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# THE HE DEBATE

Where next for...

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## Foreword

Higher education remains one of the most high profile policy issues for government. North and south of the border, universities are at the core of a number of major political challenges: enabling social mobility; providing highly skilled graduates to businesses; increasing employee skills and productivity; researching new products and innovative solutions to support industry; developing the next generation of public service employees. Success in all of these areas is paramount to delivering long term, stable economic growth and social cohesion. It is therefore imperative that government places a high priority on investment and support for higher education.

Universities are fantastically adept at dealing with change and challenge, and developing their offers to meet new demands from students and employers. They are at the forefront of teaching excellence, research innovation and knowledge exchange. Their contribution to the success of the UK economy as it returns to growth cannot be underplayed.

To consider further the vital role of universities, million+ commissioned a series of articles from leading commentators to explore how key policy challenges could be met over the course of the next parliament.

We asked our contributors one fundamental question: where next?

**Shirley Atkinson, Interim Vice-Chancellor of the University of Sunderland**, focuses on the role of anchor universities and argues for much greater value to be placed on the way in which individual institutions deliver impact for students and communities and benefit local, regional and national economies.

Higher education in the UK is no longer one single system. **Professor Andrea Nolan, Principal and Vice-Chancellor of Edinburgh Napier University**, considers the impact of devolution on the sector in Scotland and how it has influenced UK-wide HE issues.

Addressing skills and productivity challenges is vital for economic success. **Neil Carberry, the CBI's Director of Employment and Skills**, writes about the issues facing business-university partnerships and also considers the impact on the economy of a failure to develop high level skills.

In order to grow, businesses need to have access to new discoveries and innovative solutions. **Professor Nora Ann Colton, Deputy Vice-Chancellor at the University of East London**, explores the vital contribution of university research and argues that government must ensure there is a sustainable balanced research funding environment in order to support all universities to develop the knowledge economy.

Universities are nothing without students and students are highly aware politically. **Megan Dunn, Vice-President (Higher Education), National Union of Students**, argues that investment in education and students is fundamental to creating a transformed, aspirational economy and society.

Universities are global players and higher education is one of the UK's most significant export areas. An expert in this field, **Professor Robin Middlehurst, Professor of Higher Education, Kingston University**, examines the wide-ranging and positive impacts of the internationalisation of universities and calls for government to support and invest in this agenda.

Funding regimes and the support provided to students to help fund their studies and living costs remain a fundamental part of the higher education debate. **Baroness Margaret Sharp of Guildford** looks again at the concept of a graduate tax and suggests that it might be a fairer, more sustainable way in which to invest in higher education.

Arguments about funding are not limited to the issue of fees – how university research is funded is equally important. **Pam Tatlow, Chief Executive, million+**, revisits some of the wider questions raised by the higher education reforms promoted in England since 2012 and highlights the impact on the UK economy of the further concentration of research funding.

I would like to thank all of our authors. Their thoughtful and thought-provoking contributions rightly suggest that the debate about the future of higher education is far from over.



**Professor Michael Gunn**  
Vice-Chancellor, Staffordshire University  
Chair, million+



# Where next for... anchor universities? Shirley Atkinson Interim Vice-Chancellor University of Sunderland

It is with some interest that I read an article recently referring to 'real research' as opposed to the alternative of 'applied research'. It caused me to wonder how an institution like mine, which is undoubtedly an anchor institution in the region with its well-regarded and successful track record of applied research, could so easily be dismissed. It begs the question once more of what we value in our higher education system and the complexity of how individual institutions deliver impact and value to our students, our communities, and our local, regional and national economies.

As far back as 2008, the University reinforced, through its corporate plan, the expected sentiments on delivering excellent student experience and support, undertaking world leading research, and curricula informed by research and practice. But perhaps rather uniquely we placed significant emphasis on understanding and describing how we would go about delivering our strategy and objectives. We acknowledged that as an institution we believed the essence of our delivery could be described as 'collaborating, innovating and place shaping'.

We find in today's context this remains as authentic and well founded as in 2008. Much of our success as an innovative accessible institution, with remarkable local impact and significant global reach, is because of how we set out to deliver our strategy rather than what we intended to deliver.

We can count our successes in terms of significant increases in joint working both at home and overseas for the delivery of teaching and research projects and an increasingly buoyant and diverse student community. We also enjoy active involvement in the Local Enterprise Partnership and the city's Economic Leadership Board and are founding members of the Sunderland Business Group. We are a key partner working alongside some of the most significant businesses in the North East economy including Nissan and more recently Hitachi. Our key programme areas are supported by industry boards to ensure the curricula and product design match the expectations of employers and professional bodies.

Our approach to business in the region has been to assess how we can help; a model of knowledge exchange rather than knowledge transfer. This collaborative open and honest dialogue with partners and stakeholders continues to characterise the activities of the institution.

On innovation, alongside our world leading research, we have demonstrated innovation in our own delivery by taking some calculated risks to both enhance reputation and improve the opportunities of our students, graduates, staff, communities and businesses. We took over the internationally renowned National Glass Centre on the banks of the River Wear, creating a significant arts and cultural facility delivering world class research in glass and ceramics, alongside a vibrant and dynamic visitor attraction. We opened our London Campus offering a number of different opportunities to existing staff and students, and attracting applications from all over the world. We have invested our own resources to create schemes and projects to improve the prospects of our graduates with a compelling Sunderland Futures offer covering opportunities for mentoring, entrepreneurship and volunteering. Set alongside this we have opened our own Intern Factory to facilitate the business community having access to skills and thinking otherwise absent from their aspirations and plans, and to give our graduates the first step into a graduate level job. Innovation in programme design, content and delivery remains a constant theme as we work with all of our stakeholders to ensure our graduates can be enterprising, creative and innovative.

On place shaping we have invested significantly in our two campus site in the North East and plan to continue to do so. Our facilities now include specialist laboratory and hub spaces to facilitate business and academia working together to create value propositions. We have attracted funding to build an Enterprise and Innovation centre incorporating the North East's first Fablab to encourage and foster creativity and innovation in design across our communities. This facility will become the catalyst for convergent thinking as we begin to join together some of the value we have in our individual academic areas such as design, in response to the demands and suggestions of our business community. The Enterprise and Innovation Centre will become the catalyst and focus of engagement between students-staff-employers to deliver the skills society and the economy need.



We are also host to an award winning local radio station and a new local TV company who work alongside one another in one of our existing enterprise places. The university is the lead partner in The Cultural Spring, a £2m project funded by Arts Council England as part of its Creative People and Places programme. The project is designed to encourage people from hard to reach communities to re-engage with arts activity – from storytelling and music to the visual arts and performance. In our Faculty of Applied Sciences, staff work alongside many industry partners and have developed a unique partnering relationship with the local health foundation trust. Innovations on campus include a ‘point of care’ testing centre facilitating the training and development of a range of health workers.

All of this activity results in an engaged dynamic and significant institution with a real focus on students, the value we deliver to them, the life changing opportunities we present them with, and the connections and support we offer to our business community.

We are extremely proud of the contribution we make to society and business in our region and across the world. But none of this activity is captured in the traditional metrics of higher education. The REF dominates the contribution to research, the NSS scores dominate the impact on students and increasingly the DLHE results are used to measure the success of our graduates.

I fear we are in danger of missing the very vital contribution we make to our communities and our economies, and the global connectivity we create.

Where do we recognise social mobility and the creation of social capital that we foster amongst our students? Where are we measuring the impact on society of having fantastic cultural and artistic endeavour facilitated through our Universities? Where do we assess the real impact on our communities of the presence of an anchor or place shaping institution within our localities? How do we measure the impact of simply facilitating conversations with our business and SME community, allowing them the opportunity to build the confidence to take the next step in growth?

How are we measuring innovation? Where do we recognise the value of global alumni, creating and generating ideas, wealth and relationships? Where do we recognise the role of graduates in our local economy? And where do we recognise the spirit, the diversity, the aspiration raising and optimism that a community of scholars can bring to a locality?

Our own economic impact study suggests the institution contributed £561m to GVA in 2012/13 and supported 7500 jobs in the UK economy. We also contributed £40m to UK Balance of Trade through our international activities resulting in economic benefits of over £200m for the countries in which we operate. For every £1 of public funding invested in the institution this was returned almost 20 times over to the UK economy.

None of this however recognises or acknowledges the true contribution a civic university can make to its region and its global partners. As times get tougher and Treasury demands to see a return on investment for every public pound spent, we may be able to roll out this economic data to defend our positions, but we must not underestimate or underplay the significant broader economic and social contribution that our great civic universities make, in collaborating, innovating or place shaping.

**“Without the endeavour of our regionally based, business and community connected innovative universities and the inspirational staff who work within them, the outcomes for our localities and the UK economy would be significantly less.”**



# Where next for...devolved systems?

Professor Andrea Nolan  
Principal and Vice-Chancellor  
Edinburgh Napier University



The UK higher education debate viewed from the perspective of a Scottish institution can seem both distinct and detached. Sixteen years of devolution have naturally delivered policy divergence in devolved matters but today the higher education debate is centred in different territory north and south of the border while the sector itself remains essentially unified in a UK-wide ecosystem comprising similar institutional models doing similar kinds of things and sharing significant infrastructure.

Most conspicuously there is no sense of closure in the fees and funding debate in England. In Scotland we have stopped discussing it probably for the foreseeable future. It remains to be seen how the parties will position themselves ahead of the 2016 Scottish Parliament election, but Scottish Labour signalled in October 2014 that rejecting tuition fees was now their direction of travel, in line with the clear stance of the present Scottish government.

The near acceptance which has emerged around public funding of higher education has shifted the debate to how those funds are used and to what end: sustainable economic growth, social justice, efficiency and outcomes, in contrast to deregulation and marketisation.

On key UK wide HE issues, the debate we have in Scotland is now quite distinct, reflecting a different political centre of gravity as well as the characteristics of a small country which permit conversations to develop in particular ways. This is true of the debate around widening access; around the post-16 education continuum; around higher education's place in the innovation ecosystem and how we translate the world class research conducted in our universities into sustainable economic growth.

There is a distinctive approach to growing Scotland's international role and profile and the interplay with higher education and innovation, while Scotland has developed a distinctive enhancement led-approach to quality. We also have an ongoing debate on higher education governance which has no real counterpart in England and Wales, and there appears to be an appetite, exemplified by the proposal to introduce a "Scottish Business Pledge" in the 2014 Programme for Government to use non-legislative means to promote a distinctive approach to areas such as employment practice where legislative powers remain reserved.

It is expected that the next Westminster Parliament will act quickly to introduce legislation to devolve further powers to the Scottish Parliament. What those powers will be is perhaps less clear. While we have the Report of the Smith Commission and the draft legislation published by the present UK administration in January, this may not be the ultimate outcome. The uncertainty over the general election outcome holds out a range of possibilities around further devolution potentially linked to parallel reforms to other aspects of the constitution. New powers over taxation and expenditure could offer a partial mechanism for greater political distinctiveness to translate into greater economic distinctiveness and a wider application of distinctive Scottish policy levers and solutions.

Some might see the logic of devolution and the trends which are already evident as implying that the UK HE debate is already well on the way to evolving into separate debates within which there are common issues and interests but which are disconnected in the substance of detail.

This view overlooks the other notable post-devolution trend highlighted above: that our institutions and the business models through which higher education is delivered have changed rather little – market forces and competition having been more influential than devolution in the developments which have occurred. It also overlooks the potential richness and mutual relevance of thinking through and debating the approach to broadly similar challenges from different perspectives.

Immigration law and its effect on international student recruitment is a case in point. Scotland pioneered the post-study work visa under First Minister Jack McConnell. The initiative known then as “Fresh Talent” was driven from a Scottish perspective relating to demographic projections and concern about meeting the future talent needs of the Scottish economy. But as an instrument for attracting international students and retaining highly skilled internationally mobile workers it clearly had wider resonance and value and was introduced UK-wide.

The two-year post-study work visa was abolished by the present UK coalition government as part of the range of measures to reduce net migration which have mistakenly been extended to target higher education students. We may be about to come full circle on the issue. The Smith Commission recommended that the possibility of reintroducing such a scheme in Scotland should be a matter for discussion between the UK and Scottish governments and the Scottish Education Secretary recently confirmed that such discussions are indeed getting underway. The proposition is, again, that Scotland has distinctive needs in terms of its economy and labour force requirements. We may however be about to simply refresh our awareness that offering international students the possibility of post-study employment in their country of study brings wide benefits which are as realisable in the rest of the UK as they are in Scotland and in the other countries around the world which share the policy.

This commentary could have been entitled “The HE debate: where next for the HE debate”. Looking to the period beyond the general election, a key issue that the next Westminster government and all of the administrations across the UK will need to consider is the basic long-term effectiveness and competitiveness of our higher education systems – thinking not from an insular perspective but from the perspective of seeking out, identifying and embracing best practice, embracing innovation in delivering teaching and research and meeting the aspirations of future students.

We know that other countries are in various ways investing and innovating heavily to develop their higher education systems to make them more economically effective as attractors and shapers of talent, to develop clusters of research excellence and drive innovation and to make them more attractive to international students (including through post-study work opportunities).

So we should capitalise on our diversity within the UK and the fact that our institutions share so much in common, to strengthen our competitiveness through collaboration and by learning from each other. We can also raise our game in terms of learning from higher education systems beyond these shores and thinking about the issues which confront all of us less exclusively in terms of our immediate pre-occupations – which are often rooted in our local or national political and economic contexts – and more in terms of the global debate.

**“Our institutions and the business models through which higher education is delivered have changed rather little – market forces and competition having been more influential than devolution in the developments which have occurred.”**



# Where next for...high-level skills?

Neil Carberry  
Director for Employment and Skills  
CBI

Universities have long been central to the CBI's work on the growth agenda. The CBI has often pointed to our universities as one of the UK's greatest assets, from their research record to the £15bn success story of UK education exports. Our *Tomorrow's growth* report drew attention to the contribution that universities make by developing our higher skilled talent, and made the case for expanding flexible and partnership-based provision, including reversing the decline in part-time study.

There's no denying that our higher education system, in terms of quality and participation levels, is world class. Universitas 21 and the University of Melbourne ranked the UK second in the world for the quality of our university outputs. But our economy is changing – shifting towards investment and exports – with a new approach to industrial strategy tilting the field towards our competitive strengths. With this, jobs are changing too: by 2020, we expect half of all employment to be for higher skilled roles like managerial, professional and associate professional positions. As emerging market economies step up their game on higher education policy and skills shortages continue to bite in sectors like manufacturing and engineering, it's right that the UK should be looking over its shoulder.

So what's the strategy? It's clear we need to raise overall levels of skills in the workforce and respond to the specific needs of growing sectors. To respond to different learning needs, encourage diversity and the challenge of re-skilling and up-skilling the existing workforce, we need to widen the gateways into skilled work and encourage flexible routes to higher skills. That means part-time provision, intensive degrees, higher apprenticeships and other forms of business-university collaboration on skills, as well as traditional full-time degrees.

But conversations with businesses and universities made it clear that we need to look much more closely at the barriers to expanding the market in more flexible provision. It's of particular concern that the number of new part-time students has plunged by 40% in the last two years. Delivering our rebalancing strategy makes it essential that working people have the opportunity to re-train and up-skill. Universities UK's report of their review into part-time and mature higher education outlined precisely the scale of the challenge in this area.

It's time we had a refreshed debate about university funding, including the incentives the funding system creates. Will universities offer intensive degrees, for instance, when they can make more money if the student studies over three years instead of two? Are we creating a perverse incentive for universities to focus on recruiting candidates to courses that are cheaper to teach, because they need the funding to cross-subsidize degrees in subjects like chemistry that the economy is crying out for? And how do we make university more affordable and available to people who want to work while they study?

For our universities to fulfil their potential as generators of growth, to deliver that pipeline of talent into business, to remain truly world-class, they need to be properly supported. The same study that ranked UK universities 2nd for outputs placed them 21st for resources – a measure combining spending on universities as a proportion of GDP and expenditure per-student. This is far below many of our competitors.

There are issues that need to be tackled. This year the cap on student numbers will be completely removed, meaning universities will be able to recruit as many students as they want and government will have to provide them with loans for tuition and maintenance. Questions persist about how that will be paid for.



The removal of the cap has the potential to be a positive step – the number of people studying at university should be the number for whom university is the best option, and good universities should be allowed to succeed. But it has to be properly managed. When the removal of the cap was announced, the Chancellor told us it would be paid for by selling off the student loan-book. This hasn't happened, and we need reassurance that any shortfall will not be made up by reducing the already stretched budgets of universities.

As the resources data shows, university budgets are stretched. The problem we have is that, in practice, government is still covering more of the cost of university than expected – because it's estimated that 45% of student loans will not be repaid. I would argue we currently have a substantial issue: fees and student debt, even though the taxpayer still ends up picking up a lot of the bill. I think we will need to return to this issue after the election, whoever is in power, but the answer cannot be reform that reduces university resources still further.

Higher education is critical for business. In *Tomorrow's growth*, we made recommendations on some of the practical steps that can be taken by government, business and the higher education sector to break down the barriers that stand in the way of the economy's skills needs.

In the years to come we'll need a huge expansion in technician level and higher skills, particularly in the STEM subjects that are behind the economic recovery. This was a key focus of our recent report, *A Better off Britain*, and our annual conference. Too many people are struggling to progress in their careers, to reach the middle and higher rungs of the ladder. We'll only see a rise in the UK's productivity, and people's pay, if we work together to tackle skills. A big part of that will mean businesses working closely with universities to help them design and deliver the training people need to get on. Academic rigour and comprehensive knowledge, with vocational clarity of purpose and responsiveness to the current and future job market.

There is much to be proud about in our education system and particularly our universities – from the world famous institutions that attract students from around the world, to the newer universities that engage deeply with the needs of employers to ensure their students get ahead in their careers. But we will all need to work together, with focus and openness, if we are to develop a diverse and adaptable skills ecosystem that can take on the skills challenge of 2020 and beyond.

**“For our universities to fulfil their potential as generators of growth, to deliver that pipeline of talent into business, to remain truly world-class, they need to be properly supported.”**



# Where next for...research?

Professor Nora Ann Colton  
Deputy Vice-Chancellor (Academic)  
University of East London



It has become a cliché to say that higher education is changing. When we discuss the changes in higher education, we often focus on student numbers, fees and teaching/learning issues. Ironically however, changes within the academy in the area of academic research have probably been even more acute over the past several years than in any other area that defines what a University is and what it claims as its mission.

There are a number of emerging trends and driving forces that are shaping the environment within which institutions undertake research. Many of these forces are particularly challenging for modern universities. For many of us, we will have to continue to rethink our research strategy in terms of how we will change to ensure the sustainability of our research over the coming decade.

Firstly, I would like to focus on the macro-picture of research in a global context before addressing the future of research more locally in terms of the specific contexts of the UK and the University of East London (UEL). In terms of the broader context that university research takes place in, we see that research and the dissemination of scientific papers by universities has grown significantly during the past decade. Much of this growth is not within the historically designated OECD countries, but in places such as China and India. A report by the Royal Society in 2011, *Knowledge, Networks and Nations*, forecasts China to be the world leader in research by 2020. Although there are debates about the quality of research coming from these emerging players, the fact that these nations are investing in academic research heavily while many OECD governments are pulling back, will arguably be defining in the years ahead. According to OECD data, China has continued to see an increase in spending on research and development as a percentage of GDP while overall UK investment in research has levelled off. Consequently, what we are seeing is a resulting concentration of investment in the UK in terms of those institutions and subject areas which want to stay internationally competitive.

These outcomes are emphasised with another trend – the increased growth in higher education generally with the emergence of the global knowledge economy. According to Stephan Vincent-Lancrin in 2006 the number of higher education researchers worldwide had increased by 7 percent a year and increased over 127 percent between 1981 and 1999. Along with the increased numbers of higher education researchers there is an attendant growth in research output. Indeed, recent years have witnessed an exponential growth in journal articles that has now accelerated even further with the increase in on-line books and journals.

This drive of the worldwide knowledge economy is not just seen with increased research and development, but, more importantly, through the increase in demand for student places. This situation adds to the tension that we see between the need to concentrate investment in research to stay competitive worldwide and the need to have institutions that are focused on teaching the next generation of students for growth in the economy. This leads to a view that some universities should be focused on teaching while others should be designated as ‘research universities’.

There has also been and will continue to be the shift in the distribution of public funding for research between government block grants to research projects funded through research councils in particular areas such as science and innovation. This shift is due to a belief that there needs to be more accountability of precisely how public funds are channelled for the public good. Accountability and transparency is also seen in the call for universities to have all research outputs placed in open access depositories.

What does all this mean for the UK context? We see in an analysis of the concentration of research grants and contracts that most funding is concentrated in the top 10 percent of universities. If we use research funding as a proxy for activity, it is heavily concentrated in a few universities. Therefore, it is not surprising that Russell Group universities produce 68 percent of the country’s world class research.

We also see that there is a low staff to student ratio in these high research concentration institutions. It does not necessarily mean that class sizes are significantly smaller as they could have more individuals on research only contracts than institutions with less research funding. What this could mean in the future is that academic research might just become exclusively concentrated in a relatively small share of the system while the largest number of institutions that do not fall into the top 10 percent category are unable to fund substantial research agendas.

At UEL, we have a strong commitment to critical and applied research. Having just completed the REF exercise, we were pleased to see a doubling of our world class research as well as a high impact score for the university. UEL has a vibrant research culture particularly in our humanities and social sciences. These areas along with strong areas of research output and engagement such as allied health and psychology are only relevant for us as an institution due to the tremendous impact they have on our local community. As an “anchor university” for East London, we see our local areas as living laboratories for our researchers whether it is media and communication, health development or sociology. We also note a strong correlation between research excellence and teaching performance based on NSS results.

Yet, in spite of the important role we see research playing in the lives of our students, staff and community, we are keenly aware that the government research agenda and approach to funding research in universities leaves us vulnerable.

**“China has continued to see increased spending on research and development as a percentage of GDP while overall UK investment in research has levelled off.”**

Although most of our current research is funded by government funded grants, we are looking more and more at private sources of funding. We have also integrated our critical and applied research through the creation of a research directorate that focuses on building synergies between research and development, enterprise and innovation and PGRs/ECRs.

Our Petchey Innovation Centre is the focal point for much of our community and business engagement where we connect in some extraordinary ways with our local borough and business communities. We believe that our commitment and engagement with our local community is what has helped us to achieve such a solid impact score in the REF 2014. We are also known as a leading university in civic engagement and we are committed to continuing to foster and develop our local and regional impact agenda. We are also continuing to develop breakthrough research in areas of data storage and analysis with an interdisciplinary focus on cyber security, sustainable and resilient SMART cities, and health development and informatics.

In spite of our ambitious research agenda, we can no longer be complacent in believing that we will be proportionately rewarded for our research outputs and impact. Hence, we are looking to increase our private sources of financing. We, like many modern universities, recognize research as an imperative to attract not only excellent research staff, but teaching staff that can truly make a difference to the broader UK economy and growth in the years ahead.

We, like many HEIs, recognise that decreases in government funding will continue to be felt, yet we must continue to fund our research for the betterment of our communities. Consequently, we will continue to develop our thriving entrepreneurial activities, knowledge exchange, CPD and consultancy work. We will also look to grow our patents and licensing efforts as part of the “commercialisation” of higher education. We recognise that it may be these private resources earned through our various activities that will fund our future research.

Higher Education is changing through the key driver of research excellence which remains mainly publicly funded. If we are to remain sustainable we must develop a research funding agenda that makes extensive use of private as well as shrinking public funds.



# Where next for...students?

Megan Dunn

Vice-President (Higher Education)  
National Union of Students

In the run up to the General Election, NUS is delivering a huge campaign to ensure that students are too powerful to ignore in the political debate. This involves a range of activities – voter registration drives, hosting local candidate debates and supporting students’ unions to build relationships with decision makers. But what is also crucial is making sure that students, and the public, understand the underpinning political beliefs that dictate the way in which higher education is, or could be, delivered in this country.

The reason this is so important is because, otherwise we run the risk of blindly supporting ideas that, actually, create consequences we completely disagree with.

For example, the principle of growing higher education provision, and working to make sure all those who wish to, and are able to study to a higher level is one we can get on board with. However, the decision to achieve this growth through actively encouraging the rapid and unregulated expansion of for-profit providers is one I wholly disagree with. Not only do I object with the idea of private companies making profit off the backs of students – and the taxpayer – through their access to loans from the SLC, but the fact that students are completely unprotected if their institution fails (which, sadly, is no longer a theoretical discussion, but a current reality for thousands of students) is downright scandalous.

This is why NUS is calling for a commitment to public education by ensuring that no penny of public funding goes to for-profit providers, and for a national financial protection scheme, into which all providers have to pay, to ensure that students’ studies are not disrupted in the event of institutional failure.

Ensuring that students are alert of these narratives also means they can better identify where they are inconsistent. The current treatment of international students is a perfect example of this. On the one hand, we have the encouragement of the growth of private provision, which is predominantly aimed at the international student market, and on the other, we have draconian and demeaning immigration policies which not only have resulted in many institutions feeling they need to implement finger-printing on their campuses, but even worse, has meant that thousands of genuine international students, through no fault of their own, have had their visas revoked and been left with nothing. Of course, I do not claim that there isn’t a single international student in the UK that is not genuine – but there are thousands of students who are, and have been left alone with no support or protection and little to no chance of being able to finish their course or even get their money back.

It is international students who are bearing the brunt of the consequences of policies that simultaneously look to aggressively recruit them to the UK, and then resolutely find ways to send them home again. We all, within the HE sector especially, know the huge economic and social value international students bring to our universities and wider society, however, the Home Office clearly does not agree! And as a consequence of their changes to students’ visa policies, a recent poll run by NUS found that over one third of international students surveyed either strongly disagreed, or disagreed that they would recommend UK study to a friend. This figure rose even higher within Indian (48%) and Nigerian (43%) students – two key markets for British universities.

NUS has long led the call to remove international students’ from net migration figures, and the weight of opinion is firmly on our side – this is why we are including this in our General Election manifesto. It is time to stop using international students as a political football, and an easy target for politicians – allowing them to pin responsibility on immigrants instead of dealing with the real causes to injustices in society.



Essentially, the questions we want students, and the general public to be asking themselves, and politicians in the coming months is not “do you want higher education to grow?” but “how do you want higher education to grow?”.

This is also the question we want to ask about investment – not should there be more investment into higher education, but what should that investment look like? I believe that higher education is a public good, and should be treated as such. I believe that the current funding model is not only practically flawed, but ideologically flawed, and that I have yet to see any evidence that driving higher education institutions to become increasingly marketised and competitive has produced positive outcomes for students. In the next few months, we will be talking in much more detail about our commitment to, and ideas for, the phasing out of tuition fees and restoration of public funding to universities.

One of the key challenges we face is in widening out the debate around investment in education. The narrow focus of politicians and media (and sometimes, of NUS) on English, full-time, undergraduate funding systems has been to the detriment of other aspects of the education spectrum in this country.

Further Education funding has been slashed, to little or no comment from mainstream media, part-time student numbers have plummeted, and UK students are increasingly finding postgraduate study unaffordable. Underpinning all of this is not only a lack of direct funding, but also the complete absence of easily accessible information, advice and guidance for any of these students.

We are asking students, the general public and politicians to look at our education system as a whole, from creating a new, better Education Maintenance Allowance, scrapping 24+ learner loans; protecting and improving Disabled Students' Allowance and creating a new postgraduate funding system – as well as phasing out tuition fees. We, as a movement, and as a higher education sector, cannot afford to keep quiet about these issues. We must actively seek to engage our political leaders in conversations and decisions about our whole education system.

If we do not, we risk creating an education system which is the opposite of the one I believe in. Higher education should not be a closed shop, a place where those with power and privilege can reinforce it. It should be, and can be, a force for social good and opportunity in this country. We should be leading the charge in creating a more equal society.

Education is transformative – for the individual and for the community. It allows us to think critically, and challenge ourselves and others, and change the way we see the world and our place in it. But in order for this to be a reality, we need to continuously reflect on the reality of our practice. Universities often say that they are open to all of those who are able, but as we have seen from the recent work by HEFCE on higher education cold-spots, there are many areas of the country where people are unable to get to a university. We tell students that if they work hard, and get good grades, they will get a job. What we don't tell is them is that, now, more than ever, their job is likely to be temporary, on a zero hours contract or in far, far too many cases – an unpaid internship. This is why NUS is campaigning beyond the boundaries of education, for the end of unpaid internships, a living wage and a statutory code of practice for zero hour contracts.

I don't want higher education just to be something that people aspire to, but that people can create aspirations from. At the moment, the cold hard truth is that for too many students it appears there is little to aspire to. If, as a national union, we do not tackle the huge challenges graduates and young people face is society head on, then we are doing them a disservice.

And I'd like to ask you to join us in our work by helping give students a voice in this election. Think about what voice you personally have – are you a Vice-Chancellor, a students' union president, a governor, a lecturer? I invite you to talk about the issues and ideas I've discussed with your students, but also with your local MPs and candidates, with your local papers and with your colleagues, friends and families. If we can all pull together we will be able to ensure that students, and higher education are powerful force in this election.



## Where next for... internationalisation?

Professor Robin Middlehurst  
Professor of Higher Education  
Kingston University



For many commentators inside and outside the higher education sector, the ‘internationalisation’ aspirations of higher education institutions are understood narrowly in terms of recruiting international students to the UK.

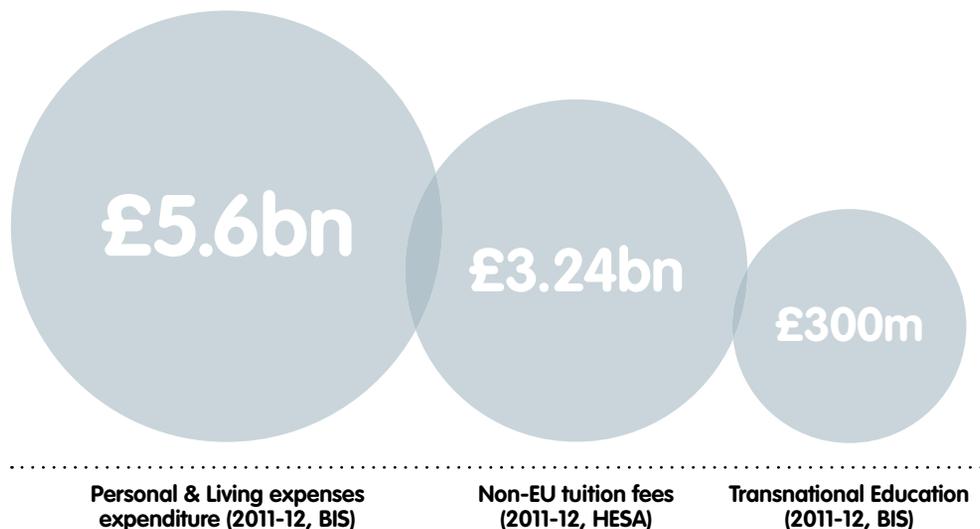
Such recruitment is certainly important in economic terms: HESA data report that the total of non-EU students’ tuition fees to UK universities was £3.24bn in 2011-12. The Department for Business Innovation and Skills (BIS) calculations for the same period estimated that expenditure on personal and living expenses by international students (EU and non-EU) amounted to a further £5.6bn of export earnings, while UUK’s recent modelling suggests that an estimated £4.9bn of this sum is spent off-campus (UUK, 2014).<sup>1</sup>

Recruiting international students overseas in various forms of transnational education (TNE) is also economically significant, the BIS estimate for 2011-12 was £300m (BIS, 2013a)<sup>2</sup> while a forthcoming BIS report on the value of TNE to institutions and the UK shows considerable growth in volume and value of TNE since these estimates were made.

Beyond international student recruitment, UUK also calculated the economic value of international visitors brought to the UK through universities’ educational activities (excluding the friends and families of international students). Universities host a wide range of international visitors including attendees at learned societies’ academic and professional conferences, those leisurely visiting the UK, participants on group tours and summer schools as well as a range of visiting international scholars and researchers. The value of personal off-campus expenditure for these international business visitors in 2011-12 was estimated, conservatively, at £136m in UK export earnings (UUK, 2014).

**“Universities and higher education fuel growth in far more ways than we realise. And long-term, stable economic growth is how we secure a truly great future for this remarkable country.”**

Speech by Rt Hon David Willetts MP, former Universities and Science Minister to Universities UK Conference, 03.04.14



<sup>1</sup> UUK (2014). *The Impact of universities on the UK economy*. In Focus, London, Universities UK.

<sup>2</sup> BIS (2013a). *International Education: Global Growth and Prosperity. An accompanying analytical narrative*. Industrial Strategy: government and industry in partnership. London, HM Government.

## Developing research internationally

Universities' research income from international sources is growing. In a ten year period from 2001-2011, the total amount of research grants and contracts from non-EU sources grew from approximately £0.1bn-£0.2bn while those from EU sources grew still more from approximately £0.2bn-£0.5bn (UUK, 2013)<sup>3</sup>.

Universities create economic, social and intellectual value from their research outputs, including scholarly publications. The Publishers' Association estimated that 80-90% of learned journal turnover arises from exports, with total turnover (domestic and export) in 2011 approximating £1bn- £1.5bn. Exports contributed at least £507m (BIS, 2013a)<sup>4</sup>. In terms of research citations, the UK accounts for 11.6% of global citations and 15.9% of the most highly cited articles. Amongst its comparator countries, the UK has overtaken the US to rank 1st in field-weighted citation impact (a measure of research quality) (BIS, 2013b)<sup>5</sup>. The UK ranks second against its comparator countries in the international mobility of its researchers; 71.6% of active researchers were internationally mobile in the period 1996-2012 (BIS, 2013b)<sup>6</sup>.

International collaboration is often linked to such mobility. In 2012, 47.6% of all UK articles resulted from international collaboration. Co-authorship is typically associated with high field-weighted citation impact, for both partners (BIS, 2013b)<sup>7</sup>. The authors of the BIS report comment that the UK occupies a central position in the global collaboration network, with Western European partners being of high importance. International collaborations, both disciplinary and multi-disciplinary, are seen by scientists and other stakeholders as essential to tackling a number of global challenges such as climate change, poverty, energy, security and the spread of infectious diseases. Research collaborations are extending beyond other universities to include industry, third sector bodies, charitable trusts and arts' organisations.

<sup>3</sup> UUK (2013). *Patterns and Trends in UK Higher Education 2013*. London, Universities UK.

<sup>4</sup> BIS (2013a). *International Education: Global Growth and Prosperity. An accompanying analytical narrative*. Industrial Strategy: government and industry in partnership. London, HM Government.

<sup>5</sup> BIS (2013b). *International comparative performance of the UK Research Base 2013. A Report prepared by Elsevier for the Department of Business, Innovation and Skills*. London, HM Government.

<sup>6</sup> BIS (2013b). *International comparative performance of the UK Research Base 2013. A Report prepared by Elsevier for the Department of Business, Innovation and Skills*. London, HM Government.

## The wider benefits of internationalisation

Metrics on the social and public value of higher education are less well-advanced and embedded in the UK than economic measures (Kelly & McNicholl, 2011)<sup>8</sup>. A recent study on the wider benefits of internationalisation from the perspective of non-EU international alumni who had studied in the UK is therefore welcome (BIS, 2013c)<sup>9</sup>. Students were overwhelmingly positive and reported benefits on several dimensions. Wider 'influence' benefits to the UK included being informal ambassadors, promoting trust in the UK as a nation, society, its enterprises and individuals, and bringing UK values into capacity-building in home countries. The graduates reported individual gains in terms of career development, English language proficiency, personal growth and wider experiences (such as part-time work and volunteering), social benefits and networks, increased cosmopolitanism and inter-cultural awareness. Benefits to home countries were also highlighted including acquisition of new skills and development of new careers, as well as broader societal and political impact.

The British Council in partnership with the German Academic Exchange Service (DAAD) has recently reported on the impact of transnational education (TNE) (i.e. programme and provider mobility) on host countries (BC & DAAD, 2014)<sup>10</sup>. The UK leads in TNE and the findings suggest it is having positive benefits in reaching relatively mature students, perhaps encouraged by flexible delivery combined with opportunities to enhance professional skills and career development. TNE involving work placements and internships was particularly valuable as gaining an international outlook with greater intercultural awareness and competence was highly ranked by students. TNE stakeholders beyond students reported on the value of TNE in providing increased access to higher education for local students and improving the overall quality of provision. It was also more affordable than studying overseas (although more expensive than local provision).

<sup>7</sup> BIS (2013b). *International comparative performance of the UK Research Base 2013. A Report prepared by Elsevier for the Department of Business, Innovation and Skills*. London, HM Government.

<sup>8</sup> Kelly, U. & McNicholl, I. (2011). *Through a glass, darkly: Measuring the social value of universities*. Bristol, National Co-ordinating Centre for Public Engagement. <http://www.publicengagement.ac.uk/how-we-help/our-publications/socialvalue>.

<sup>9</sup> BIS (2013c). *The Wider Benefits of International Higher Education in the UK*. London, BIS Research Paper No.128 London, HM Government.

<sup>10</sup> British Council and DAAD (2014). *Impacts of transnational education on host countries: academic, cultural, economic and skills impacts and implications of programme and provider mobility*. London, Going Global 2014.



On the other hand, the British Council argues that more could be done to plug skills' gaps in local labour markets and in providing niche programmes unavailable locally.

### **Collaboration and partnership**

While competition between institutions and countries is emphasised in studies of internationalisation, collaboration is of fundamental importance and partnerships of all kinds have been growing. Such partnerships can make a significant contribution to the UK's reputation for innovation as well as sustainability of international links and relationships (million+, 2009)<sup>11</sup>. The conclusions from a study of 28 universities across the UK demonstrate that institutions participate in inter- and multi-national research projects with highly-regarded education and business-sector organisations, often in applied fields that directly address global issues and problems. They have significant numbers of well-established and mutually-beneficial teaching partnerships involving professional and technical disciplines, enrolling large numbers of students. Institutions engage in entrepreneurial and knowledge-transfer activities in areas such as CPD, support for business and the development of science parks overseas and they partner with institutions in developing countries for capacity-building in research, CPD and development. They also have worldwide partnerships that facilitate student and staff mobility and exchange to and from the UK.

### **Deepening cultural understanding**

Both institutions and countries are becoming more sophisticated in approaches to internationalisation as the development of academic and educational cities in the Middle East, and knowledge and educational hubs in the Far East, testify. Developing nations are inviting overseas' institutions to contribute to capacity-building, quality improvement and innovation, while developed nations including the UK are hosting overseas' institutions from a variety of countries. Governments are making links across science, innovation, education and training policies and universities are responding as active partners in 'triple helix' alliances between academia, industry and government. Institutions' international strategies are aiming to combine and leverage opportunities for research, teaching and knowledge transfer. Collaborations that may begin with individual scholarly relationships are extending to deeper strategic institutional partnerships across countries.

<sup>11</sup> million+ (2009). *Universities and International Higher Education Partnerships: Making a Difference*. London, million+.

Institutions are also seeking to extend and develop their alumni relationships and networks to benefit new graduates and businesses as well as to bring political, social, cultural and economic capital to the UK. Universities are thinking strategically about the economic and social collaborative potential of their cities and regions. They are partnering with businesses locally to access international opportunities that bring business and educational value simultaneously, collaborating with arts and cultural organisations to develop new research and educational opportunities overseas, and are identifying the potential for cultural exchange between local diaspora and their home communities.

### **Maximising the impact of internationalisation**

Sophistication in internationalisation also extends to seeking new ways to gather data and measure the impacts of internationalisation for a variety of stakeholders, paying attention to positive and mutually beneficial impacts as well as cost-benefit analyses of financial and reputational risk, the potential for brain-drain and negative environmental impact. Universities and colleges are also addressing internationalisation agendas 'at home' for those who cannot travel overseas for study, work or volunteering opportunities as students, recognising that language skills and the capacity for intercultural dialogue is becoming a key skill for graduates as well as for businesses and communities across the UK. The European Commission's communication on "Europe in the World" (EC, 2013)<sup>12</sup> points in the same direction, promising more funding and support for internationalisation and arguing for the reduction of barriers to internationalisation such as immigration policy and portability of qualifications. The Commission outlines three key priority categories for countries and institutions in developing 'comprehensive internationalisation': international staff and student mobility; internationalisation of curricula and digital learning; and strategic co-operation, partnerships and capacity-building. UK institutions are at various stages of development towards 'comprehensive internationalisation' and need to remain ahead as others raise their game.

In the next Parliament, investment in comprehensive internationalisation should be a priority for all countries of the UK since there is already clear evidence that such investment yields substantial dividends.

<sup>12</sup> European Commission (2013). *European Higher Education in the World*. Communication from the Commission to the European Parliament, the Council, the European Economic and Social committee and the Committee of the Regions. Brussels, EC, COM(2013) 499 final.

turnover is £15,000 or more - read the Notes, pages 3EN2, 3EN3, 3EN4, 3EN5, 3EN6, 3EN7, 3EN8, 3EN9, 3EN10, 3EN11, 3EN12, 3EN13, 3EN14, 3EN15, 3EN16, 3EN17, 3EN18, 3EN19, 3EN20, 3EN21, 3EN22, 3EN23, 3EN24, 3EN25, 3EN26, 3EN27, 3EN28, 3EN29, 3EN30, 3EN31, 3EN32, 3EN33, 3EN34, 3EN35, 3EN36, 3EN37, 3EN38, 3EN39, 3EN40, 3EN41, 3EN42, 3EN43, 3EN44, 3EN45, 3EN46, 3EN47, 3EN48, 3EN49, 3EN50, 3EN51, 3EN52, 3EN53, 3EN54, 3EN55, 3EN56, 3EN57, 3EN58, 3EN59, 3EN60, 3EN61, 3EN62, 3EN63, 3EN64, 3EN65, 3EN66, 3EN67, 3EN68, 3EN69, 3EN70, 3EN71, 3EN72, 3EN73, 3EN74, 3EN75, 3EN76, 3EN77, 3EN78, 3EN79, 3EN80, 3EN81, 3EN82, 3EN83, 3EN84, 3EN85, 3EN86, 3EN87, 3EN88, 3EN89, 3EN90, 3EN91, 3EN92, 3EN93, 3EN94, 3EN95, 3EN96, 3EN97, 3EN98, 3EN99, 3EN100

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# Where next for...a graduate tax? Baroness Margaret Sharp of Guildford



## Making the case

The disclosure last May (2014) that some 45 per cent of the sums lent by the Student Loans Company (SLC) would never be recouped by the Government raised serious questions about the long term viability of the student fee regime introduced in 2012. This in turn prompted the all-party Higher Education Commission (of which I am a member) to initiate an inquiry into the sustainability of the 2012 student loan system. Its Report *Too Good to Fail – the financial sustainability of Higher Education in England* was published last November.

The Report concluded that there were a number of serious risks to the sustainability of the current system over the longer run. Indeed, it suggested that in many respects it represented “the worst of all worlds”. The Government were heavily subsidising Higher Education – some £12 billion a year in making upfront fee loans with barely a half being repaid – and yet was getting no credit for it. Students felt they were paying a substantial amount for their higher education but getting no obvious benefits. Universities for their part were perceived to be “rolling in money” now most of them were receiving £9K per student, with few people realising that the Government had simultaneously cut nearly all their teaching and capital funding.

Perhaps more than anything else the Commission was shocked by the IFS calculations that 73 per cent of all student loan recipients would never pay off the full sum and in particular that middle earners (on current salaries of £40K to £45K) such as teachers, many health professionals and other public sector employees, who needed a degree to enter the profession, stood not a chance of paying off their debt. To add to this we learned that the new Financial Conduct Agency rules would make it increasingly difficult for those in this income bracket to obtain a mortgage because their disposable income, after paying to HMRC

the 9 per cent ‘graduate contribution’ on top of income tax and national insurance, would be too low to justify the amounts they were seeking. We also found through Focus groups that students aged 18-21 had no real understanding of the longer run implications of their debts. ‘Sufficient unto the day’ was their attitude; whereas there has been a 40 per cent drop in applications from older mature and part-time students who already have household obligations.

The Commission’s main conclusion was that the system in its current form was unlikely to last. It was costing the Government too much; was not bringing any noticeable benefits to students while the fee cap, at £9K, was both politically difficult to raise and increasingly under attack from VCs. There was no obvious solution given the funding constraints, but we called for the whole system to be reviewed post-election and put forward six possible alternatives, ranging from tweaking the present system (the favourite here was to reduce the threshold for repayment to £15K), through variants on Labour’s seemingly preferred system of bringing down the fee cap to £6000, to the wholesale switch to a graduate tax.

The purpose of this essay is to make the case for a graduate tax as a system that is both sustainable and fair over the long run. It is also by far the most ‘revolutionary’ of the proposals put forward since it would mean radical changes from the current system and riding roughshod over present Treasury taboos.

How might a graduate tax work? A good starting point is the modelling done for million+ by London Economics and explained in their joint publication of May 2013 ‘*Do the alternatives add up?*’. These contain London Economics calculations of how two alternatives – Labour’s proposal for the £6000 fee cap and some form of graduate tax – might work financially compared to the 2012 £9K loan fee system (hereafter called the 2012 system). The idea of a graduate tax is that it is paid by all those graduating (approx. 350,000 students a year) as a supplement to income tax for a given period of time irrespective of whether or not they have repaid the original fee cost – so there is no loan, no need to keep tabs of how much has been paid and therefore no need for the SLC and its bureaucracy.

The question London Economics posed was whether such a tax could bring in, in present value terms, as much to the Exchequer as the 2012 system (e.g. discounting and comparing future payment flows – whether loan repayments of graduate tax payments - back to the present). They present two different models both of which brought in the same income over the longer term as the present system. One was a 30 year tax which would vary from 2 per cent for incomes between £10K and £25K; 2.5 percent between £25K and £42K, and 3.5 per cent over £42K. The other was a 40 year tax with lower rates - 1.5 per cent for the first band; 2.25 for the second and 3 per cent for the top band. Clearly you can feed different parameters into this model – it would be quite feasible to have a higher threshold for repayment (£15K or £20K for example); different rates of tax for different bands; a flat rate across all incomes; or different lengths of time for payment.

The most important lesson from this modelling is that a graduate tax of 2-3 per cent can bring in an equivalent income to the present 2012 repayment system which effectively levies a tax of 9 percent for 30 years on the majority of graduates with incomes over £21K. The reason for this is that those on high incomes go on paying for all 30 years, irrespective of whether they have paid off the cost and are, in effect, cross subsidising those on middle and lower incomes whom, as we saw earlier, would never pay off the debt. The case for such a cross subsidy is that those earning higher incomes can be said to be gaining a much higher premium for their degree than others. It would also be paid by those whose parents/grandparents at present pay off their student debt and who often go on to earn relatively high salaries. In this respect the graduate tax would be redistribution from the better off in both income and wealth.

**“A graduate tax is a system that is both sustainable and fair over the long run. It is also by far the most ‘revolutionary’ of the proposals put forward since it would mean radical changes from the current system and riding roughshod over present Treasury taboos.”**

My own preferred variant for a graduate tax would be to have a starting threshold to £15K, to opt for a straight 3 per cent rate of tax across the whole income range and to suggest that it is paid for the whole of a graduate’s working life which may in future be considerably more than 40 years. To avoid discrimination against English graduates, I would levy it on all graduates, English, other UK or foreign, which would compensate in a rough and ready way for the EU graduates who would benefit from the no fee regime but escape paying the tax (as at present they escape loan repayments). Over time such a flat rate tax would probably bring in an income closer to £10 billion which would cover much of the present H E teaching budget. Inflation would look after itself since both threshold and yield would rise with inflation. I would ring fence this income into the coffers of an independent self-governing Higher Education Council whose task it would be to distribute the income between universities.

The big objection to any graduate tax model is that unless it was made retrospective, which is not really feasible, the yield for the first 10 years or so years would be well below self-sustaining levels. There would be some income from existing fee repayments under present loan schemes and those affected might be offered the choice of continuing on the repayment system or switching to a graduate tax. Initially any graduate tax scheme would require direct Exchequer borrowing instead of the indirect ‘off the books’ borrowing through the Student Loans Company. At a time when the prime objective is to cut the deficit this is the great attraction to Governments of whatever complexion. Surely however it is better to be open about how much the system is costing and to accept the extra borrowing required in the short run in return for a system which would be near self-financing over the longer term? We are constantly being told that education is an investment: is this not one worth making? It seems absurd our arcane public sector accounting systems should burden the current generation of students with the current unnecessarily expensive, unsustainable and unfair system.

*Margaret Sharp is a member of the House of Lords and a former Liberal Democrat spokesperson on higher education. She writes here in a personal capacity. The opinions expressed in this essay are entirely her own and do not in any respect represent the views or policy of the Liberal Democrats or those of the Higher Education Commission.*



# Where next for...funding?

Pam Tatlow  
Chief Executive  
million+

In a *Behind the Headlines* series of three pamphlets published in 2013, million+ and the international consultancy firm London Economics reviewed the impact of the Coalition Government's higher education reforms on taxpayers, students and universities in England. It seemed to us to be important to bring some economic analysis to the table and review the impact of the reforms on the country's finances as well as on individuals and institutions. After all, the Coalition had hung its hat on the need to reduce the structural deficit and Ministers were eager to point out that the replacement of the direct funding of universities with student loans would enable both the deficit to be cut and the number of student places to be retained.

This was always a questionable argument but it was backed by the then leadership of Universities UK, the trade body for universities, which openly argued for the lifting of the fee cap to £9000 per annum for full-time students prior to votes in the House of Commons and the House of Lords in December 2010. The idea that all Vice-Chancellors were united behind UUK's position is a myth. In a letter published in the Telegraph on the day of the Commons vote, a number of Vice-Chancellors set out their concerns that the government was going too far in removing direct grant.

Since 2010, the leaders of universities in England have had to manage a raft of far-reaching changes of which the fees and loan system has been just one. Five years on, it would be astonishing if Vice-Chancellors were not wary of further reform. However, there are good reasons to consider the challenges but also the opportunities presented by other options. The 2012 funding reforms remain contentious politically and there are real questions as to whether they are the most efficient way for taxpayers to fund universities.

Rarely mentioned but also worth considering are the huge and growing transaction costs of making an already complex fees and student support system even more complex. Transferring large tranches of government money to the student loan company for students to access via a loan with fee income going to universities, only to be recovered from pay packets at varying rates of interest and with many adjustments according to earnings status for 30 years, is highly inefficient in economic terms and requires literally millions of transactions. There is also the vexed question of the impact of the reforms on part-time students and those who want to enter university when they are older - groups for whom the 2012 fees and funding regimes have proved stubbornly unattractive.

It is therefore surprising that, just weeks before the most closely fought and unpredictable general election in a generation, the leadership of Universities UK should publicly enter the political ring to criticise the suggestions by Labour, the main Opposition party, that they were considering a reduction in the headline fee to £6000. Bearing in mind that the medium to convey the message was another letter to the Times, it was inevitable that this would prompt widespread criticism of Labour's (alleged) proposals.

Whether this kind of megaphone diplomacy is wise is a separate question. However, the UUK letter triggered much ill-informed debate about the costs of a reduced fee and its impact on students. When even respected commentators suggest that a reduction in fees would somehow disadvantage poorer students on the dubious logic that students from more advantaged backgrounds would be able to pay off the loan more quickly, there's clearly a chasm in understanding about who benefits and who pays for the current system.

If UUK has backed itself into a corner it only has itself to blame. In the last of our *Behind the Headline* pamphlets *Do the alternatives add up?* we focused on the resource flows and implications of a reduction in fees to £6000 per year and separately, a graduate tax model. We made clear that we were not advocating either option and that decisions about the associated repayment regimes were ones that we would expect Ministers to take. Whatever the merits of these alternatives, there is no link between teaching quality and fees charged in the current system and those who defend it and oppose a graduate tax on the basis that it would break the link with quality are being dishonest.



Our 2013 pamphlets also made a wider and important point: the 2012 higher education reforms were to a large extent based on smoke and mirrors accountancy. The cut in the budget of the Business, Innovation and Skills department which is responsible for universities, did not let the government off the hook in terms of the funding of universities and student loans. In fact the Treasury has continued to borrow the funds required to support the system while BIS itself remains under pressure to reduce its own spending further.

The difference, as we warned in parliamentary briefings to MPs in 2010, is that students and graduates have to borrow to fund much larger tuition fees and will be even less likely to pay in full. In fact, unlike the BIS estimates published in 2010, our estimate that there would be a 40p in the pound write-off of a student loan book which would inevitably balloon in size, has proved highly accurate. The impact of the recession on salaries has meant that in April 2014, BIS Ministers finally conceded that the BIS estimate of the student loan write-off was actually 45p in the pound.

Of course the graduate repayment system could be adjusted to reduce the write-off. For example, an extension of the repayment period from 30 to 40 years, an increase in the interest rate applied to loans, or the reduction in the repayment thresholds from £21,000 a year to £18,000

would all reduce the cost to government and technically make the new system more 'affordable'. However, Liberal-Democrat Ministers went to great lengths to ensure that they could demonstrate that the repayment system was more progressive than under the previous Labour Government and have resisted any attempts to revisit the repayment criteria.

Whether this is appreciated by students is a moot point. However, there are circumstances in which a lower repayment threshold might be acceptable although it is likely to have to be part of a bigger package of reform.

While some Vice-Chancellors are lobbying behind the scenes for deregulated fees and institutions which are rich enough argue that they would be able to pick-up the additional cost of loans if they could charge fees above the cap set by the state, others will be utterly opposed to the creation of what would effectively become a two-tier system. In this they are likely to be supported by students. It would also be a brave political party to go down a 'two-tier' route even after an election. As the Liberal-Democrats have found to their cost, the electorate cannot necessarily be relied on to have a short memory when it comes to decisions made early in a government's term of office.

**“Rarely mentioned but also worth considering are the huge and growing transaction costs of making an already complex fees and student support system even more complex.”**



Some will argue that universities have more freedom with a tuition fee of £9000 and that they are at less risk of Treasury interference. They have a point although in the short run, this could prove to be an argument of diminishing returns. If Treasury continues to believe that the deregulation of numbers will sort the wheat out from the chaff and that universities which are 'good' will increase in size thus compensating for a standstill in the headline fee, tuition fees are unlikely to increase in the near future and at least not until 2016 at the earliest.

Added to the mix is the deregulation of student numbers. Inevitably, this has led to gaming with universities that previously prided themselves on being high tariff, seeking to recruit hundreds of additional students with the lure of unconditional offers. It is a practice which is likely to prove catching while the risks to those universities which traditionally pitched themselves in the 'middle ground' are obvious.

There are, however, wider problems with the current system. All the evidence suggests that the 2012 reforms have done little to promote the diversity of the student profile in terms of age and part-time study. The UK, and modern universities in particular, have long-traditions of offering courses of high academic quality and relevance to those who want to study later in life or on a flexible basis. Far from building-on this excellence, the 2012 reforms have proved to be the proverbial wet-blanket.

All this has happened at the same time as research funding has become even more concentrated. When UK-wide, 12 universities get 50% of the recurrent research funding provided by tax-payers, 31 get 75% and the other 130 share 25%, there has to be something wrong. If Ministers really do want to promote the role of universities as anchor institutions in their localities, then there is good reason to re-think the distribution of research funding and every reason to ensure that all universities receive funding to develop and sustain their research infrastructure.

The next government will need to do much more to ensure that there is a stream of funding for translational research separate from the Higher Education Innovation Fund. This would allow universities to work more responsively with business and not-for-profit organisations to translate original research for business and service gain. As part of a concerted strategy to address the historical imbalances in regional growth and boost the role of universities in the regions it could be a winner and sit alongside a Small Business Agency with a regional brief and a new Business Bank with a regional focus.

**“It is well known that higher education is a net contributor to the economy and society. Rather than considering how little they should invest, this is the time for the political parties to be bold by setting out fully-funded policies which maximise opportunities for undergraduate and postgraduate study for people of all ages, put universities on a sustainable and more secure footing, end the inefficiencies in the current student loan system and promote the role of all universities in research and innovation.”**



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million+  
90 London Road  
London SE1 6LN

Phone 020 7717 1655  
Twitter: @million\_plus  
info@millionplus.ac.uk  
www.millionplus.ac.uk