

## VARIABLE TOP-UP FEES

# Time to change course!

AUT, NATFHE and NUS represent over 75,000 academic and academic-related staff and over 2 million students in higher education (HE). We oppose the introduction of variable top-up fees. Their introduction would damage the widening access agenda, saddle graduates with high levels of debt and lead to a divided, stratified university system rather than a diverse and flexible one.

There is a funding crisis in higher education. More investment is needed to ensure that teaching, research and staffing are of the highest quality. Variable top-up fees are not the solution.

Variable top-up fees will:

- undermine access;
- deliver little extra money for universities once adequate bursaries have been provided;
- lead to an unnecessary market in a key public service;
- inevitably rise beyond £3,000 a year, despite assurances;
- only increase investment in some universities and their staff, not all those who need it;
- lead to division and entrenchment within the sector, not diversity and dynamism.

Now is the time for alternative funding models to be properly debated.

It is said the government has costed 40 different models. Why will it not share the options with Parliament?



## The current situation

### Funding crisis

Our universities are in desperate need of extra funding. Over the last two decades, class sizes have doubled to 18:1 and academic salaries have declined by 40% in real terms compared to average earnings. The estimated backlog in infrastructure costs for teaching are at least £4bn, while for research the figure stands at £2.35bn. Between 1989 and 1997 there was a 36% drop in funding per student.

The government has announced a hugely welcome 18% real terms increase in funding to universities over the three years of this current spending review. But additional investment is still needed if our universities are to flourish. Before the CSR settlement, Universities UK estimated the sector needed almost £10 billion investment in the staff engaged in the learning process, improved teaching resources such as lecture theatres, IT equipment and library facilities, and in our research base to ensure that the levels of excellence already achieved are maintained and improved upon. This includes enabling our best research to compete internationally but it also means investing in those research areas of local, regional and national importance.

**Ever since Lord Dearing published the results of his major inquiry into HE in July 1997, the need for more investment in HE has been acknowledged by all. What divides us is the means of achieving this.**

### Growing level of opposition

The coalition of organisations and individuals opposing the government's plan for variable top-up fees has grown substantially over the last few weeks.

Variable top-up fees are a vote loser. The government argues that sometimes it has to do some unpopular things. The breadth of opposition to this plan suggests it is wrong in principle. 80% of the general public are opposed to variable top-up fees while only 12% are in favour according to an opinion poll commissioned by AUT in September.

Many groups stand to become more disadvantaged - students from poorer backgrounds and also families with modest incomes who will scrimp to stop their children emerging with a huge, second mortgage-style debt.

Individual trade unions including all the school teacher unions (ATL, NASUWT, NUT and EIS in Scotland) as well as those representing HE staff (AUT, NATFHE, GMB, UNISON, TGWU) have joined the campaign against them. At this year's TUC Congress, an anti-top-up fees policy was passed unanimously.

Meanwhile in Scotland, the First Minister Jack McConnell MSP has refused to support the introduction of top-up fees and in Wales, the Assembly Government has ruled them out until 2007 at least.

## Current myths about top-up fees

### Top-up fees will at worst have a neutral effect on access and at best will actually improve the situation

University staff and students are absolutely committed to the goal of widening access to HE. We are delighted that the present government sees this as one of its prime strategic policy objectives.

All universities already have to satisfy the HE funding council that they have widening access programmes in place aimed at identifying those students with the greatest ability and potential to benefit from going to university. These run alongside various initiatives, such as the government's Aim Higher programme.

That is why many people see the proposed access regulator, OFFA, as unnecessary and a smokescreen to justify the introduction of top-up fees.

We can find no evidence that increasing the cost of a degree will make working-class children more likely to aspire to HE or that allowing universities to vary the fee they charge will lead to more working-class students applying to study at the most expensive universities.

85% of students who wanted to go to university would change their mind if they accumulated a debt of £20,000 on graduation, said an independent study commissioned by NUS into the attitudes of Year 10 pupils to higher education. 70% said that cost was a factor in choosing a degree. When pressed on how they would choose a course, interviewees described trade-offs to strike a balance between finding a degree they wanted to do and finding a degree they could afford to do if differential fees were introduced.

An extensive opinion poll commissioned by AUT at the end of September showed the impact of top-up fees on working class parents. A highly encouraging 83% of parents on gross incomes below £25,000 would like their children to go to university. However, of these, 72% said their children would be more likely to attend a university charging the £1,100 fee than one charging the full £3,000.

### Bursaries will help access

A benefit claimed for variable fees is that universities, through the Office for Fair Access (OFFA), will have to provide bursaries for lower income students.

If you do have variable fees, this is better than having no bursaries at all. However, if the level of bursary is going to be meaningful and made available to sufficient numbers of students simple maths shows that the actual remaining money available to universities to spend on teaching, research and salaries will be minimal. This will be the case especially for those universities which attract high numbers of low income students.

So why bother with variable fees in the first place? Why construct a complicated scheme allowing universities to raise money

from students only to then require the institutions to give them back a significant chunk of that money?

Some people cite the USA as an example of how bursaries work well in a high-fee environment. This is highly misleading. Leading US universities have endowment funds worth billions of dollars each, allowing them to provide substantial bursaries to large numbers of students. The situation is completely different to the reality of UK universities.

Also, the government will still allow for tuition fees to be paid upfront rather than after graduation. Undoubtedly, students from better-off backgrounds would be most likely to pay the fee, or have it paid by their parents. Students from poorer backgrounds are most likely to accumulate a large debt.

### **We need to create a market in HE**

The government argues that HE needs to become a market in which the "commodity" otherwise known as a degree should have a price attached, varying from course to course and institution to institution. We disagree.

- HE is a public service. Access to it should not be based on an individual's economic situation. We see no reason why this should be any different from a public service such as healthcare.
- When choosing which course to study, a potential student should be making their choice on what is right for them academically and not on the basis of what they can afford.
- There is still huge confusion about what criteria universities should use to price their courses. Should they be based on demand, on the quality of the teaching, the cost of teaching a course, the perceived status of the university or simply what universities think they can get away with? All that is clear is that the situation will be chaotic with huge potential for universities to make major strategic mistakes.
- HE is already the most market-orientated public service. Students have a huge choice about what and where to study. Their choices impact on the funding flowing to each university, a form of competition which helps to drive up standards. Importantly, however, price is not a factor for students; their choice is made on the grounds of the most appropriate course and the type of university they would like to attend and not on the basis of what they can afford.

### **The proposed fee cap of £3,000 a year is actually very modest**

Compared to the United States where fees of £15,000 a year or more are commonplace, this is indeed true. However, we can find no-one who really believes that the cap will stay at £3,000 for very long. Experience from Australia has shown how once variable fees are actually introduced, the cap is rapidly and substantially lifted.

Voting in favour of top-up fees will inevitably open the door to fees substantially higher than the proposed £3,000. The question is "when?" not "if?"

### **Top-up fees would lead to higher pay for lecturers**

The government has argued recently that top-up fees would lead to an increase in university salaries. From the Prime Minister down, they rightly point to the lamentable decline in academic salaries in recent years. In their report on the HE White Paper in July, the education and skills select committee remarked: "*Academic staff might reasonably question whether it is worthwhile continuing in the profession, and new entrants may be discouraged, if there is no prospect of the issue of low pay being addressed.*"

But firstly, the problem of salaries exists across the entire university sector. Allowing some universities to charge higher fees on some courses will do nothing to improve salaries across the system as a whole. Instead, we will see an increasing divide between the richest universities able to attract the best staff and the poorer universities unable to compete for the most able academic and support staff.

Secondly, recent history has demonstrated that universities have an appalling record at turning funding increases into higher investment in their staff. For this year and next, universities have received a 12% real terms funding increase and yet they have offered academic and related staff a pay increase of just 6.4% in cash terms.

### **The dustman shouldn't pay for the doctor**

Government Ministers have been arguing that it is wrong to expect "the dustman to subsidise the doctor". While this argument sounds progressive, the reality is very different. It is very much in all our interests that we have a highly qualified, highly skilled workforce, able to provide us with good levels of service as and when we need it. We all benefit, for example, from the 20,000 engineers, 6,000 doctors and dentists and 17,000 teachers who graduated last year alone, irrespective of how much they personally benefit in their future careers.

How long will it be before people argue that A Levels carry a personal benefit to the individual student and therefore they themselves should contribute financially to their 16-18 education?

### **Top-up fees will bring more money to universities**

The government has argued strongly that the main reason for introducing variable fees is to ensure additional resources flow to the HE sector. They quite rightly point out that all universities are under-funded and not just the most prestigious. In which case, why have they devised a scheme which will raise additional funding only for some universities?

The increased funding flowing to those universities charging the higher rates will do nothing for the funding levels of those institutions unwilling or unable to charge higher fees.

And top-up fees won't be the panacea for the historic under-investment in HE. According to an interview in *The Guardian* on 6 October, '*universities will still be short of money even if the govern-*

ment pushes through its contentious plans for top-up fees, the higher education minister, Alan Johnson, admitted.'

### Universities vary already

We agree with the government when it says that not all universities are the same, that HE

is a diverse system. Some universities' strengths are in the arts, others in the sciences, some are large, some small and some pride themselves in their research ability while others focus on the quality of their teaching.

The government thinks allowing universities to vary the fees they charge will allow them to play to their strengths. We fundamentally disagree. We believe it is inevitable that the more prestigious, higher status, research intensive universities - such as Oxford, Imperial College and Manchester - will charge the full top-up fee.

Meanwhile the less well-known, less well-endowed institutions - often the very ones which have the best record on widening access - will be the ones unwilling or unable to charge the full fee.

Not only will this exacerbate the funding gap between universities, it will also ensure that never again will institutions be able to climb up the ladder - the funding gap will simply be too high. In short, we will see the current tiers set in stone, leading to less dynamism and less flexibility in the sector.

And students will face a tiered system of access to universities. Some will be able or willing to attend the "top" universities by paying the full £3,000 while the majority will be forced to attend those which charge the lower fee level.

These proposals will not ensure diversity, they will entrench the existing tiers of quality - of staff, facilities, teaching infrastructure and research resources. Does the government really think this is a progressive way to seal the future fate of our HE system?

## What about Scotland, Wales and Northern Ireland?

Public opinion in all three devolved nations is overwhelmingly opposed to their introduction. Reflecting this, both the Scottish and Welsh devolved administrations have rejected variable top-up fees as have all the major political parties in each nation.

There are major worries in Scotland, Wales and Northern Ireland about the impact on their HE systems if variable fees are introduced in England.

The additional income raised will immediately disadvantage their own universities, whose resources will steadily decline compared to those of their English counterparts, a disparity which will increase over time. This will damage not only the student experience but also the long-term success of their research base and their ability to recruit the best staff. This should concern not just the devolved politicians but also their colleagues in Westminster.

We therefore urge politicians representing constituencies outside England to oppose variable top-up fees. Their constituents oppose them and their universities will suffer.

## Alternative models

Those of us opposed to variable top-up fees are frequently asked what we would suggest as an alternative. The overwhelming first choice of AUT, NATFHE and NUS members is for additional income for HE to be raised through progressive taxation.

But we do think a proper debate is needed, and fast, on possible alternatives. It has emerged that over 40 different funding models were examined by the government in its HE review. Evidence collected about these models has not been revealed to MPs nor to the HE stakeholders, let alone to the general public. We believe the government, through Parliament, should enable an informed debate to happen by releasing this information.

In November 2002, AUT and NATFHE, supported by NUS outlined their criteria for how they would judge alternative models such as a graduate tax or a flat rate fee increase paid back after graduation. A copy of *Fair funding for higher education: a six-point test for a new system* is available from either organisation. In brief, the six tests were:

1. **Access** Will a new system enable more students who want to enter, and can benefit from, higher education to do so?
2. **Equity** Will a new system encourage more social equality and mobility?
3. **Money for teaching** Will the new system generate more money for HE and for HE teaching?
4. **University places on merit** Will a new system give all students the opportunity to attend the right course at the right university for them?
5. **The strengths of UK higher education** Will a new system preserve and enhance the strengths of the system we have?
6. **Who benefits?** Will a new system draw its funding from all those who benefit from higher education?

## Further information

For further information or if you would like to set up a meeting with any or all of the three organisations, please contact:

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