



# UK HIGHER EDUCATION: A CRUCIBLE OF CHANGE AND UNCERTAINTY

By **Nick Butler**, Senior Advisor to CVA and Visiting Fellow and Chair of the King's Policy Institute at King's College London

**The university sector is unquestionably undergoing a period of considerable upheaval that will mark the most significant change since the Robbins report in the 1960s.**

The well publicised raising of the undergraduate tuition fee cap is only one of a complex convergence of changes that are impacting higher education institutions. These include:

- The government's revised 'core and margin' student number controls threaten to widen the gap between those universities that can attract the brightest students and those that can't
- Privately owned institutions have been given new opportunities to gain a more equal footing
- The international market is growing rapidly, but the UK could lose market share with the introduction of new visa restrictions
- The Research Excellence Framework (REF) submission deadline is fast approaching, sparking a 'war on academic talent'

At the same time, 2011 is seeing not only the largest number of rejected university applicants, including many with strong A-level grades, but also the highest ever level of graduate unemployment as employers, including the civil service, restrict their intake because of budget pressures.

All these changes will reinforce a pervasive sense of uncertainty within the sector. The policy frameworks, within which universities have to operate, have changed three times in the last year and few would bet against further changes. For instance, there is, as yet, no clearly defined policy response to the strong possibility that costs to the Treasury will exceed the allocated budget for Higher Education, or to the risk that a number of universities may become insolvent.

The changes in student fees are, of course, highly significant. They create an environment



The changes are not isolated from the postgraduate market



### Figures at a glance

**189,992**

students eligible for clearing in 2011, a record number

whereby funding for universities is even more closely linked to students and their choices. The government's stated aim of putting 'students at the heart of the system' may not succeed in all of its goals, but it is undoubtedly going to create greater student expectations and enhance students' awareness of their options.

League tables will continue to be a prime driver of university reputation for both postgraduate and undergraduate students. However, the government has now invited students to use these tables in the context of a formalised 'Key Information Set' which will push students into considering metrics such as future employability and contact-time. Though unlikely to have significant impact on league table rankings, the metrics could profoundly change the way in which universities of similar rank compete.

If future employability becomes more important for prospective students (and their parents) then we can expect to see some universities revising their subject portfolios to increase enrolment on courses with greater links to the professions. It will also be interesting to see whether more institutions seriously enter the part-time market following the announcement that part-time students will now qualify for loan support, a change that could herald significant increases in the number of mature students.

The majority of universities have undertaken price-elasticity studies to forecast the impact of price changes on demand, and as we get closer to 2012 we will be able to gain an increasingly accurate view of how students will actually respond. Yet even once the 2012 cohort has been enrolled, volatility of demand will continue for some time as the market adapts to its new environment and to the economic circumstances of the time.

Some of the changes occurring in the market aren't being driven by new regulation, but instead by the underlying UK demographics. For example, the projected population of 18-20 year-olds is set to decline over the coming decade, but this change may not impact demand as

significantly as some are forecasting. This is because more 18-20 year-olds will come from a higher Socio-Economic-group or from ethnic minority groups - both groups that have much higher participation rates.

The high level of youth unemployment is encouraging young people to enter Higher Education. This will increase if universities begin to offer more short term and lower cost courses. Moves in this direction could further blur the boundary line between Higher and Further education.

Most of the recent political and media attention has centred on undergraduates, but the postgraduate market is not isolated from the changes. For a start, there is confusion within the sector over whether postgraduate course fees should be increased simply to ensure that they remain more expensive than undergraduate courses. Postgraduate numbers have been increasing recently, but until now this has been driven by a booming international market and by UK students 'upskilling' during the recession whilst graduate-level employment is more difficult to find. Given the size of accumulated undergraduate debt, it is questionable whether home students will continue to have the current level of interest in postgraduate education.

All this change is against a backdrop of poor global economic performance, increased difficulty of raising funds and no promise of financial support from government if the wrong decisions are made. Although many academics dislike and resist the language of the market, many universities are beginning to develop distinctive offers and unique brand identities to exploit new market niches. Across the sector, institutions will thrive if they match their academic offer to the requirements of students. Equally, others will fail if they do not appreciate the impact of what is happening. Every university must undertake a thorough review of its future direction. Doing nothing would be the riskiest strategy of all.

Employers question value of degree amid squeeze on university places

Nick Butler was the author with Richard Lambert of *European Universities – Renaissance or Decay* published by the Centre for European Reform in 2006.