

Higher Education

The government has announced a review of student funding and University fees. They have decided to do this because they are concerned that Universities do not provide competitive and varied course fees to reflect the different costs of provision and the different economic values to the student of differing degrees. They are also concerned about the scale of student debt and the rate of interest charged on it. This was an important talking point in the General Election when some in Labour seemed to say they would cancel all existing student debt, only for Mr Corbyn after the election to make clear this was not an affordable promise.

The government will have to remember that Universities are independent institutions with a substantial revenue from overseas students. It is not surprising that individual Universities have been reluctant to vary their pricing, for fear of being labelled a second or third rate institution if they decided on a price cutting strategy. It is also perhaps understandable that they have decided to price the same for each subject, meaning that high cost subjects like chemistry are cross subsidised by lower cost subjects that do not need expensive laboratories and supplies. Harmony between staff of different faculties and convenience of administration point to common pricing. There has also been a reluctance to vary prices related to demand and market value, though a law qualification or a finance qualification from a top university probably bestows more economic value on the holder than some other courses from less well regarded institutions. The government may well encounter resistance to the idea of segregated pricing, and may not wish to take pro competition action against the universities.

The present loan system allows for the possibility that some degrees do not enable the student to enter relatively high earning jobs, by allowing write off of student debt if the person stays in low paid employment. It also has the weakness that a high flier who can attract a well paid job may decide to leave the country and walk away from the debt. The high rate of interest acts as a kind of graduate tax on all those who do settle into employment above the income threshold.

There are three main ways that the system could be altered. The government could put more money in to subsidise expensive and worthwhile courses, or to subsidise good UK students. The Universities could be made to compete, with requirements for differential pricing based on costs, supply and demand. The government could continue with a loan based scheme with reform of the interest rate and tweaks to the requirements to repay and to the enforcement of repayment by those who are successful. The scheme can be made to be more like a graduate tax.

I am not myself recommending any reform. I will be interested in your thoughts. The loan scheme which Conservatives originally opposed, fearing it would lead to fewer people attending university and fewer people from poorer backgrounds thinking they could go, has had neither of those consequences. For that and other reasons the Conservative party altered its stance and came

to accept and extend the loan scheme Labour introduced. I do favour more increases in scholarship funds so good students can be grant financed. Many universities now are raising these access funds from ex alumni and other wellwishers.