

## **Sharing the burden of avoiding reality**

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In view of three successive heavy electoral defeats and the election of a new leader, it is not surprising to find the Tory Party engaged in a wide-ranging policy review. In an interesting recent editorial (5<sup>th</sup> May 2006) the weekly higher education trade journal, *The Times Higher Education Supplement*, welcomed the Party's decision to add higher education to its policy review agenda and told the Party that it was time 'to embrace reality'. As the editorial acknowledged it is the funding of higher education, and more particularly the student contribution towards tuition fees, which has to be at the heart of any review. Presumably we can also expect the Liberal Democrats to instigate their own review given that they have abandoned the commitment to impose an income tax rate of 50% upon higher earners, which was designed to buttress the public funding of higher education.

Moreover, party reviews will complement a government examination of the impact of variable fees due to take place in 2009. As three years will have passed (an undergraduate cohort) since the introduction of variable fees, it will be time to take stock. But when it comes to higher education policy, and especially who will pay for institutional funding, reality alone rarely comes into the equation. There is no determination of policy outcomes without politics.

The one piece of reality that all the parties may accept – at least with respect to England (the Welsh and the Scots are doing their best to disguise the fact that they have also accepted the same reality) – is that students, because they are major beneficiaries of higher education, should make a contribution to its costs. The second reality, also widely supported, is that if students need to borrow money then

repayment should be through an income-contingent loans scheme. But within the context of these two reality parameters there is considerable room for political manoeuvring, and undoubtedly we can expect it to occur.

In fact the issues that have to be resolved are easily identifiable, although this does nothing to make their resolution any easier. There are four main concerns: fees, loans and their repayment, grants, and the regulatory regime that monitors those higher education institutions charging variable fees (all of them, but not all at the maximum permitted level of £3,000).

### *Fees*

What should happen to the present cap of £3,000 per annum on fees? Should it be abolished and the universities be allowed to set their own fee levels? Should it be raised, and if so, to what level?

### *Loans and their repayment*

Whilst an income-contingent loans scheme may be perceived as the only acceptable mode of repayment, how much should students be allowed to borrow, at what point on the income scale should repayments commence and should loans be written off if not repaid within a period of time - possibly 25 years - after graduation? Moreover, and critically, what should be the interest rate on loans?

### *Grants*

Should students be eligible for a non-repayable grant? If so, how is that eligibility to be determined and how generous should the grants be? And, it should be noted, that with respect to both the eligibility criteria and level of generosity the possible outcomes are numerous. Plenty of room for politics here.

### *Regulatory regime*

Whilst there is a range of regulations governing student financial support the most obvious manifestation is the Office for Fair Access (OFFA), created by the Higher Education Act 2004. In return for exercising the right to charge variable fees institutions have to demonstrate to OFFA their commitment to widening the social base of their undergraduate recruitment. Regardless of how unobtrusive the powers of OFFA may be, it was looked upon with suspicion in university circles and in the 2005 election campaign the Tory Party promised to abolish it.

In terms of these four concerns we need to ask ourselves what are the political pressures that make it difficult for any party, let alone one with such a long losing sequence, to embrace reality. Will it be possible to avoid the temptation of embracing unrealistic but appealing policies?

Whilst the principle of variable fees is set to become firmly embedded in the English understanding of higher education, it is difficult to imagine that in such a comparatively short space of time all political control on fee levels will be relinquished. It is not simply that such a move would necessitate a significant change in the entrenched belief that government has an obligation to regulate the costs of higher education, but the possible negative reaction of middle-class voters is something that all political parties seeking to occupy the middle ground are likely to fear.

Moreover, a strong belief persists that there is a correlation between the costs of higher education (no matter how these are cushioned) and the social pattern of access, which acts as a massive restraint on raising new policy initiatives. Whether the evidence demonstrates to the contrary or not, the point is that political parties find it very difficult to take action that is likely to be perceived as restricting individual

opportunity along social lines. Because of the assumption that it would have this negative effect, this is why the introduction of variable fees - regardless of the equivocations - was a bold political move. Presumably, if the cap is to be raised the calculations of its new level will be based upon an interpretation of the financial needs of the universities and the amount of income they are likely to generate from alternative revenue streams – including what the state itself is prepared to pay. And, of course, a political judgement will be made as to what financial burden voters will be prepared to bear.

Once the principle of income-contingent loans is accepted then, with the important exception of interest rates, the related issues (the sums that can be borrowed, the point at which repayment commences and the length of time over which a loan is spread) are essentially technical in nature. In contrast interest rate levels are highly politicised. To continue with the current system, which imposes no interest rate (the debt increases by the annual rate of inflation) provides students (and/or their families) with a considerable subsidy. One of the arguments for imposing tuition fees was the socially regressive impact of underwriting the costs of higher education out of the public purse. To put it concisely, the richer members of society benefited disproportionately because more of them went to university. To charge what is in effect a zero interest rate on loans is to continue that subsidy. Again one can expect very careful internal calculations within the political parties as to how far they are prepared to go in removing this subsidy. But it is not difficult to imagine the shape of the various party positions: interest rates are imposed but at a level somewhat below commercial rates, and the revenue generated is used to enhance a system of grants. Each party then vies to sell itself as the most socially responsible whilst at the same time claiming that it is imposing the lowest financial burden on

graduates. Moreover, to continue to offer loans at a discounted interest rate may help to build cross-party support for what is in effect a welfare system – perhaps a denial of economic reality but an acceptance of the political realities.

In the context of income-contingent loans it is surprisingly difficult to make a strong case for a broad-ranging system of grants that can be said to embrace reality. Firstly, if there is a pattern of student financial support that combines grants and loans, it is perfectly reasonable to project the possibility that those in receipt of grants may end up earning higher incomes than those taking out loans! Whilst it may be possible to demonstrate that for certain social groups (mature students with families to support are the best example) grants do indeed encourage access to higher education for the most clearly disadvantaged group (working class youths) overwhelmingly the barriers appear to be cultural rather than financial. If this is a problem then we need to ask how these cultural barriers are to be dismantled as opposed to supporting a grants system that at best can encourage only selective mobility. But surely a more interesting approach is to consider how young working-class men and women can find a more meaningful role in this society *without* going to university. Or does this represent too great a political challenge?

However, if you are committed to the principle that students should meet at least some of the costs of their higher education it may make perfect sense to support a targeted grants system because this is the political price you have to pay - but you should not pretend that this has a great deal to do with changing social reality or even much to do with increasing social opportunities. But undoubtedly this is an area in which we can expect politics rather than reality to remain supreme. It is obvious that political parties advocate grants in order to demonstrate their commitment to widening access. It is a convenient means of soothing a guilty conscience – support

tuition fees but couple this with the advocacy of a generous and targeted system of grants. But it is an easy – if unrealistic – way of addressing a very important social issue.

The regulatory state (in particular the Office for Fair Access - OFFA) that has emerged as we have moved towards permitting universities to charge variable fees has everything to do with politics and very little to do with widening access to higher education – it is the epitome of the denial of reality. In order for the government to persuade its backbench MPs that higher education institutions would not be able to renege on the ‘widening participation’ agenda it had to calm their fears by creating another regulatory body, and permit it to impose a form of regulation with which the government could feel comfortable (measured guidance rather than control). It is just possible as we become more accustomed to the idea of universities imposing variable fees, and demonstrating they can indeed act responsibly, that sanity will be restored and ‘reality’ will triumph over ‘politics’.

There is a temptation to claim that higher education policy should not be determined in a manner that attempts to maximise political advantage (as apparently seen in the Tory Party’s populist opposition to tuition fees in the build-up to the 2005 General Election) and only then turns to reality to find the supportive evidence (usually defined by the higher education policy lobby as evidence-based research!). In fact integral to the formation of higher education policy is the selection of preferred values. In spite of significant parliamentary majorities and a commitment to lessening the financial dependence of higher education upon the state, Thatcher Governments, had failed to consolidate an emerging consensus in favour of income-contingent loans. Timidity of purpose and a fear of the perceived electoral consequences won the day. In the very different political context of 2006, it is to be hoped that the

political parties in the build-up to the 2009 review of the variable fees regime, will be able to construct a consensus to illuminate the way forward for student financial support. But if so, it will not be a consensus built on a reified understanding of reality but rather one that reflects a politically constructed view of the purposes of higher education and the relative responsibilities of state, society, and students for its funding. But, regardless, it is about time this particular policy issue was laid to rest.