

The Cost-Cutting Reforms of Higher Education in England

Claire Callender

Claire Callender is professor of higher education at Birkbeck College and the Institute of Education, University of London. E-mail: c.callender@bbk.ac.uk.

The British coalition government's response to the economic crisis constitutes cutting public expenditure—to reduce the fiscal deficit and stimulate economic growth. Higher education in England has been disproportionately hit by these cuts, compared with other public services. Most of the savings will be delivered by reforming the funding of higher education, changes informed by the Independent Review of Higher Education Funding and Student Finance, in October 2010. The review proposed radical reforms affecting the character and purpose of higher education.

THE REFORMS OF HIGHER EDUCATION FUNDING

Following the review's recommendations, the coalition government is withdrawing the funds it gives universities for teaching most of its undergraduate courses but will continue to subsidize science, technology, engineering, and mathematics (STEM) courses, at a reduced level. The lost income stream will be replaced by higher tuition. In future, the majority of arts, humanities, and social science courses will receive no direct government funding and will be financed purely by tuition.

The maximum tuition a university can charge is set by the government. From 2012/13, the current ceiling of £3,290 per annum will rise to a maximum of £9,000. Like at present, all students will be eligible for income-contingent student loans to cover all their tuition and some of their living costs. They will repay these loans on graduation once they earn £21,000 a year (increased from £15,000). The interest rates on these loans have also been increased and in future will rise in line with a student's earnings. Students will pay 9 percent of their income above £21,000 until their loan debt is cleared, and 30 years after graduation (currently 25 years) any outstanding balance will be written off. Consequently, these student loans remain heavily subsidized by the government; for every £100 borrowed, it will cost the government about £28.

This means the overall higher education resource budget, excluding research funding, will be cut by 40 percent and reduced to £4.2 billion by 2014/15. However, this £4.2 billion will need to cover other government-funded financial support given to low-income students, including existing means-tested student grants for students' living costs and a new "National Scholarship Fund" to help subsidize tuition. Consequently, teaching funds to universities will be reduced by about 80 percent by 2014/15.

By contrast, until 2014/15, universities' annual research budget of £4.6 billion a year will only be cut by 9 percent. However, a greater share of research funds probably will be channelled into STEM subjects, again at the expense of the arts, humanities, and social sciences.

UNFINISHED AGENDAS

These cuts form part of more long-standing higher education policy agendas, associated with its expansion. First, similar to the trends in many other countries, policies in England have shifted the costs of higher education away from government and taxpayers so that more are borne by students and/or their parents. Underpinning this “cost-sharing” agenda are the private returns to academic study and the notion that those who benefit financially from higher education should pay for it. Indeed, all major student-funding reforms in Britain since 1990 have sought to restructure the balance of private and public contributions to higher education.

The second agenda has entailed the quest to create a market in higher education. User choice and provider competition were central to the previous Labour government’s reforms of higher education. The coalition government is attempting to complete this unfinished agenda. Their cost-cutting reforms aim to increase competition between universities through variable tuition and by giving students what is in effect, an educational voucher in the form of student loans—loans akin to an installment plan. So students enjoy the benefits of higher education, free of charge, while studying but pay for them later.

Consequently, the bulk of universities’ money will follow the choices of students. Theoretically, consumer demand will determine what universities offer. Students will have greater choice as new providers, including private universities and *further education colleges* (akin to *community colleges* in the United States), are allowed to enter the market through a liberalization of rules governing degree-awarding powers and compete by driving up teaching quality and driving down price through efficiency

gains. This, too, represents a radical change. Currently, Britain has only two private universities; one of these—BPP [Brierley Price Prior] University College of Professional Studies, owned by Apollo Global—only gained university status in 2010.

THE POTENTIAL IMPACT OF THE REFORMS

It is questionable if choice and competition alone will drive up quality and drive down price. First, students have always been able to choose where to study, but their choices rarely follow the logic of economic orthodoxy and may not do so in the future. Second, all universities now charge the maximum tuition permitted by government and probably will in the future, too. They will need to charge a minimum of £7,000 just to recoup their lost government funding. Overtime, substantial variability in tuition is unlikely. Third, currently universities' income for teaching depends on their success in recruiting students. The mechanisms the government now uses for allocating teaching funds provide both financial stability for the higher education sector and a brake on public expenditure. Both would be at risk in a true higher education market. In reality, so long as the government funds higher education—through teaching grants to universities or financial support to students—it will have to control student numbers. Universities will not be free to enroll as many students as they wish, and student choice will be constrained.

Improbably, these reforms will in fact reduce public expenditure on higher education. Public expenditure will increase in the short term because of the greater costs for the government to provide larger, subsidized student loans to cover students' higher levels of tuition. In the long term, the reforms probably will cost more than they save

because of the government's misplaced assumptions about future levels of tuition and growth rates in graduate earnings, and hence the amount of money that will be recouped via student-loan repayments. Public borrowing will look as if it has fallen because government teaching grants to universities count as public borrowing, but student loans do not.

The ideological and political ramifications of the reforms are just as significant as their economic consequences. Implicit in this strategy is a radical revision of the purpose of higher education. Up until now, higher education has been seen by governments as a public good, articulated through educational and academic judgments, and financed mainly by public funds. Higher education's mission has increasingly been aligned to the economic health and well being of the nation.

Consequently, higher education has been considered as an appropriate investment for the federal state on behalf of its citizens, irrespective of subject discipline. Now, large swaths of higher education are no longer to be perceived as a public good but, rather, as a private investment. Humanities, arts, and social sciences, unlike STEM subjects and research, apparently lack public utility. Yet, our political leaders have enjoyed and transferred the benefits of the arts, humanities, and social sciences; only one member of the British cabinet studied pure science as an undergraduate. According to UNESCO, the creative and cultural industries are the United Kingdom's fastest-growing sector, and the country is the world's biggest single exporter of "cultural goods." Effectively, however, these non-STEM subjects have been privatized, putting their future at risk outside of elite universities.

This is, indeed, radical change—heretofore an unthought-of development, even in the United States. The shift of the public financing of institutions to the public funding of student support, arguably, is not cost sharing; it constitutes cost transfer and cost cutting on a massive scale. The advocates of cost sharing argue that financial contributions from students should supplement governments' contribution to higher education and not replace it. The way forward is a more equitable distribution of higher education costs between the beneficiaries that acknowledge both the private and public returns.

Significantly, postsecondary education will remain free at the point of access for all students, including the wealthiest, and they will get a generous package of government-funded financial support. It is impossible, however, to know what impact higher tuition and student-loan debt may have on student behavior, their higher education choices, and their perceptions of the affordability of higher education. Nor can the effects on higher education access and enrollment be determined, especially among low-income students being asked to speculate financially on an imagined but uncertain future.

What unites everyone in government and the higher education sector is the desire for a vibrant, intellectually challenging, and economically stable system. This new different model could rock its foundations and alter its character, appearing to value only the private economic returns of higher education, rather than cherishing universities as centers of teaching, learning, and knowledge creation. Some would argue it is an ideological assault on higher education—others, that it will deliver a better deal for students, graduates, and universities. Undoubtedly, these changes herald the

retreat of the federal state from financial responsibility for higher education. They boost private-good functions at the expense of the public-good function and reveal a policy mind-set where the public and private benefits of higher education are a zero-sum game. Fiscal savings are needed, but will these be at the expense of the longer-term effects on social equity and universities as public, civic, and cultural institutions? Universities will adapt to these changes and survive these cuts—but for whom and for what?