therefore simply reduce investment in the most disadvantaged cohorts of students, and in the least prosperous parts of the country. It would also ignore the complex wage structures of many parts of the sector, not least in the creative industries, where graduates often start by developing portfolio careers. A similar case is true for the not-for-profit sector and the public sector, and for courses that attract a majority of female students, through the impact of the gender pay gap.

The suggestion that lower graduate earnings are the result of poor quality courses or institutions is entirely without foundation. Levels of graduate earnings are influenced by a range of factors – individual career patterns, regional variations, sector variations, employer decisions – beyond the the university experience. All UK universities are quality assured and intervention in the market to impose lower differential fees would undoubtedly impact on perceptions of quality both within the UK and overseas, possibly deterring international students, who also represent a huge source of investment in UK higher education. A recent report also found that students themselves do not welcome such a move.²

Conclusion - The post-18 education review

Constant changes to the architecture of the higher education sector can damage institutional stability, and it is important that such a world class and successful sector is able to plan effectively, and invest, for the longer term. Although the current government review is not fully independent we welcome the opportunity to look at this issue in greater depth, to ensure the continued health and sustainability of the sector for the benefit of students. Including living costs for students within the terms of the inquiry is also timely and important. Living costs can remain a practical barrier to students accessing higher education. MillionPlus believes that a reintroduction of maintenance grants will ensure greater fairness within the system, in a way that is relatively cost effective.³ We hope that the review will explore this area and make evidence-based recommendations.

The UK cannot maintain a world class higher education sector without the funding and resources to do so. It also cannot remain as open, innovative, diverse and internationally attractive without ensuring that all students, at all UK universities, have the funding that they need. Having a system that is sustainable, fair, flexible and truly accessible is key, regardless of how that is implemented. The hard work of generations of students, academics, staff and supporters have enabled UK higher education to expand and grow into the international success story that it is today. This is a time to cement this contribution, to build on success - not look to retreat or row back. UK universities are an important part of the fabric of their communities, as well as key centres of research, education and skills development. They are also a fundamental part of the face the UK shows to the world, so at this critical juncture it has never been more vital to support them, demonstrating confidence in them and the students they educate.

¹ <https://www.ifs.org.uk/uploads/publications/wps/wp201606.pdf>

² http://www.hepi.ac.uk/wp-content/uploads/2018/02/HEPI-Differential-tuition-fees-Horses-for-courses-Report-104_FINAL.pdf

³ [http://www.millionplus.ac.uk/documents/Student grants, social mobility and the case against differential fees.pdf](http://www.millionplus.ac.uk/documents/Student%20grants,%20social%20mobility%20and%20the%20case%20against%20differential%20fees.pdf)