Rupert Wilkinson

AIDING STUDENTS, BUYING STUDENTS : Will English Universities Go American?

On many American campuses, the sign outside the admissions office says "Admissions and Financial Aid." It might almost as well be called "Sales and Discounting." .Most of the 1900 private universities and four-year colleges , and a growing number of major state ones, use bursaries and scholarships as a form of price discounting. It is used to keep up enrolment (many private colleges have empty places) and get the kinds of students they want (academic stars, talented oboists, prize debaters) as well as students who just need the money. (Athletic scholarships, where universities formally give them, are a somewhat different case, usually paid out of athletic department budgets.) Even grant aid given purely on the basis of need can pay off financially for the university by enabling it to charge a high 'sticker price' –full tuition and fees – without losing customers unable or unwilling to pay full price. For each aided student, the university financial aid office puts together a package, often including Federal loans and other government assistance as well as the university's own aid.

The variety of prices and discounts operated by American universities has caused many commentators to compare them to airline fares. The comparison is not perfect. For most universities, unlike commercial companies, their *customers* (students) are often *suppliers* too: good students add to the educational experience of other students. And at the top of the pecking order, a handful of rich and highly selective institutions, including the eight Ivy League universities, confine their aid to 'need-based' bursaries: they don't need to buy high fliers to look good or discount prices to keep up enrolment, though some of the weaker Ivies give extra grants to the best needy students.

For many more universities, however, pricing and aid are driven by demand as much as the student's financial need, by what it takes to get different types of student to enrol. Social considerations enter into it: many universities give extra aid to black and Hispanic students. But that is just part of the complex mix determining what each student pays. Since the 1980s, a new profession of 'enrolment management' has grown up, using statistical techniques and outside consultants to "optimize" tuition revenue while meeting other "enrolment goals." Or in plain language, spending no more than you have to in getting and keeping the students you want.

How much of this will come about here? A straw in the wind is the recent fuss over whether universities can use bursaries or tuition discounts, regardless of the student's need, to fill empty places at the late, 'clearing' stage of admissions. Answer: yes, they can. Another portent is Gloucester University's offer to take 20% off their tuition charges to students who pay tuition in advance for all three years.

Under the new '"top-up" fee system in England (not operating in Scotland), most universities have moved to the maximum permitted tuition fee of $3000, paid either by cash up front or through loans. In return, the universities have to provide bursaries – currently at least £300 though most universities give much more – for students from low-income families, in addition to the maximum government maintenance grant of £2700. As many readers of this website will know, the universities have had to file statements ("access agreements") with the Office for Fair Access (OFFA), describing what they are doing to expand access for under-represented groups; but they are essentially free to spend or not spend what they want to in bursaries, scholarships, and tuition discounts, aside from the £300 minimum for students with family incomes under £17,500. Contrary to the belief of some, OFFA does not require universities to give back in bursaries a minimum percentage of their top-up fees – that is, a minimum proportion of the fee increase from £1200 to, say, £3000 -- though percentages ranging from 25% to 35% were originally discussed. OFFA does not even require universities to report the percentages they plan to give back, though many universities do.

English university pricing policies will not go American all at once, but I predict they will head that way as maximum tuition fees are allowed to climb, providing more revenue to move around. The richest and most academically selective universities, enrolling relatively few low-income students, will give generous bursaries to them: already Oxford is offering £4000 to low-income first-year students, compared with £1000 commonly offered elsewhere -- just as Princeton is more generous to poor students than is Podunk U. Less prestigious universities, with larger proportions of low-income students, will try to hold down their bursary bills by aggressive recruiting in rich suburbs ("geodemographic targeting" as it is called in the US) and giving aid that favours middle-income students. Charging different fees for different subjects, on the basis of supply and demand, will actually be more tempting in England than in the USA where undergraduates do not choose their major subjects till the third of their four years. And many universities will compete for star students even more than they do already with scholarships and tuition discounts not based on financial need. Bidding wars for "hot" students have been a recurring issue in the United States since the 1930s.

Several years ago, a major American enrolment consultant told me he saw the UK as his next market. His time will come unless home-grown counterparts get there first.

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