

2011/21

2 July 2011

## Policy Watch – The HE White Paper sets out to put students in the driving seat

### Introduction

In the end, the HE [White Paper](#), which was eventually published last week, contained few surprises yet collectively it represents a defining moment for the sector in England. The sense of new era is evident right from the start in the Paper's title: '*Students at the Heart of the System.*'

Effectively what's being put forward is a shift from a centralised grant-based system to one in which purchasing power resides with the student, who armed with new forms of market intelligence and greater powers of accountability, will be able to select from a wider choice of providers often offering different forms of provision. In the words of the Government, "*the White Paper comes as part of the wider agenda to put more power in the hands of the consumer.*" In one sense, therefore, the Paper represents an important political experiment; as Martin Wolf put it in the FT, "*the UK is engaged in a fascinating experiment in the management of HE.*" In another sense, it is a genuine attempt, as the Minister explained, to put HE on a sustainable financial footing. But will it work?

### Context

The context is of a continuing desire to increase and extend the numbers of people going on to higher education while at the same time finding a fair way to pay for it. It's a desire that has almost become an imperative as young people in particular pick up on labour market signals about the importance of having a higher level qualification and globally as competitor countries start to plough in huge resources to expand their HE provision. India, for example, is aiming to more than double youth participation in HE from 12% to 30% by 2025. It's not alone.

We of course have had our own targets in this country but one principle has remained constant and that is the principle established in the landmark 1963 Report into HE, the famous Robbins principle. "*Courses of higher education should be available for all those who are qualified by ability and attainment to pursue them and who wish to do so.*"

This may have been OK while numbers remained small but a significant growth in the 1980s and '90s stretched resources to the limit and led the incoming Labour Government in 1997 to commission a second landmark Report, Lord Dearing's '*Higher Education in a Learning Society.*' Amongst its 90+ recommendations was a proposal that for the first time students should be asked to contribute to the costs of their university education. Although as Tony Blair later admitted, the variable fee vote in 2004 came within a whisker of being lost, the principle of student fee contributions had been established.

Fast forward ten years to the recession and the Labour Government found itself having to impose a series of tight financial settlements on the sector just at a time when the review of financing, which had been promised as part of the deal in 2004, got under way. This review, headed by Lord Browne finally reported in October last year with a recommendation that the fee cap should be raised and a more competitive market introduced. It's this review that has set the context for the current model now being proposed under the 2011 White Paper.

### Four core themes

Amongst the Paper's six chapters, four clear themes emerge.

**First**, putting HE back on to a sustainable financial footing. The model for this, which has been hotly debated over the last few months, is the use of individual student loans that will be paid back once the graduate is earning £21,000+ and over a period of 30 years. The Government expects 70% of costs to the Treasury will be met this way but will write off the remaining 30%

of those whose earnings for one reason or another do not reach £21,000. The state will continue to make some contributions, indeed the Government argues a higher one, in the form of teaching, research and living cost grants. As for the payback system, pay as you earn, contributions will be based on a variable rate of interest related to income and capped at up to RPI+3%. The Dept will consult on the ramifications of an early pay back system, and one interesting statistic in the Paper is that balance on loans is expected to reach £70bn by 2017/18.

**Second**, putting students at the heart of the system. If students are to be paying consumers, mystery shoppers as one paper called them, then they need to have the requisite information to be able to make intelligent choices and have recourse if things go wrong. So universities will now provide 'go-compare' type course information in the form of Key Information Sets on websites from Sept 2012, the Unistats website will provide data on aspects like entry profiles and destination and wage returns, and individual institutions will work with UCAS to provide more detailed data for prospective students. In terms of what to expect if things do go wrong, universities will be expected to publish formal Student Charters, student surveys and a range of course evaluations while of course there will also be QAA's new institutional review system. In addition, students will be able to 'trigger' a quality review if concerns arise. And around all this will be a "simple, transparent, regulatory framework" that will apply across the board for all providers and which will be the subject of consultation in the next few months.

**Third**, improving social mobility through fair access. This remains a core theme of Government policy and indeed of HE activity. Recommendations include a strengthening of OFFA, "increasing capacity up to around four times its original level," new forms of support for part-time and low-income students some of which may be through the new National Scholarship Programme, further consideration of access routes and at school level, a look again at PQA. Arguably little new perhaps but further stimulus may come from a report by Simon Hughes, the Government's Advocate for Access to Education, which is due out in the coming months.

**Fourth**, creating a more diverse and responsive sector. A critical aspect of this new market is diversity and choice of providers not just for students but also for employers who may need to work closely with the sector. A review of the latter relationship is promised and will be published later this year, a follow-up perhaps to Sir Richard Lambert's Report on HE-business relationships a few years ago. As for the student market, a couple of mechanisms are proposed. One is a lifting of part of the numbers cap by allowing for a number of contestable places to be made available, 85,000 for 2012/13 with the most interest perhaps being in the 20,000 of these who will be 'bid' for by "good quality and value for money" institutions. Alongside this core + margin model, will be increased flexibility of sponsorship arrangements for further places. The other mechanism is a more diverse provider side, an opening up of the market by removing the status requirement for degree awarding powers and making it easier for other providers, be they FE colleges or private providers to operate while at the same time meeting standard quality thresholds.

## Challenges

Collectively therefore, the recommendations in the Paper present a number of challenges. Government will be concerned to see the market operating efficiently, demand continuing and quality remaining. Institutions will be concerned about how best to operate effectively in the market, about how to maintain some areas of provision and about how to manage a new set of expectations. Students will be concerned about the value of particular types of courses, about how to make sense of the range of information data now available for them and about future employment prospects. This White Paper carries a lot of hopes with it.

## Steve Besley

Head of Policy (UK and International)

*Pearson Centre for Policy and Learning*

Policy Watches are intended to help colleagues keep up to date with national developments. Information is correct at the time of writing and is offered in good faith. No liability is accepted for decisions made on the basis of information given.