Putting a price on a degree – the implementation of the HE Act (2004) from theory to practice (0121)

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Outline

Conventionally, benefits to consumers of a market are considered to include:

- enhancing the quality of products or services offered
- increasing the choice available
- improving information provided

When developing the financial provisions of the HE Act (2004), politicians cited these points to support their proposals. In addition they also argued that the costs of a degree should be shared among funders in relation to the benefits that each gains. Thus, they reasoned, undergraduates should expect to bear costs of their studies that reflected the 'graduate premium' they might reasonably expect to achieve over their working lives.

As the value of that premium becomes increasingly contested (Dearden et al 2008, Machin and McNally, 2007) and the UK seeks to manage a substantial budget deficit however, the political rationale for a student contribution to university fees is gradually moving away from the equity of cost-sharing towards one over prioritisation of scarce public funds. At the same time, the commitment of institutions and the government to widen participation reinforces the requirement for financial support to be available to students during their time at university (whether through state loans or institutional bursaries).

As this research demonstrates, that institutional commitment is both wide-spread and genuinely-held across the sector, but universities are also conscious of the pressure to deliver degree programmes with a declining unit of resource and in an increasingly competitive context. In response to the financial provisions of the HE Act (2004) therefore, all are now charging the maximum permitted undergraduate fee; at the same time, attempts have been made to use bursaries and other student support mechanisms imaginatively to target particular groups of applicants and to encourage retention and completion.

Universities thus showed a willingness to use the flexibility of the quasi-market that this legislation created in both strategic and tactical ways. However, they were generally acting on the basis of limited marketing information, especially in relation to the price-sensitivity of potential applicants from different backgrounds and to particular courses or institutions. This resulted in the establishment of a number of bursaries that were complex to communicate and operate.

While universities, encouraged by OFFA, have worked individually and collectively to improve the information that applicants have about the likely cost to them of studying for a degree, in practice, many of the more opaque schemes appear to have had at best a marginal impact on recruitment. It is therefore not surprising that, after monitoring several years of operation, a number of institutions have moved to rationalise their financial offerings. This move has been reinforced by evidence (UUK, 2009) that, under the current regulatory parameters, for most students and courses, the price sensitivity point cannot be reached.

Thus, for better or worse, the diversity of funding packages that was generated with the implementation of the HE Act (2004) is already shrinking and there have been no significant examples of a growth in choice for undergraduates, for example by universities developing alternative modes of delivery for their degree programmes. Furthermore, while a wider debate is taking place about issues of quality and its measurement within higher education teaching, changes introduced in light of the legislation cannot be shown to have had direct impacts, other than possibly in the area of support for students from non-traditional backgrounds at specific institutions.

There is therefore little evidence that the quasi-market introduced by the HE Act (2004) has achieved the objectives that policy-makers had for it; but it is important to note that there is also little evidence to support the concerns that opponents of the legislation have expressed that it would lead to a narrowing of participation in higher education in England.

As the national debate stimulated by Independent Review of Higher Education Fees and Funding, chaired by Lord Browne, considers how universities and their students will be funded in the future, this paper will examine the extent to which that policy discussion can be informed by evidence of how institutions responded to the financial provisions of the HE Act (2004). It will draw on an understanding of the rationales for choices made and behaviours adopted to consider ways in which members of the sector might act if the nature of the quasi-market in which they are operating were to change significantly – for example: might universities start to charge different fees for different courses? Consideration will also be given to the extent to which institutions, individually and collectively, are seeking to address the information deficit which meant they had limited evidence on which to base decisions concerning fees and bursaries for 2006.

References:

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UUK (Universities UK) (2009) *Changing landscapes: future scenarios for variable tuition fees* London: UUK