

Students at the heart of the system – what's behind the words?

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15 October 2012



An ideological driven policy

- o Nothing wrong with that – policy based on principles
- o The problem is the principles can't be implemented, and the compromises are damaging

Talk in three parts

- o What the Government (says it) is trying to do
- o The reality
- o What might the implications be for universities?

What is the rhetoric and ideology?

- Markets should rule
 - Student choice
 - Including wider range of institutions
- Government involvement should reduce
- Vouchers
- Remove control over recruitment

Why can the ideology not be implemented?

o Victim of circumstances

- Funding cuts (teaching by up to 80%)
 - So student number controls remain
 - So vouchers cannot be extended to privates (or not easily)

o The ideology is flawed

- Vouchers in HE are a bad idea
- Universities are an important part of the nation's infrastructure
- Perverse effects of leaving it entirely to the market

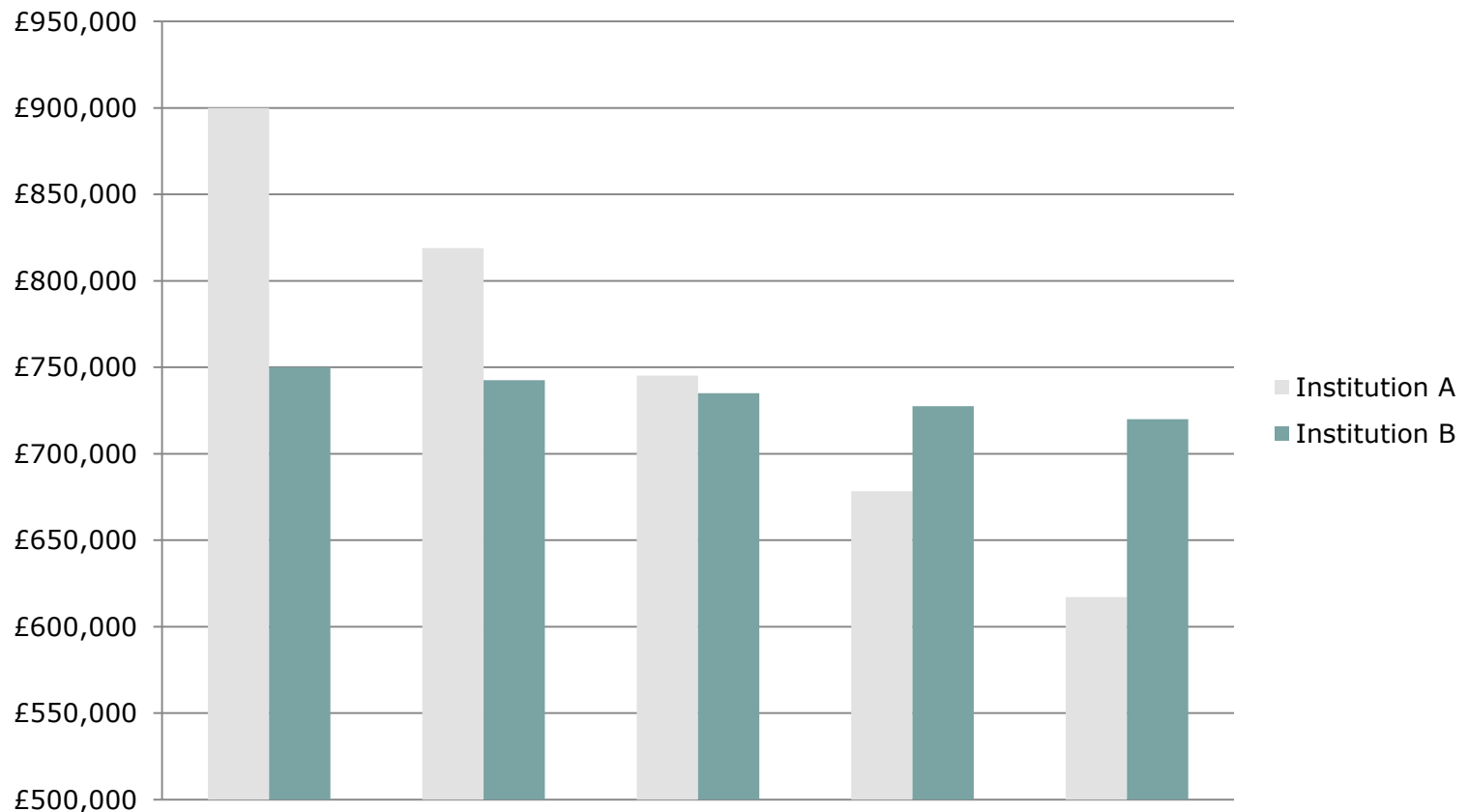
Examples of perverse effects already encountered

- Level of tuition fees
- Impact on widening participation
- Encouraging provision in the arts at STEM's expense
- Arms race of merit-based scholarships
- Fiasco of AAB combined with core & margin policies

A pseudo market

- o The key policies affecting universities – not students - are not fee levels but student number controls
- o The core and margin and AAB policies
- o Core and margin intended to pressure universities to reduce fees

Maintaining fees at £9,000 loses an institution 30% of income in 5 years





Impact on choice

- One purpose of core and margin is to provide public funding to privates & FECs
- But no suggestion that students would prefer that – it's supply-side, not market-driven
- And AAB doesn't increase choice
- The combined policies may maintain choice for a minority but reduce it for the majority

So in consequence

- o Reduced choice for students
- o No reduction in quotas
- o No reduction in government intervention
- o Instead of a market determining which universities will grow and contract HEFCE committees will do so
- o Huge instability & unpredictable outcomes

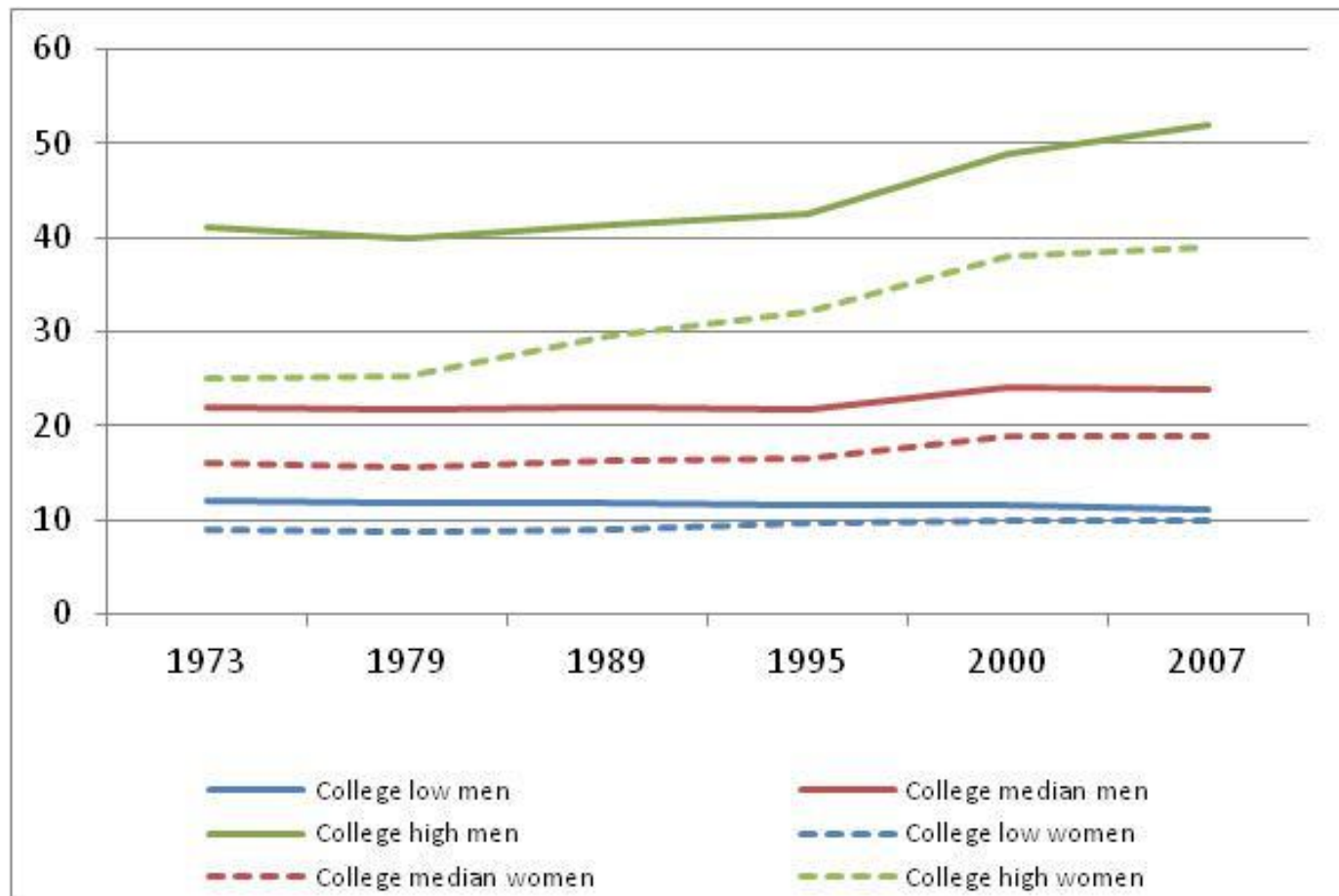
Cost – White Paper's assessment

- White Paper gives three different assessments of cost – 30%, 32% and 37% – a difference of £0.5 bn per year
- The estimates of cost were hopelessly optimistic
 - Assumed fee levels
 - But other serious misplaced assumptions remain
 - EU students' repayments
 - The gender balance
 - The average graduate salary in real terms will be £100,000 per year

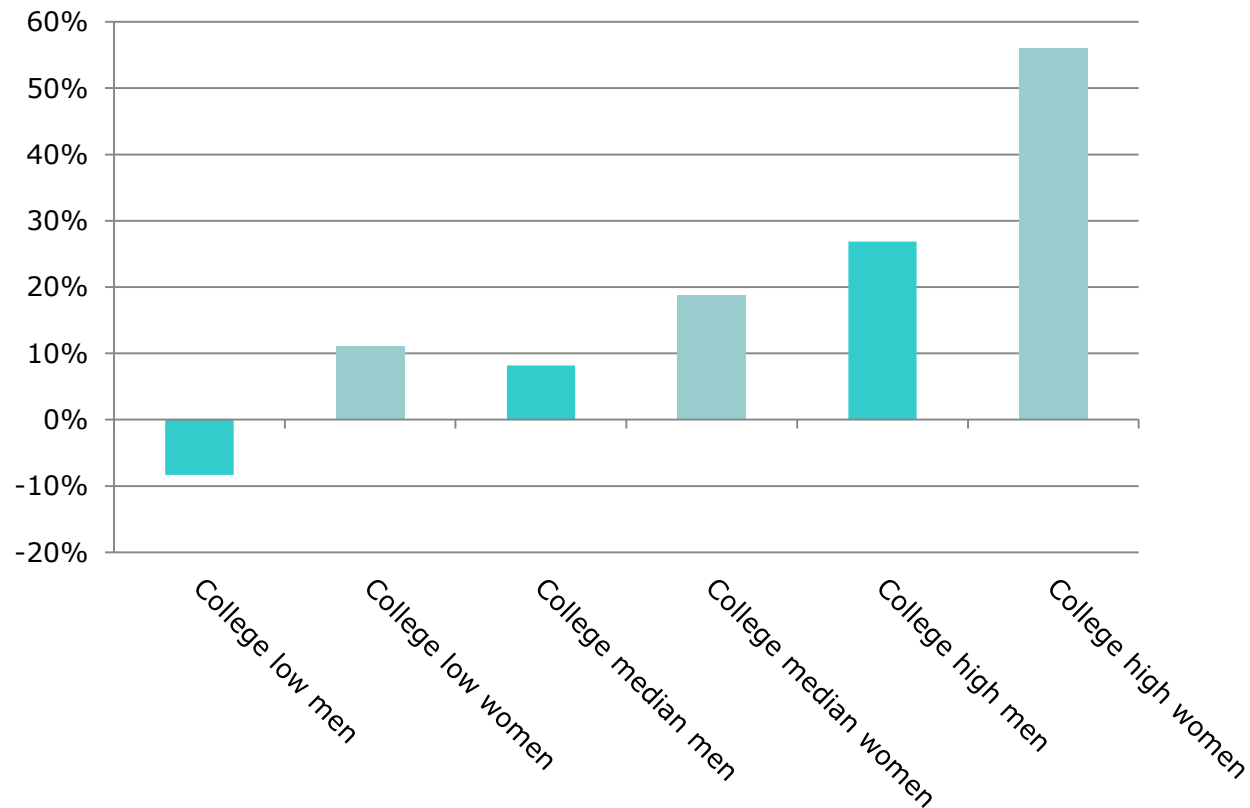
Costs – Government's new assessment

- RAB now claimed to be 32%
- Still hopelessly optimistic assumptions
 - Assumed fee levels have not been adjusted
 - The average male graduate salary in real terms will be £76,000 per year
 - Everyone will benefit from the same increase in salaries

Changes in real terms graduate salaries over 35 years



Changes in real terms graduate salaries over 35 years (2)



The cost overrun


- o RAB cost of at least 37%
 - £0.5 billion + per year
- o Inflationary impact
 - Will lead to increased benefits
 - £0.4 billion - >£1 billion
- o Could easily wipe out any savings

What will the consequence be?

- o Costs will be far higher than the government's estimate
- o We need to be seriously concerned, and there are signs that the Government recognises this
- o So cuts will be needed somewhere
 - Other parts of the higher education budget – the residual HEFCE grant?
 - Graduates paying even more (reduce or removing subsidies)
 - Reduction in participation?

Conclusion

- The Government is unable to fulfill its ideological aspirations
 - Increased, not less government control
 - No increase in student choice
 - There's a disconnect between rhetoric & reality
- Nor will it achieve claimed savings
 - Balancing the books will be painful
- The price will probably be paid by the next generation



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